

TERA[^] EXCHANGE

TeraExchange, LLC
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February 24, 2014

BY ELECTRONIC MAIL: submissions@cftc.gov

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

Re: TeraExchange Submission 14-04: Listing of EUR EURIBOR Fixed for Float Interest Rate Swaps by Certification Pursuant to Commission Regulation 40.2(a)

Dear Secretary Jurgens:

TeraExchange, LLC ("TeraExchange") hereby notifies the Commodity Futures Trading Commission (the "Commission" or "CFTC"), pursuant to Commission Regulation 40.2(a), that it is certifying EUR EURIBOR fixed for float interest rate swaps ("IRS") for trading on its swap execution facility.

The intended listing date of the IRS certified in this letter is February 26, 2014. This submission letter includes the following attachments:

- The submission cover sheet;
- The terms and conditions for the IRS (Exhibit A); and
- A concise explanation and analysis of the IRS's compliance with applicable provisions of the Commodity Exchange Act (the "CEA"), including the relevant Core Principles, and the Commission's Regulations thereunder (Exhibit B).

Certifications

I hereby certify that each IRS swap complies with the CEA and Commission Regulations thereunder. I further certify that TeraExchange has concurrently posted a copy of this submission letter and all attachments on the TeraExchange website at <http://www.teraexchange.com/regulatory.html>.

Please contact the undersigned at (908) 273-8277 or at LNuara@teraexchange.com with any questions.

Sincerely,

Leonard T. Nuara

Leonard T. Nuara
President and COO

SUBMISSION COVER SHEET

Registered Entity Identifier Code (optional): 2014-04 **Date:** February 24, 2014

IMPORTANT: CHECK BOX IF CONFIDENTIAL TREATMENT IS REQUESTED.

ORGANIZATION

Tera Exchange, LLC

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)

Advance Notice of SIDCO Rule Change under § 40.10 (a)

• **Products**

Certification under § 39.5(b), § 40.2 (a), or § 41.23 (a)

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

Attached are the terms and conditions of the EUR EURIBOR FIXED FOR FLOAT IRS.

Exhibit A

Terms and Conditions

(Attached)

EUR EURIBOR FIXED FOR FLOAT IRS

Swap Structure	A spot starting, fixed notional, fixed for float Interest Rate Swap whose value is based upon the difference between a stream of fixed cash flows and floating interest payments that are tied to a floating reference rate, over a term to maturity.
Currencies	EUR
Clearing Venue Specifications	CME available at http://www.cmegroup.com/trading/interest-rates/cleared-otc/files/cme-otc-irs-supported-product-list.xls LCH available at http://www.lchclearnet.com/swaps/swapclear_for_clearing_members/products.asp
*Quoting Convention	Standard: Fixed coupon in points (00.000) Upfront: NPV per hundred million notional
*Price Increment	Standards: 0.001 points = 0.1 basis points Upfront: € 20 per hundred million notional
*Minimum Notional Size	€ 1,000
*Minimum Notional Size Increment	€ 1,000
Trading Conventions	Buy = Pay Fixed Sell = Receive Fixed
Trading Hours	1:00 AM to 5:00 PM Eastern Time
Last Trade Date	Available to trade on every US business day
*Effective Date	The Effective Date is the first date for which fixed and floating payments accrue. For spot starting instruments, the Effective Date is Trade Date + 2, subject to adjustment based on Modified Following convention. For forward starting instruments, the Effective Date is Trade Date + 2 + Forward Starting Period, subject to adjustment based on Modified Following convention.
*Maturity Date	The Maturity Date (also referred to as the Termination Date) is the final date to which fixed and floating amounts accrue. For EUR instruments, this date is Effective Date + Tenor. This date is subject to adjustment based on Modified Following convention.
*Forward Starting Period	Spot starting instruments: None Forward starting instruments: Up to 10 years
Tenor	Up to 51 YEARS
*Upfront Payment	Standard: None Upfront: Determined by the price of execution
*Roll and Payment Date Holiday Calendars	TARGET
Settlement Procedure	As determined by the Clearing Venue
Position Accountability	As may be determined and published by TeraExchange under CFTC Regulation 37.600 (c)
Fixed Coupon	Standard: The fixed coupon is determined by the price of execution and remains static throughout the life of the contract. Upfront: As defined by Market Participants
*Payment Frequency	Annual
*Compounding	None
*Day Count Convention	30/360
*Business Day Convention	Modified Following
Float Leg	
*Payment Frequency	Semiannual
*Reset Frequency	Quarterly (3M EURIBOR) Semiannual (6M EURIBOR)
*Compounding	Flat (3M EURIBOR) None (6M EURIBOR)
*Day Count Convention	ACT/360
*Business Day Convention	Modified Following
*Reset Dates	Reset Dates define the beginning and end of accrual periods. Floating Rate Reset Dates facilitate the determination of the EURIBOR Fixing Dates. Each Reset Date is subject to adjustment based on Modified Following convention.
Fixing Dates	2 TARGET Business Days before each Reset Date, subject to Preceding business day adjustment.
*Floating Rate Index	3, 6 Month EURIBOR
*Fixing Date Holiday Calendar	TARGET

The above items represent the customary attributes of the swap agreements; those items marked with an asterisk "" may be customized but only in conformance with the Clearing Venue Specifications.

Exhibit B

This exhibit includes a concise explanation and analysis of the certified IRS's 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 IRS 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

All IRS traded on Tera Exchange will be cash-settled by a registered Derivatives Clearing Organization ("DCO") pursuant to the DCO's rules. As a general matter, IRS trade in extremely deep and liquid markets that are difficult to manipulate. According to the Bank for International Settlements, more than \$400 trillion in notional principal was outstanding in the IRS market at the end of 2012 (see BIS Quarterly Review, September 2013). In addition, the reference rates for the IRS are derived from reputable third-party sources, as described below:

Euribor is short for Euro Interbank Offered Rate. The Euribor rates are based on the interest rates at which a panel of 40 to 50 European banks borrow funds from one another. In the calculation, the highest and lowest 15 percent of all the quotes collected are eliminated. The remaining rates will be averaged and rounded to three decimal places. Euribor is determined and published at 11:00 am each day, Central European Time. Euribor-EBF is the administrator of the Euribor benchmarks and is responsible for the development and support of benchmark rates it governs. In addition Euribor-EBF supports other practical initiatives which foster the integration of the European financial market and improvement of liquidity, safety and transparency.

Core Principle 7 – Financial Integrity of Transactions

As with all transactions on TeraExchange, pursuant to CFTC Regulations and TeraExchange Rules all orders for IRS are subject to mandatory pre-trade credit checks to ensure that counterparties have sufficient credit limits in place to meet their financial obligations. See CFTC Regulation 1.73 and TeraExchange Rule 405. All IRS being certified for trading herein will be submitted for clearing at a registered DCO subject to the DCO's rules and specifications. See TeraExchange Rule 601. These pre-trade credit check and clearing requirements are designed to enhance the financial integrity of transactions in IRS and all other products traded on TeraExchange.