

SUBMISSION COVER SHEET

Registered Entity Identifier Code (optional)

Date:

IMPORTANT: CHECK BOX IF CONFIDENTIAL TREATMENT IS REQUESTED.

ORGANIZATION

FILING AS A: **DCM** **SEF** **DCO** **SDR** **ECM/SPDC**

TYPE OF FILING

• **Rules and Rule Amendments**

- Certification under § 40.6 (a) or § 41.24 (a)
- “Non-Material Agricultural Rule Change” under § 40.4 (b)(5)
- Notification under § 40.6 (d)
- Request for Approval under § 40.4 (a) or § 40.5 (a)
- Made Available To Trade Determination under § 40.5 or § 40.6
- Advance Notice of SIDCO Rule Change under § 40.10 (a)

• **Products**

- Certification under § 40.2 (a) or § 41.23 (a)
- Submission under § 39.5
- Swap Class Certification under § 40.2 (d)
- Request for Approval under § 40.3 (a)
- Novel Derivative Product Notification under § 40.12 (a)

RULE NUMBERS

DESCRIPTION

TERA[^] EXCHANGE

April 24, 2014

BY ELECTRONIC MAIL: secretary@cftc.gov

Melissa Jurgens
Secretary
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Center
1155 21st Street, N.W.
Washington, DC 20581

Re: TeraExchange, LLC – 14-23 – Commission Regulation 40.2(a) – Certification of Interest Rate Options

Dear Ms. Jurgens:

TeraExchange, LLC (“TeraExchange”) hereby notifies the Commodity Futures Trading Commission (the “Commission” or “CFTC”), pursuant to Commission Regulation 40.2(a), that is certifying interest rate options (the “Contracts”) for trading on its swap execution facility.

The intended listing date of the Contracts is April 28, 2014. The terms and conditions for the Contracts are attached as Exhibit A. A concise explanation and analysis of the Contracts’ compliance with applicable provisions of the Commodity Exchange Act (the “CEA”), including the relevant core principles, and the Commission’s Regulations thereunder is attached as Exhibit B.

TeraExchange certifies that the Contracts comply with the CEA and the Commission Regulations thereunder. TeraExchange further certifies that concurrently with this filing it posted a copy of this submission on its website at www.teraexchange.com/RND.html.

Please contact the undersigned at (908) 273-8266 or at pwilson@teraexchange.com with any questions.

Sincerely,

Peter W. Wilson

Peter W. Wilson
Chief Compliance Officer

Cc: submissions@cftc.gov
Mark Schlegel
Jasmine Lee

Exhibit A

Terms and Conditions

Interest Rate Option

General

Contract Structure	An option that gives its owner the ability to limit interest rate exposure over the term of the contract.
Clearing Venue Specifications	Bilateral
Currencies*	USD, EUR, JPY, GBP, DKK, ZAR, RUB, CHF, SEK, ILS, AUD, HKD, NZD, SGD, SAR, TRY, MXN
Quoting Convention	Premium expressed in basis points
Price Increment	0.1 basis points
Minimum Notional Size	1,000 notional units of the contract currency
Minimum Notional Size Increment	0.01 notional units of the contract currency
Strike Price	The price or difference in price of the underlying Interest Rate Product(s).
Types	Cap = owner limits exposure to rising interest rates Floor = owner limits exposure to falling interest rates
Underlying Interest Rate	Single - a single interest rate Spread - the difference between 2 underlying interest rates
Payment Frequency*	Monthly, Quarterly, Semiannually, Annually
Payment Rate	Digital, Linear
Trading Hours**	00:01 to 24:00 Eastern Time
Last Trade Date	Available to trade on every US business day.
Payment Date	The date upon which the premium amount is exchanged.
Expiry Date	The date upon which the option expires.
Settlement Procedure	As negotiated in the pre-existing bilateral agreement between the counterparties.
Position Accountability	As may be determined and published by TeraExchange under CFTC Regulation 37.600 (c)

Underlying

Tenors	Up to 100 years
Start Date	The date upon which the underlying swap starts. Must be a valid business day per the holiday calendar schedule.
End Date	The date upon which the underlying swap ends. Must be a valid business day per the holiday calendar schedule.
Payment Frequency	As agreed upon by the counterparties.
Reference Rates*	EIBOR, BBSW, CDOR, LIBOR, PRIBOR, CIBOR, CIBOR2, HIBOR, BUBOR, TELBOR01, WIBOR, MOSPRIME, SAIBOR, TRILIBOR, NIBOR, STIBOR, JIBAR, SIBOR, MEXIBOR, CHILIBOR, EURIBOR, ISDAFIX
Reset Frequency	As agreed upon by the counterparties.
Roll Convention	Standard, IMM, EOM
Compounding	None, Flat
Day Count Convention*	30/360, Act/360, Act/365, 360/360, 30E/360, AFI/365, ACT/366, ACT/ACT
Holiday Calendars*	Abu Dhabi, Sydney, Toronto, Prague, Copenhagen, Hong Kong, Budapest, London, Tel Aviv, Jaffa, Tokyo, Wellington, Seoul, Bangkok, Target, Warsaw, Moscow, Riyadh, Singapore, Istanbul, New York, Oslo, Stockholm, Johannesburg, Kuala Lumpur
Business Day Convention	Modified, Modified Following

Exhibit B

This exhibit includes a concise explanation and analysis of the certified Contracts' compliance with applicable provisions of the Commodity Exchange Act (the "CEA"), including the relevant Core Principles, and the Commission's Regulations thereunder.

Core Principle 2 – Compliance with Rules

As with all products listed for trading on TeraExchange, trading in the Contracts will be subject to compliance with the CEA, CFTC Regulations and the TeraExchange Rulebook (the "Rules"). Chapter 5 of the Rules sets out in detail the trading practice and business conduct rules applicable to all Participants. In general, under Rule 517, Participants are prohibited from engaging in any conduct in violation of Applicable Law or the Rules. Under Rule 518, any violation of the Rules or act constituting fraud, dishonorable or dishonest conduct, or conduct inconsistent with just and equitable principles of trade is an offense. Fraudulent acts of any kind, including but not limited to front-running, money passes, trading ahead of or against customers, and accommodation trading, are all prohibited under Rule 519. Also included in Chapter 5 is a series of specific Rules intended to deter abusive and disruptive trading practices, including prohibitions on the following: fictitious, wash or non-competitive transactions (Rule 520); market disruption, including violating bids and offers, closing period violations, and spoofing (Rule 521); market manipulation (Rule 522); misstatements (Rule 523); acts detrimental to the SEF (Rule 524); misuse of the SEF (Rule 525); withholding of orders (Rule 526); trading against or crossing orders (Rule 527); and disclosing orders (Rule 528).

TeraExchange market regulation staff, working in partnership with the staff of the National Futures Association as regulatory services provider, will conduct surveillance and initiate disciplinary proceedings as necessary to enforce compliance with the Rules, the CEA and Commission Regulations.

Core Principle 3 – Swaps not Readily Susceptible to Manipulation

TeraExchange limits the indexes underlying its Contracts to well-established, publicly available third-party interest rate market benchmarks. Some are published by central banks, while others are calculated and published by reliable independent providers such as trade associations, exchanges or other third parties. The interest rate reference prices on TeraExchange are the timeliest, most widely recognized and reliable benchmarks for interest rates in their respective markets. The index levels are readily available and commercially acceptable as benchmarks for borrowers, lenders, investors, portfolio managers, governments and public policy makers.

TeraExchange believes that the large number of participants in each market, and the calculation of each index by well known, independent third parties further limits the susceptibility of manipulation of these indexes. TeraExchange believes that such benchmark indexes due to the large number of index participants, ubiquity, and broad-market nature are not readily susceptible to manipulation.

Core Principle 7 – Financial Integrity of Transactions

All Swaps that are required to be cleared pursuant to Section 2(h) of the CEA or that are voluntarily cleared by the counterparties will be submitted for clearing through a DCO.

Core Principle 9 – Timely Publication of Trading Information

TeraExchange will submit timely reports regarding the Contracts to a registered swap data repository as prescribed in Parts 43 and 45 of the CFTC Regulations. TeraExchange will also record, report and publish on its website all data required by Part 16 of the CFTC's Regulations.