

DW SEF LLC

Market Regulation Advisory Notice

Subject: Order Types, Order Submission and Top and Drop (“TaD”) Privilege

Rule References: Rule 404.A

Advisory Date: January 16, 2015

Effective Date: February 3, 2015

Order Types, Order Submission and Top and Drop (“TaD”) Privilege

1. Overview. The following Market Regulatory Advisory Notice provides clarification regarding Order Submission, Order Types, Order Conditions and the interaction of such Order Types and Conditions submitted to the SEF, including Orders subject to Top and Drop Privilege, as described in Section II below. All terms not defined herein shall have the meaning given such terms in the DW SEF LLC Rulebook.
2. Order Types and Submission.
 - (a) General.
 - (i) Orders may be submitted to the SEF only in such form and during such times as the Company shall prescribe by Rule or under applicable policies and procedures that may be established from time to time by the Company, including applicable Work-Up Protocols.
 - (ii) All Orders submitted to the SEF must contain the information required under Rule 404.A(c).
 - (iii) Orders submitted to the SEF may be modified by the Participant or Trading Customer entering the Order, including modifications to the Order Type or Order Conditions. Suspension of an Order, or changes in price or size of an Order may result in the Order being treated as a new Order for the purpose of Order priority, subject to applicable Rules, policies and procedures that may be established from time to time by the Company, including Work-Up Protocols.
 - (iv) Submission of, and changes to, any Order, including replenishment of Displayed Order Size from Reserve Order Size, as described below, must satisfy the minimum and incremental size requirement for the applicable Swap, as published by the Company from time to time.
 - (v) Displayed and Reserve Order Size.
 - (A) All Orders must include an Order size visible to all other traders in the CLOB (“Displayed Order Size”) and Orders may include a reserved size from which the Displayed Order Size may be replenished (“Reserve Order Size”). Orders cannot be submitted with Reserve Order Size only.
 - (B) An Order’s Reserve Order Size will replenish the Displayed Order Size in real time following each execution against the Order’s Displayed Order Size. After depleting an Order’s Reserve Order Size, any remaining Displayed Order Size that does not satisfy applicable minimum and incremental size requirements is cancelled.
 - (C) Replenishment of a Displayed Order Size from the Reserve Order Size is treated as a new Order for the purpose of Order priority.
 - (b) Order Types that may be submitted to the CLOB.
 - (i) Fill and Kill (“FaK”) Order. A FaK Order may be passive or aggressive, and may be matched immediately in its entirety or partially. A matched FaK Order may trigger or join a Work-Up Session, with any unfilled portion of the Order canceled following the Work-Up Session (*i.e.*, a partial fill does not result in an Order for

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the unfilled size being placed on the SEF). However, If a passive FaK Order persists through the Work-Up Session and does not match for any size, it will persist after the Work-Up Session ends until the Order is fully or partially matched.

- (ii) **Fill and Store (“FaS”) Order.** A FaS Order may be passive or aggressive, and once submitted it will remain on the CLOB until completely filled or deleted by the submitting party. When a FaS Order is partially filled, the unfilled portion of the Order is automatically converted to a new Order for the unfilled size and added to the CLOB.
 - (iii) **Fill or Kill (“FoK”) Order.** A FoK Order may only be submitted as an aggressive Order, and is executed only if it can be completely filled immediately, otherwise, no match occurs and the Order is cancelled.
 - (iv) **Fill and Follow (“FaF”) Order.** A FaF Order may only be submitted as an aggressive Order, and will rest in the market until a match occurs. Following a match, any unfilled portion of the Order converts to a passive Order at the Work-Up Session price, or if there are no competing Orders at the Work-Up Session price, it will convert to an Order one price increment behind the matched price of the original Order. The follow Order is treated as a new Order in terms of priority.
 - (v) **Fill and Kill Immediate (“FaKI”) Order.** A FaKI Order may only be submitted as an aggressive Order. When the Order is submitted, it will either match fully, partially, or not at all. If partially, the balance will be cancelled immediately. If not at all, the balance (the entire Order) will be cancelled immediately. No balance will ever persist with a FaKI Order.
 - (vi) **Good Til' Executed (“GTE”) Order.** A GTE Order may only be submitted as a passive Order, and will rest in the CLOB until a match occurs. If a match results in a partial fill, the balance will be cancelled immediately.
- (c) Order Conditions that may be applied to Order Types submitted to the CLOB.
- (i) **(Only) Best.** The (Only) Best Order Condition may be applied to a passive or aggressive Order, and (A) will prevent the submission of an Order if the Order's price is not equal to or better than the best price in the CLOB, and (B) will automatically cancel an Order from the CLOB if a new Order with a better price enters the queue. The Order Condition permits the Order to be alone at the best price, or join other Orders at the best price.
 - (ii) **Rest or Kill (“RoK”).** The Rest or Kill Order Condition must be applied to a passive Order and will prevent such Order from matching immediately upon entry with any otherwise-matchable Orders on the CLOB. An Order subject to the RoK Order Condition will first browse Orders on the opposite side of the market to determine whether there is a matching Order. If there is, the Order will be rejected. If not, the Order will rest.
 - (iii) **One Cancels the Other (“OCO”).** The OCO Order Condition provides the ability to link multiple Orders to each other in a single OCO “basket”. If any one Order is matched (fully or partially) the remaining Orders in the basket will be immediately cancelled. Treatment of the executed Order's balance, if any, is consistent with the Order Type and Order Conditions otherwise applicable to such Order.
- (d) Compatibility. Not all Order Types and Order Conditions are compatible, and may not be available for all Swaps or at all times as described more fully under applicable policies and procedures that may be established from time to time by the Company.
- (e) Internal Trading Restriction. The SEF prevents Participants and Trading Customers from executing transactions that would result in a single counterparty buying and selling the same Swap, (e.g., executing trades between traders within a single Swap counterparty or

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within a given branch of a single Swap counterparty). Execution of any Order resulting in offsetting positions to a single counterparty will be canceled.

3. Top and Drop Privilege.

(a) Certain Definitions.

- (i) The term “TaD Minimum Size” means, on a per-instrument basis as published by the Company from time to time by Notice to Participants pursuant to Rule 310, the minimum Displayed Order Size necessary for an Order to qualify for TaD Privilege as described below.
- (ii) The term “TaD Minimum Time” means, on a per-instrument basis as published by the Company from time to time by Notice to Participants pursuant to Rule 310, the minimum amount of time for which an Order must maintain a TaD Minimum Size in order to qualify for TaD Privilege as described below.

(b) Conditions to Top and Drop Privilege (“TaD Privilege”). TaD Privilege applies to an Order that:

- (i) Meets or exceeds the TaD Minimum Size; and
- (ii) Has been the top-ranked Order at the best price in a queue for the TaD Minimum Time.

(c) Exercise of TaD Privilege.

- (i) An Order qualifying for TaD Privilege may be modified to a worse price (*i.e.*, a bid lower than the original bid price or an offer higher than the original offer price) at any size (including a size lower than the TaD Minimum Size or greater than the original Order size, but in either case subject to compliance with the minimum and incremental size requirements for the applicable Swap) and such modified Order will rank first in the queue at the new price.
- (ii) Once the price of an Order subject to TaD Privilege is worsened, TaD Privilege is exercised, and that Order will not be eligible for TaD Privilege until it has again earned such privilege by satisfying the conditions to TaD Privilege in Section II(b) above.
- (iii) There are no limits on the number of times that an Order can earn TaD Privilege.

(d) Expiration of TaD Privilege.

- (i) If an Order qualifies for TaD Privilege but, before exercising such TaD Privilege, a new Order is submitted at a better price (*i.e.*, a bid higher than the original bid price or an offer lower than the original offer price), the Order loses its TaD Privilege.
- (ii) If a Work-Up Session is triggered while an Order is earning TaD Privilege, such Order stops earning TaD Privilege. If a Work-Up Session is triggered after an Order has qualified for TaD Privilege, but before such TaD Privilege is exercised, the Order loses its TaD Privilege.

(e) Persistence of TaD Privilege.

- (i) An Order that has qualified for TaD Privilege may be modified to a better price without the loss of TaD Privilege.
- (ii) The size of an Order subject to TaD privilege can be adjusted in any direction (including to a size lower than the TaD Minimum Size, subject to compliance with the minimum and incremental size requirements for the applicable Swap) with no loss of TaD Privilege.