BLOOMBERG
SEF
BSEF <GO>

Lead the Way With Our Complete Swaps Trading Solution
As the regulatory landscape evolves Bloomberg is fully committed in qualifying as a Swap Execution Facility and is fully engaged with the CFTC and SEC throughout the rule-making process.

OVERVIEW
Bloomberg SEF LLC (“Bloomberg SEF”) was the first Swap Execution Facility provisionally approved by the CFTC. It was launched on October 2, 2013 and supports Credit Default Swaps (CDS), Interest Rate Swaps (IRS), Foreign Exchanges (FX) and Commodity Derivatives. Bloomberg SEF is the market-leading Swap Execution Facility with participants actively trading Permitted Transactions.

Support of Required Transactions is pending a decision by the CFTC on various SEFs Made Available for Trading (MAT) submissions. Tentative timeline for MAT go-live is late February/early March 2014.

BLOOMBERG SEF – TRADE WORKFLOW
BLOOMBERG SEF LANDING SCREEN

Customers can navigate through Bloomberg SEF’s multi-asset class SEF offering.

1. Participants navigate trading between different asset classes.
3. Information about DCO connections, SDR connections and participants on the SEF.

BLOOMBERG SEF EXECUTION METHODS FOR REQUIRED TRANSACTIONS

» Bloomberg SEF LLC ("Bloomberg SEF") allows its participants to execute Required Transactions.

» In addition to giving its participants price transparency, Bloomberg SEF submits trades to a derivatives clearing organization (a “DCO”).

» Required Transactions are swap contracts subject to mandatory clearing requirements that are “made available” for trading (MAT) by at least one swap execution facility ("SEF") or designated contract market on the Bloomberg SEF Order Book and RFQ screens.

» Trades are also reported by Bloomberg SEF to a swap data repository (an “SDR”).
ORDER BOOK (MINIMUM TRADING FUNCTIONALITY)

» Bloomberg SEF provides an Order Book where all participants can post firm bids and offers that are transparent to all other participants.

» The Order Book displays the levels and sizes being posted. Participants are anonymous.

» In order to either contribute or aggress on a firm price, the participant must either be a member of a DCO or have enough credit with its FCM for the trade to clear.

» Participants are able to click on the price and that they choose and execute a trade in real-time.

» Once trades are executed, both parties are informed of trade execution instantly. The Clearing & Reporting Workflows are automatically initiated (see description of Clearing & Reporting Workflow).

1. Participant can see anonymous truly firm levels posted in the order book.

2. Participants can either aggress on a level or contribute directly into the order.

3. Prerequisite for participation is FCM approval via Credit Limit check.

REQUEST FOR QUOTE PROTOCOL (MINIMUM TRADING FUNCTIONALITY)

« Bloomberg SEF allows participants to initiate a request for quote ("RFQ") to a mandatory minimum of two other participants.

« A participant is not be able to submit an inquiry until they have selected at least two participants.

« When a participant responds to an RFQ, they may indicate the period of time for which their response is good. Additionally, any firm resting bids or offers will be shown in parallel to the responses to an RFQ.

« This will enable a participant to gain full pre-trade price transparency by combining the Order Book with the RFQ element of Bloomberg SEF.

» Bloomberg SEF indicates the best price, but participants will choose the price and counterparty that they determine to be the best.

» Once trades are executed, both parties are instantly informed of trade execution. Participants may receive those notifications electronically, via email or directly on their trading screens and blotters.

SWAP EXECUTION FACILITY // 04
REQUIRED TRANSACTIONS & BLOCK SIZE

Required Transactions
» Bloomberg SEF maintains a listing of all Required Transactions.
» All Required Transactions traded on Bloomberg SEF will be subject to mandatory methods of execution unless a Required Transaction is a block trade or one of the counterparties is claiming an “end-user” exemption (Order Book and RFQ). Block Trades

Block Trades
» Bloomberg SEF maintains a listing of block trade thresholds.
» Required Transactions that fall below that threshold will be subject to mandatory methods of execution unless one of the counterparties is claiming an “end-user” exemption (Order Book and RFQ).
» For Required Transactions that meet or exceed the block threshold, Bloomberg SEF will not enforce the use of the minimum trading functionality. Reporting to an SDR

Reporting to an SDR
» Bloomberg SEF reports all swap transactions executed on Bloomberg SEF to an SDR as soon as technologically practicable.

HCFTC RULE 37.9(B) – TIME DELAY REQUIREMENTS

Time delay requirement for required transactions on an order book:
» Participants of Bloomberg SEF that are identified in Bloomberg SEF internal records as futures commission merchants or introducing brokers will not be able to click (aggress) on its own quotation unless the quotation has been exposed to other Bloomberg SEF participants for at least 15 seconds.

Bloomberg SEF Rule 521 provides:
» A Participant that is a broker or a dealer who seeks to execute against a Customer’s order or to execute two Customers against each other must expose one side of the transaction for a minimum of 15 seconds to the other Participants before the second side of the transaction (whether for the Participant’s own account or for a second Customer) can be submitted for execution. The Participant must display one side of the transaction as a firm quote on the Order Book. If the Order is not executed by another Participant after 15 seconds, the Participant displaying one side of the transaction can execute the other side of the transaction against its own Order Book quote.
BLOOMBERG SEF EXECUTION METHODS FOR PERMITTED TRANSACTIONS

- Users of Bloomberg SEF are able to trade Permitted Transactions via Bloomberg SEF RFQ functionality as described as well as in the Order Book.
- RFQ functionality for Permitted Transactions will not be subject to the minimum RFQ restriction, and users will be able to send an RFQ to any number of other users, including a single user.

PRE-TRADE CLEARING LIMIT CHECKS & LIQUIDITY CONTRIBUTION

Functionality Overview
- Pre-trade clearing limit checks allows Bloomberg SEF to determine on a pre-trade basis that a particular FCM stands behind a particular trade on behalf of each of the participants.
- This allows any SEF participant that is not clearing through a house account to contribute executable prices to the order book.
  - Bloomberg SEF supports the ability of FCMs to perform a pre-execution limit check against their clients.
  - Clients designate notional, swap contract and FCM on the electronic ticket.

FCM & CLEARING ACCOUNT SET-UP

- Bloomberg SEF provides its participants with the ability to submit their swap trades to a DCO indicated in the swap contract specifications.
- In order to clear trades executed on Bloomberg SEF, clients must set up their clearing information on Bloomberg SEF.
  - Bloomberg SEF “pings” the FCM using FpML over a FIX transport.
  - FCMs perform the limit check using their own internal methods.
  - FCMs respond to Bloomberg SEF with an acknowledgement/status.
  - Bloomberg also supports a push model via CRMG <GO>. FCMs can store limits for their clients on this page. Prior to execution, the clients credit is checked and if the Notional/DV01 is within the limit, the trade proceeds.

- Bloomberg SEF participants will work with their FCM to set up their own clearing accounts on a set-up screen.

1. Screenshot of FCM and clearing set-up screen on CCPI <GO>.
CLEARING & REPORTING WORKFLOW

» Bloomberg SEF employs a separate clearing and reporting workflow. This workflow allows participants to view all their transactions, including detailed economics and an audit trail.

» Trades are be submitted to a DCO using the bespoke APIs offered by each DCO or a service provider connecting to a DCO.

» Additionally, all statuses are reported back to Bloomberg SEF from the DCO. These statuses are available to the participant to digest on or off the BPS. These statuses will include FCM pick up, FCM reject, clearing house accept or reject/void, as well as Pending.

SDR REPORTING

» Bloomberg SEF will report all trades executed on Bloomberg SEF to an SDR.

» SDR publicly disseminated trade information is available on SDR <GO>.

1. Trade execution timestamp.
2. FCM selection.
3. Participant can click on row to see more trade information, including an audit trail.
4. DCO and Clearing Status.
FX REQUEST-FOR-QUOTE (RFQ) — NDF TRADING

A seamless transition between regulated and non-regulated instruments in our familiar RFQ environment.

1. Trader enters SEF environment.
2. Structure ‘swap’ and non-swap instruments within the same pricing ticket.
3. When Trading on the Bloomberg SEF, counterparty banks will be restricted to SEF registered entities.

FX TIMELINES

- SEF trading for permitted ‘Swaps’ began on October 2nd.
- NDF clearing mandate is not expected before mid 2014.
- FX options clearing presents issues surrounding the physical delivery of the underlying and so no firm timeline is in place. Expectations are that options will not be centrally cleared before 2015.

» Following any clearing mandate, FX ‘Swaps’ will be required to trade on SEFs subject to being ‘Made Available to Trade’ (MAT).
» The ‘MAT’ process is expected to take roughly 90 days depending on whether the SEF self-certifies the ‘swap’ or seeks CFTC approval.
» This makes mandated trading on Swap Execution Facilities for FX unlikely before Autumn 2014 at the earliest.

CURRENT STATUS & ACTIVITY

- Bloomberg SEF is cleared for FX in many jurisdictions to support trading and liquidity provision for U.S. persons globally.
- We are one of the only Multi Asset SEFs in operation with trading active from an FX perspective in both NDFs and Options.
- All Major banks are signed up to provide liquidity.
- Key buy-side clients have joined the platform underlying the value to them of multilateral trading.
- Bloomberg SEF is currently working under time limited relief for SEF confirmations and swap data reporting.

BLOOMBERG SEF FOR PERMITTED TRANSACTIONS — FX

» In the FX space, ‘Swaps’ (NDFs and FX Options) without mandatory clearing and SEF execution requirements, are classified as permitted transactions.
» Under the CFTC interpretation of RFQ trading as ‘Many to Many’, Bloomberg’s RFQ and RFS solutions for permitted transactions involving U.S. persons has to operate within Bloomberg SEF LLC (“Bloomberg SEF”).
» RFQ functionality for permitted transactions are not subject to the minimum RFQ restrictions, and users are able to send an RFQ to any number of other users, including a single user.
» Bloomberg FXGO has been a longstanding and successful RFQ trading franchise which currently includes NDFs and FX Options and forms the basis of the Bloomberg SEF solution for FX.
**FX OPTIONS RFQ PRICE**

Bloomberg SEF supports pricing and trading of multi-leg products—FX Options and Bunched Trades.

1. Price Taker within Bloomberg SEF environment.
2. Bloomberg SEF supports linked (‘swap’/’non-swap’) products—Option and Spot Hedge.
3. Price Maker notification of SEF trade request.
FAQ’S

» Do I need separate middleware?
  No. Bloomberg feeds directly to CCPs and SDRs and retrieves all statuses back directly however, if users elect to use an alternative middleware for the submission of allocations on bunched orders, that is permitted.

» Will AEPs and MPFs remain in place?
  AEPs & MPFs will remain in place for normal order and inquiry trades SEFs are required to also offer an Order Book so Bloomberg has created the additional TRULY FIRM feed which is in FIX 5.0

» How will the MPF price feed, single dealer pages change?
  Single dealer pages won’t change at all & neither will existing MPFs. The Truly Firm feed will be assigned its own pricing code (XDF) and dealers will control who views the prices via the PVF function.

» How will AEP protocol change?
  The Truly Firm feed can be assigned a separate new Broker Code or share an existing AEP broker code. If dealers choose a separate broker code then customers will be enabled separately using ENAB (There will be a “Truly Firm” field added) for the new broker code and their existing AEP will remain unchanged. All the Truly Firm trades will be stored on the Bloomberg trade blotter (FAXM) under their own Broker code & indicated as Truly Firm.

» Can a price provider choose to use an existing AEP?
  If dealers choose to share an existing AEP then customers will have to be enabled for the additional “Truly Firm” field on ENAB and regular trades down their existing AEP will not be given sequential sequence numbers as the trade numbering will be shared between both the AEP & Truly Firm flows. All the Truly Firm trades will be stored on the Bloomberg trade blotter (FAXM) along with the AEP Broker code trades but they will be indicated as Truly Firm.

  In FAXM we use the trade type column, it can have the following values: Inquiry, Order then Truly Firm Order

  » For the new FIX Order based platform (RE: FIX Interface Guide for the Bloomberg ALLQ Truly Firm)—how does this sit wrt on-boarding and existing MPF/AEP?
    Please refer to previous answers.

  » How do identifiers work on that compared to the MPF/AEP?
    The Truly Firm feed will use Red Pairs & Tenors for CDS and Bloomberg tickers for IRS.

  » What restrictions are placed on price providers for the order based platform? e.g. connection times. Will the support for different clearing venues change?
    Bloomberg SEF is available 24/5. Support for Clearing Venues will be the same as it currently is and then expand as necessary.

  » How will any existing client tiering change?
    Truly Firm allows per CCP pricing but not client tiering. Client based tiering will still be available for non-truly firm quotes on SEF (e.g via MPF and AEP)

  » Can we continue to have 2 different broker codes for size tiering?
    Yes, you can.

  » Are there any regional differences between NYC and LDN?
    Trading on the SEF will be based upon security & counterparty eligibility.

  » Are there any specific requirements to send orders via that platform e.g. time of day/BA width?
    None.

  » Who do I talk to for more information?
    U.S. — jmmissimer@bloomberg.net, jguarino@bloomberg.net
    Europe — amoreton6@bloomberg.net, hhoskin@bloomberg.net
    Asia — rwarrick@bloomberg.net
ABOUT THE BLOOMBERG PROFESSIONAL® SERVICE

The founding vision in 1982 was to create an information services, news and media company that provides business and financial professionals with the tools and data they need on a single, all-inclusive platform. The success of Bloomberg is due to the constant innovation of our products, unrivalled dedication to customer service and the unique way in which we constantly adapt to an ever-changing marketplace. The Bloomberg Professional service is a powerful and flexible tool for financial professionals—whatever their needs—in cash and derivatives markets as diverse as equities, currencies, commodities, money markets, government and municipal securities, mortgages, indices, insurance and legal information. The Bloomberg Professional service seamlessly integrates the very best in real-time data, news and analytics.

In addition, Bloomberg users benefit from on-demand multimedia content, extensive electronic trading capabilities and a superior communications platform. Bloomberg customers include influential decision makers in finance, business and government. Business and financial professionals recognize the Bloomberg Professional service as the definitive tool for achieving their goals because it offers unparalleled assistance and functionality on a single platform for a single price.

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