

# 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<sup>^</sup> EXCHANGE

April 30, 2014

**BY ELECTRONIC MAIL: [secretary@cftc.gov](mailto: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 – 14-24 – Commission Regulation 40.2(a) – Certification of Non-Deliverable Forward**

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 non-deliverable forward contracts (“NDF”) for trading on its swap execution facility.

The intended listing date of the NDF is May 2, 2014. The terms and conditions for the NDF are attached as Exhibit A. A concise explanation and analysis of the NDF’s 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 NDF complies 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](http://www.teraexchange.com/RND.html).

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

Sincerely,

*Peter W. Wilson*

Peter W. Wilson  
Chief Compliance Officer

Cc: [submissions@cftc.gov](mailto:submissions@cftc.gov)  
Mark Schlegel  
Jasmine Lee

Exhibit A

Terms and Conditions

## Non-Deliverable Forwards

General	
Contract Structure	An outright forward agreement that is settled upon the difference between the contract price and the prevailing spot rate on a notional amount.
Clearing Venue Specifications	Bilateral
Contract Currencies*	BRL, BWP, CLP, CNY, COP, EGP, GHS, GTQ, IDR, INR, KES, KRW, KZT, MYR, MWK, NGN, PEN, PHP, RUB, THB, TWD, TZN, UAH, UGX, UYU, VEB, VND, ZMK
Settlement Currency*	USD, GBP, EUR, JPY, CHF, AUD, CAD
Quoting Convention	Currency exchange rate expressed as the amount of Contract Currency per unit of Settlement Currency.
Price Increment	There is no minimum price increment.
Minimum Notional Size	1,000 notional units of the contract currency
Minimum Notional Size Increment	0.01 notional units of the contract currency
Trading Conventions	<p>The buyer of a contract agrees to purchase a notional amount of the Contract Currency at an exchange rate determined by the price of execution.</p> <p>The seller of a contract agrees to sell a notional amount of the Contract Currency at an exchange rate determined by the price of execution.</p>
Trading Hours	00:01 to 24:00 Eastern Time
Fixing Date	The date at which the difference between the prevailing spot rate and the fixed exchange rate is calculated, as agreed upon by the counterparties.
Settlement Date	As negotiated in the pre-existing bilateral agreement between the counterparties.
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)

\*The above items represent the customary attributes of the agreements; those items marked with an asterisk "\*" may be customized

## Exhibit B

This exhibit includes a concise explanation and analysis of the certified NDFs' 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 NDFs 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**

An NDF is a forward contract in which the counterparties settle the difference between the NDF price or rate and the prevailing spot price or rate on an agreed upon notional amount. All NDFs have a fixing date and settlement date. The fixing date is the date at which the difference between the prevailing market exchange rate and the agreed upon exchange rate is calculated. The settlement date is the date by which the payment of the difference is due to the party receiving payment. In a majority of cases, NDFs will be fixed against a daily rate published by the central bank of the relevant country.

NDFs are not readily susceptible to manipulation for a number of reasons. First, the reference price is generated through a transparent, rules-based process. The reliability of the reference data is evident in its general acceptance in the marketplace as a reliable, unbiased source for foreign exchange rate data. Second, the foreign exchange market is an extremely liquid market with massive volume, making manipulation very difficult to achieve. Third, the reference rates are readily available via a number of sources including websites of the various central banks.

### **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 NDFs 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.