TW SEF LLC
Market Regulation Advisory Notice
Subject: Trading and Execution Protocols
Rule References: Rules 404 and 411
Advisory Date: April 6, 2015
Effective Date: April 21, 2015

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Trading and Execution Protocols

TW SEF LLC (the SEF) offers Participants and Trading Customers the ability to execute Swaps (i) on the SEF through the Order Book and certain types of request for quote (RFQ) functionalities, and (ii) away from the SEF and processed through a sales entry ticket (SET). Each of these trading and execution protocols is described in detail below. Capitalized terms not defined herein have the meaning given such terms in the SEF Rulebook.

Order Book / Leave Order. The SEF's Order Book provides any Participant or Trading Customer the ability to leave a fully-disclosed resting Order, which includes Participant or Trading Customer name, notional amount and price on the Order Book. These Order details are visible to all other Participants and Trading Customers. If there is a resting Order displayed in the SEF's Order Book, a Participant or Trading Customer may trade by aggressing against that Order.

RFQ. The SEF offers several RFQ protocols, which are fully-disclosed trading protocols enabling an RFQ requester to hold a real-time auction with multiple RFQ recipients and select the best price. For Required Transactions, an RFQ requester must select at least three unaffiliated[1] RFQ recipients for a particular Swap for a specified notional amount. The SEF's system does not establish a maximum number of RFQ recipients that an RFQ requester may select. Also, for Required Transactions, at the same time that the RFQ requester receives the first responsive Order from an RFQ recipient, the SEF communicates to the RFQ requester any bid or offer pertaining to the same Swap resting on the Order Book and provides the RFQ requester with the ability to execute against any such resting Order. For Permitted Transactions, Permitted Package Transactions and Block Trades, there is no minimum number of RFQ recipients.
The following types of RFQ functionalities are offered on the SEF:

- Standard RFQ. The SEF's standard RFQ functionality permits an RFQ requester to request a one-sided market (bid or offer quote) from RFQ recipients.

- Request for Market (RFM). The SEF's RFM functionality permits an RFM requester to request two-sided market (bid and offer quotes) from RFM recipients. By using this protocol, the RFM requester does not disclose the side of the market on which it wishes to trade. The RFM recipients will respond with two-way firm prices, and the RFM requester can aggress against either side of

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[1]   For purposes of RFQs on the SEF, "unaffiliated" means an RFQ recipient that is neither an Affiliate of the Participant, Authorized User, or Trading Customer on whose behalf the RFQ is requested nor an Affiliate of another RFQ recipient of such RFQ.

the market at its discretion. The direction of the transaction is then disclosed to the RFM recipient post-execution.

- <u>RFQ+</u>. The SEF's RFQ+ functionality permits an RFQ or RFM requester to see all displayed streaming quotes from potential RFQ or RFM recipients in a particular Swap in the same screen as resting Orders in the Order Book. Displayed Orders (including the streaming quotes) are available for execution on a click-to-trade (CTT) basis.

- <u>Request for Stream (RFS)</u>. The SEF's RFS functionality permits an RFQ or RFM requester to request streaming prices for a given Swap from RFQ or RFM recipients, where those recipients are able to update their streaming prices every 250 milliseconds. As a result, RFS allows frequently updated displayed quotes during an inquiry, keeping prices even more accurately in line with market movements. Interest rate Swaps listed on the SEF use RFS for all RFQ settings. For credit default Swaps listed on the SEF, RFS must be affirmatively selected by the requester. Otherwise, recipients provide a specific price with a "wire time," for which period the price provided is actionable.

<u>SET</u>. The SEF's SET functionality is available for trades permitted to be executed off-facility by Participants or Trading Customers (<u>e.g.</u>, Block Trades). The SET is a ticket consisting of a set of material economic terms submitted to the SEF by one Participant or Trading Customer, which the SEF transmits to the counterparty. The receiving counterparty reviews the ticket and can confirm, reject or revise the ticket. Once the ticket is accepted by all parties, a completed trade will be processed by the SEF for purposes of clearing and reporting as a trade executed pursuant to the rules of the SEF.