SUBMISSION COVER SHEET

Registered Entity Identifier Code (optional): 2013-09-P21 **Date: September 29, 2013**

***IMPORTANT*: CHECK BOX IF CONFIDENTIAL TREATMENT IS REQUESTED.**
☐

ORGANIZATION	Bloomberg SEF 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

None Applicable; terms and conditions of the "USD LIBOR Basis Swap Contract" are attached as Attachment A.

DESCRIPTION

In accordance with Commodity Futures Trading Commission ("Commission") Regulation § 40.2(a), this is a submission, by Bloomberg SEF LLC ("BSEF"), for Commission review and approval of a new product for trading – the "USD LIBOR Basis Swap Contract" ("Contract").

Bloomberg SEF LLC
New Contract Submission 2013-09-P21
September 29, 2013

1. The Contract's terms and conditions are attached as Attachment A.

2. The intended listing date is October 2, 2013.

3. Attached, please find a certification that: (a) the Contract complies with the Act and the Commission regulations thereunder; and (b) concurrent with this submission, BSEF posted on its website: (i) a notice of pending certification of this Contract with the Commission; and (ii) a copy of this submission.

EXPLANATION AND ANALYSIS OF THE CONTRACT'S COMPLIANCE WITH APPLICABLE CORE PRINCIPLES AND COMMISSION REGULATIONS

As required by Commission Regulation § 40.2(a), the following analysis, in the form of narrative and explanatory charts, demonstrates that the Contract is consistent with the requirements of the Act and the Commission regulations and policies thereunder (in particular, Appendix B to Part 37 and Appendix C to Part 38, respectively).

Appendix B to Part 37—Demonstration of Compliance That a Contract Is Not Readily Susceptible to Manipulation

Core Principle 3 of Section 5h of the Act—Swaps Not Readily Susceptible to Manipulation. The swap execution facility shall permit trading only in swaps that are not readily susceptible to manipulation.

(a) Guidance.

(1) In general, a swap contract is an agreement to exchange a series of cash flows over a period of time based on some reference price, which could be a single price, such as an absolute level or a differential, or a price index calculated based on multiple observations. Moreover, such a reference price may be reported by the swap execution facility itself or by an independent third party. When listing a swap for trading, a swap execution facility shall ensure a swap's compliance with Core Principle 3, paying special attention to the reference price used to determine the cash flow exchanges. Specifically, Core Principle 3 requires that the reference price used by a swap not be readily susceptible to manipulation. As a result, when identifying a reference price, a swap execution facility should either: Calculate its own reference price using suitable and well-established acceptable methods or carefully select a reliable third-party index.

(2) The importance of the reference price's suitability for a given swap is similar to that of the final settlement price for a cash-settled futures contract. If the final settlement price is

manipulated, then the futures contract does not serve its intended price discovery and risk management functions. Similarly, inappropriate reference prices cause the cash flows between the buyer and seller to differ from the proper amounts, thus benefitting one party and disadvantaging the other. Thus, careful consideration should be given to the potential for manipulation or distortion of the reference price.

Calculation of LIBOR

The reference rate for the floating leg of the swap is the "London InterBank Offered Rate" or ("LIBOR"), which is the average rate at which contributor banks perceive that they can obtain unsecured funding in the London interbank market for a given period and in a given currency. Currently, LIBOR is administered by BBA Libor Ltd. and the rate is calculated by Thomson Reuters, using specific guidelines. To calculate LIBOR, which is a "trimmed mean," Thomson Reuters collects the perceived rate daily from each of the contributor banks, discards the highest and lowest contributions (the top and bottom quartiles), and then uses the middle two quartiles. Both BBA Libor Ltd. and Thomson Reuters are separately regulated by the Financial Conduct Authority ("FCA").

Recent Revisions to LIBOR

Recently, concerns have been raised with respect to the reliability of LIBOR as a reference price. As a result, British regulators and BBA Libor Ltd., the current administrator of LIBOR, have taken steps to increase the robustness of the LIBOR process and inspire greater confidence in its reliability. These steps include:

a. completion of a comprehensive review of LIBOR which resulted in a report with recommendations, entitled the "Wheatley Review of LIBOR" ("Wheatley Report");
b. establishment of an Interim LIBOR Oversight Committee ("ILOC") to oversee the management of LIBOR, as required by the FCA regulations and recommended by the Wheatley Report;
c. enactment of regulation which makes the administration of LIBOR a "regulated activity" under the Financial Services and Markets Act 2000;
d. (ongoing) streamlining of the number of LIBOR currencies and maturities;
e. initiation of the practice of publishing individual LIBOR submissions after three months in order to reduce the potential for submitters to attempt manipulation;
f. establishment of the Hogg Tendering Advisory Committee ("Hogg Committee") to recommend new institutions to oversee LIBOR;
g. approval of an upcoming transfer of the administration of LIBOR to NYSE Euronext Rates Administration Limited, the bidder recommended by the Hogg Committee;
h. confirmation by the FCA of the "Interim Code of Conduct for Contributing Banks" as Industry Guidance; and
i. establishment of a Whistleblowing Policy for LIBOR, as approved by the ILOC, which outlines how any concerns about perceived irregularities in conduct related to the administration of LIBOR and/or LIBOR submissions could be raised.[1]

[1] A description of the ongoing developments in regard to LIBOR is available at BBA LIBOR Ltd.'s website, at http://www.bbalibor.com/news.

As British regulators and the current LIBOR administrator make these and other changes to improve the robustness of LIBOR, LIBOR remains a widely used and relied upon benchmark.

(3) For swaps that are settled by physical delivery or by cash settlement refer to the guidance in appendix C to part 38 of this chapter—Demonstration of Compliance That a Contract is not Readily Susceptible to Manipulation, section b(2) and section c(4), respectively.

Appendix C to Part 38 - Demonstration of Compliance That a Contract Is Not Readily Susceptible to Manipulation

(c) Futures Contracts Settled by Cash Settlement. (1) Cash settlement is a method of settling certain futures or option contracts whereby, at contract expiration, the contract is settled by cash payment in lieu of physical delivery of the commodity or instrument underlying the contract. An acceptable specification of the cash settlement price for commodity futures and option contracts would include rules that fully describe the essential economic characteristics of the underlying commodity (e.g., grade, quality, weight, class, growth, issuer, maturity, source, rating, description of the underlying index and index's calculation methodology, etc.), as well as how the final settlement price is calculated. In addition, the rules should clearly specify the trading months and hours of trading, the last trading day, contract size, minimum price change (tick size) and any limitations on price movements (e.g., price limits or trading halts).

Essential Economic Characteristics of the Contract

Terms

The terms of Contract are attached as Attachment A, including the following:

Contract Overview	An agreement to exchange a stream of cash flows by applying two floating interest rates to a specified notional over a term to maturity.
Currency	USD
Floating Rate Index	1 Month USD-LIBOR-BBA 3 Month USD-LIBOR-BBA 6 Month USD-LIBOR-BBA
Quoting Convention and Minimum Increment	As agreed by counterparties.
Minimum Size	As agreed by counterparties.
Trading Conventions	Buy = Pay Spread Sell = Receive Spread
Swap Conventions	Floating Leg 1 • Payment/Resets: Monthly, Quarterly • Day Count Conventions: ACT/360

	• Compounding Method: Flat • Holiday Calendars: London or New York • Fixing Calendar: London • Business Day Conventions: Modified Following with adjustment to period end dates Floating Leg 2 • Payment/Resets : Quarterly or Semi-Annual • Day Count Conventions: ACT/360 • Holiday Calendars: London or New York • Fixing Calendar: London • Business Day Conventions: Modified Following with adjustment to period end dates
Swap Tenor	The duration of time from the effective date to the maturity date. A contract can have a tenor from 28 days to as long as 30 years.
Effective Date	The date on which parties begin calculating accrued obligations such as fixed and floating interest rate payments (i.e., the start date of the swap).
Maturity Date	The final date on which the obligations no longer accrue and the final payment occurs.
Periodic Settlement: Payment and Resets	Floating Leg 1: The payment amount of the Floating Leg 1 is based on the following: Notional, Payment Frequency, Day Count Convention, Floating Interest Rate Index, and Floating Reset Dates. Floating Leg 2: The payment amount of the Floating Leg 2 is based on the following: Notional, Payment Frequency, Day Count Convention, Floating Interest Rate Index and Floating Reset Dates. Payments are settled in accordance with the payment frequency of the swap.
First Fixing Date	The first LIBOR Fixing Date is 2 London business days prior to the Effective Date.
Trade Start Types	Spot: A new swap where the Effective Date is T+2 from the trade date.
Trade Types	The following swap types may be executed on the Bloomberg SEF: • 1s3s Basis • 3s6s Basis
Settlement Procedure	As determined by the Clearing Venue.
Trading Hours	00:01 -24:00 Sunday-Friday (Eastern Time)
Clearing Venue	CME or LCH
Block Size	As set forth in Appendix F to Part 43 of the CFTC Regulations.
Speculative Limits	As set forth in Part 151 of the CFTC Regulations.

Reportable Levels	As set forth in CFTC Regulation 15.03.

As indicated, the Contract is composed of both fixed and variable terms. Fixed terms include: the currency (USD), trading hours (24 hours, Sunday to Friday), and first fixing date. Many of the terms, however, are variable, as is customary with IRS basis swaps; counterparties are able to determine amongst themselves (among other things): (a) which of three LIBOR rates to use for each of the two floating legs (though the two rates must be different); (b) swap tenor; (c) trade types; and (d) clearing venue. This combination of standard and flexible terms allows the contract to have a basic consistent form, while allowing counterparties to tailor the contract to their economic needs. The structure follows industry convention; the terms of the Contract match the terms of interest rate basis swaps that are commonly offered in the market.

Contract Not Readily Susceptible to Manipulation

The Contract is not susceptible to manipulation for a number of reasons. First, as noted above, interest rate products are very liquid – the market is very large and deep, making manipulation very difficult to achieve. Second, BSEF has a robust market surveillance program that is effectively able to surveil this market, detect uncommon activity, and investigate any such activity for signs of manipulation. And third, the LIBOR rate, the reference rate upon which the Contract is based, is difficult for any entity or group of market participants to manipulate, especially given the recent changes (some of which are described above) and the enhanced public scrutiny. For this reason, while British regulators and the current LIBOR administrator are making changes to improve the robustness of the reference rate, LIBOR remains a widely used and relied upon benchmark.

Calculation of Cash Settlement Price

The Contract is an agreement to exchange cash flow streams by applying two different floating interest rates (of the three specified above) to a specified notional amount (determined by the counterparties) over a term of maturity (also determined by the counterparties). As such, the cash settlement price will be calculated based on the following variables:

(a) Floating Leg 1: The payment amount of the Floating Leg 1 is based on the following: Notional, Payment Frequency, Day Count Convention, Floating Interest Rate Index, and Floating Reset Dates.

(b) Floating Leg 2: The payment amount of the Floating Leg 2 is based on the following: Notional, Payment Frequency, Day Count Convention, Floating Interest Rate Index and Floating Reset Dates.

All payments are settled in accordance with the payment frequency of the swap. The detailed settlement procedure will be determined by the clearing venue.

2) Cash settled contracts may be susceptible to manipulation or price distortion. In evaluating the susceptibility of a cash-settled contract to manipulation, a designated contract market should consider the size and liquidity of the cash market that underlies the

listed contract in a manner that follows the determination of deliverable supply as noted above in (b)(1). In particular, situations susceptible to manipulation include those in which the volume of cash market transactions and/or the number of participants contacted in determining the cash-settlement price are very low. Cash-settled contracts may create an incentive to manipulate or artificially influence the data from which the cash-settlement price is derived or to exert undue influence on the cash-settlement price's computation in order to profit on a futures position in that commodity.

The utility of a cash-settled contract for risk management and price discovery would be significantly impaired if the cash settlement price is not a reliable or robust indicator of the value of the underlying commodity or instrument. Accordingly, careful consideration should be given to the potential for manipulation or distortion of the cash settlement price, as well as the reliability of that price as an indicator of cash market values. Appropriate consideration also should be given to the commercial acceptability, public availability, and timeliness of the price series that is used to calculate the cash settlement price. Documentation demonstrating that the settlement price index is a reliable indicator of market values and conditions and is commonly used as a reference index by industry/market agents should be provided. Such documentation may take on various forms, including carefully documented interview results with knowledgeable agents.

As noted above, the Contract operates in a very liquid market with numerous participants. Also, the cash settlement price is not easily susceptible to manipulation or distortion as the method of determining the price is based on factors that are fixed at the start of Contract (i.e., payment frequency, day count conventions, and floating reset dates) and LIBOR. And as noted above, as British regulators and the current LIBOR administrator make changes to improve the robustness of LIBOR, LIBOR is still used in many, many transactions on a daily basis. The LIBOR rate is thus not only widely accepted by market participants, but timely LIBOR data is readily accessible through numerous news outlets.

(3) Where an independent, private-sector third party calculates the cash settlement price series, a designated contract market should consider the need for a licensing agreement that will ensure the designated contract market's rights to the use of the price series to settle the listed contract.

(i) Where an independent, private-sector third party calculates the cash settlement price series, the designated contract market should verify that the third party utilizes business practices that minimize the opportunity or incentive to manipulate the cash-settlement price series. Such safeguards may include lock-downs, prohibitions against derivatives trading by employees, or public dissemination of the names of sources and the price quotes they provide. Because a cash-settled contract may create an incentive to manipulate or artificially influence the underlying market from which the cash-settlement price is derived or to exert undue influence on the cash-settlement computation in order to profit on a futures position in that commodity, a designated contract market should, whenever practicable, enter into an information-sharing agreement with the third-party provider which would enable the designated contract market to better detect and prevent manipulative behavior.

As described above, the cash settlement price will be calculated through a cash settlement method that is not easily susceptible to manipulation.

(ii) Where a designated contract market itself generates the cash settlement price series, the designated contract market should establish calculation procedures that safeguard against potential attempts to artificially influence the price. For example, if the cash settlement price is derived by the designated contract market based on a survey of cash market sources, the designated contract market should maintain a list of such entities which all should be reputable sources with knowledge of the cash market. In addition, the sample of sources polled should be representative of the cash market, and the poll should be conducted at a time when trading in the cash market is active.

Please see above.

(iii) The cash-settlement calculation should involve computational procedures that eliminate or reduce the impact of potentially unrepresentative data.

(iv) The cash settlement price should be an accurate and reliable indicator of prices in the underlying cash market. The cash settlement price also should be acceptable to commercial users of the commodity contract. The registered entity should fully document that the settlement price is accurate, reliable, highly regarded by industry/market agents, and fully reflects the economic and commercial conditions of the relevant designated contract market.

Please see above.

(v) To the extent possible, the cash settlement price should be based on cash price series that are publicly available and available on a timely basis for purposes of calculating the cash settlement price at the expiration of a commodity contract. A designated contract market should make the final cash settlement price and any other supporting information that is appropriate for release to the public, available to the public when cash settlement is accomplished by the derivatives clearing organization. If the cash settlement price is based on cash prices that are obtained from non-public sources (e.g., cash market surveys conducted by the designated contract market or by third parties on behalf of the designated contract market), a designated contract market should make available to the public as soon as possible after a contract month's expiration the final cash settlement price as well as any other supporting information that is appropriate or feasible to make available to the public.

LIBOR rates are widely and readily available to the public via a number of sources.

(4) Contract terms and conditions requirements for futures contracts settled by cash settlement.

(i) An acceptable specification of the terms and conditions of a cash-settled commodity contract will also set forth the trading months, last trading day, contract size, minimum price change (tick size) and daily price limits, if any.

As described above, the contract terms are attached as Attachment A. As noted above, while there are common terms such as the trading hours and the reference rate, many of the terms are flexible. Nevertheless, the terms are all within commonly accepted market norms.

(A) Commodity Characteristics: The terms and conditions of a commodity contract should describe the commodity underlying the contract.

The reference to LIBOR is included in the Contract's terms and conditions (Attachment A)**.**

(B) Contract Size and Trading Unit: An acceptable specification of the trading unit would be a contract size that is consistent with customary transactions in the cash market. A designated contract market may opt to set the contract size smaller than that of standard cash market transactions.

The size of the Contract is consistent with the customary size of similar transactions in the market.

(C) Cash Settlement Procedure: The cash settlement price should be reliable, acceptable, publicly available, and reported in a timely manner as described in paragraphs (c)(3)(iv) and (c)(3)(v) of this appendix C.

The cash settlement procedure and an explanation of how it is not readily susceptible to manipulation, is described above.

(D) Pricing Basis and Minimum Price Fluctuation (Minimum Tick): The minimum price increment (tick) should be set a level that is equal to, or less than, the minimum price increment commonly observed in cash market transactions for the underlying commodity. Specifying a futures' minimum tick that is greater than the minimum price increment in the cash market can undermine the risk management utility of the futures contract by preventing hedgers from efficiently establishing and liquidating futures positions that are used to hedge anticipated cash market transactions or cash market positions.

As agreed by the counterparties, which is consistent with market custom.

(E) Maximum Price Fluctuation Limits: Designated contract markets may adopt price limits to: (1) Reduce or constrain price movements in a trading day that may not be reflective of true market conditions but might be caused by traders overreacting to news; (2) Allow additional time for the collection of margins in times of large price movements; and (3) Provide a "cooling-off" period for futures market participants to respond to bona fide changes in market supply and demand fundamentals that would lead to large cash and futures price changes. If price-limit provisions are adopted, the limits should be set at levels that are not overly restrictive in relation to price movements in the cash market for the

commodity underlying the futures contract. For broad-based stock index futures contracts, rules should be adopted that coordinate with New York Stock Exchange ("NYSE") declared Circuit Breaker Trading Halts (or other market coordinated Circuit Breaker mechanism) and would recommence trading in the futures contract only after trading in the majority of the stocks underlying the index has recommenced.

As agreed by the counterparties, which is consistent with market custom.

(F) Last Trading Day: Specification of the last trading day for expiring contracts should be established such that it occurs before publication of the underlying third-party price index or determination of the final settlement price. If the designated contract market chooses to allow trading to occur through the determination of the final settlement price, then the designated contract market should show that futures trading would not distort the final settlement price calculation.

The last trading day will be the maturity date of each contract, which is set by the individual counterparties.

(G) Trading Months: Trading months should be established based on the risk management needs of commercial entities as well as the availability of price and other data needed to calculate the cash settlement price in the specified months. Specification of the last trading day should take into consideration whether the volume of transactions underlying the cash settlement price would be unduly limited by occurrence of holidays or traditional holiday periods in the cash market. Moreover, a contract should not be listed past the date for which the designated contract market has access to use a proprietary price index for cash settlement.

As noted above, payments are settled in accordance with the payment frequency of the Contract, which can be either monthly or quarterly for the Floating Leg 1; or quarterly or semi-annual for the Floating Leg 2. The counterparties determine the payment frequency at the inception of the Contract.

(H) Speculative Limits: Specific rules and policies for speculative position limits are set forth in part 150 and/or part 151, as applicable, of the Commission's regulations.

None required by Parts 150 or 151.

(I) Reportable Levels: Refer to § 15.03 of the Commission's regulations.

BSEF will adhere to the applicable reporting levels set forth in **§** 15.03 of the Commission's regulations.

(J) Trading Hours: Should be set by the designated contract market to delineate each trading day.

The Contract is traded twenty-four hours a day (00:01 – 24:00) (ET), Sunday to Friday.

CERTIFICATIONS PURSUANT TO SECTION 5c OF THE COMMODITY EXCHANGE ACT, 7 U.S.C. §7A-2 AND COMMODITY FUTURES TRADING COMMISSION REGULATION 40.2, 17 C.F.R. §40.2

I hereby certify that: 1) the "USD LIBOR Basis Swap Contract" complies with the Commodity Exchange Act, 7 U.S.C. §1 *et seq*. and regulations thereunder; and 2) concurrent with this submission, Bloomberg SEF LLC posted on its website: (a) a notice of pending certification of this Contract with the Commission; and (b) a copy of this submission.

By: Gregory Dumark
Title: Chief Compliance Officer
Date: September 29, 2013

Attachment A
Terms and Conditions

[*see attached*]

Bloomberg SEF LLC

Interest Rate Swaps:

USD Libor Basis Swap Contract Specifications

Contract Overview	An agreement to exchange a stream of cash flows by applying two floating interest rates to a specified notional over a term to maturity.
Currency	USD
Floating Rate Index	1 Month USD-LIBOR-BBA 3 Month USD-LIBOR-BBA 6 Month USD-LIBOR-BBA
Quoting Convention Minimum Increment	As agreed by counterparties
Minimum Size	As agreed by counterparties
Trading Conventions	Buy = Pay Spread Sell = Receive Spread
Swap Conventions	Floating Leg 1 • Payment/Resets: Monthly, Quarterly • Day Count Conventions: ACT/360 • Compounding Method: Flat • Holiday Calendars: London, New York • Fixing Calendar: London • Business Day Conventions: Modified Following with adjustment to period end dates Floating Leg 2 • Payment/Resets : Quarterly, Semi-Annual • Day Count Conventions: ACT/360 • Holiday Calendars: London, New York • Fixing Calendar: London • Business Day Conventions: Modified Following with adjustment to period end dates
Swap Tenor	The duration of time from the effective date to the maturity date. A contract can have a Tenor from 28 days to as long as 30 years.
Effective Date	The date on which parties begin calculating accrued obligations such as fixed and floating interest rate payments. Also known as the start date of the swap.
Maturity Date	The final date on which the obligations no longer accrue and the final payment occurs.

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Periodic Settlement: Payment and Resets	Floating Leg 1: The payment amount of the Floating Leg 1 is based on the following: Notional, Payment Frequency, Day Count Convention, Floating Interest Rate Index, and Floating Reset Dates. Floating Leg 2: The payment amount of the Floating Leg 2 is based on the following: Notional, Payment Frequency, Day Count Convention, Floating Interest Rate Index and Floating Reset Dates. Payments are settled in accordance with the payment frequency of the swap.
First Fixing Date	The first LIBOR Fixing Date is 2 London business days prior to the Effective Date.
Trade Start Types	Spot: • A new swap where the Effective Date is T+2 from the trade date.
Trade Types	The following swap types may be executed on the Bloomberg SEF: • 1s3s Basis • 3s6s Basis
Settlement Procedure	As determined by the Clearing Venue
Trading Hours	00:01 -24:00 Sunday-Friday Eastern Time
Clearing Venue	CME or LCH
Block Size	As set forth in Appendix F to Part 43 of the CFTC Regulations.
Speculative Limits	As set in Part 151 of the CFTC Regulations
Reportable Levels	As set in CFTC Regulation 15.03