SUBMISSION COVER SHEET

Registered Entity Identifier Code (optional): 2013-09-P29 **date: September 30, 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 "Foreign Exchange: Exotic FX Option Contract" ("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 certification of a new product for trading – the "Foreign Exchange: Exotic FX Option Contract" ("Contract").

Bloomberg SEF LLC
New Contract Submission 2013-09-P29
September 30, 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.

This exotic option contract provides the owner with the right, but not the obligation, to exchange money denominated in one currency into another currency. The option, however, can be triggered or extinguished based on whether the spot FX rate reaches designated levels prior to the expiration date. As such, the reference price for the Contract is the prevailing Spot FX Rate on during the life of the option. The source for the spot FX Rate will be agreed by the counterparties (a widely-accepted, customary practice in the market); in the vast majority of cases, it will be determined by one of the Central Banks, which publish reliable, easily accessible, widely available, and well-accepted spot FX rate data.

(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.

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

(4) Options on Physicals Contracts. (i) Under the Commission's regulations, the term ''option on physicals'' refers to option contracts that do not provide for exercise into an underlying futures contract. Upon exercise, options on physicals can be settled via physical delivery of the underlying commodity or by a cash payment. Thus, options on physicals raise many of the same issues associated with trading in futures contracts regarding adequacy of deliverable supplies or acceptability of the cash settlement price series. In this regard, an option that is cash settled based on the settlement price of a futures contract would be considered an ''option on physicals'' and the futures settlement price would be considered the cash price series. (ii) In view of the above, acceptable practices for the terms and conditions of options on physicals contracts include, as appropriate, those practices set forth above for physical-delivery or cash-settled futures contracts plus the practices set forth for options on futures contracts.

As required by Appendix C, the following analysis with respect to the Contracts, which are options on physicals, sets forth those relevant sections of Appendix C that pertain to "physical-delivery … contracts" and to "options on futures contracts."

(b) Futures Contracts Settled by Physical Delivery. (1) For listed contracts that are settled by physical delivery, the terms and conditions of the contract should conform to the most common commercial practices and conditions in the cash market for the commodity underlying the futures contract. The terms and conditions should be designed to avoid any impediments to the delivery of the commodity so as to promote convergence between the

price of the futures contract and the cash market value of the commodity at the expiration of a futures contract.

Terms of the Contract

The terms of the Contract are detailed in Attachment A; they include:

Contract Overview	An exotic foreign-exchange option is an option which has more than one trigger relating to the determination of the payoff.
Trade date	The date on which parties enter into the contract.
Option Style	American / European • A European option may be exercised only at the expiration date of the option, i.e., at a single pre-defined point in time. • An American option on the other hand may be exercised at any time before the expiration date.
Option Type	Put/ Call • Call option – the right to buy an asset at a fixed date and price. • Put option – the right to sell an asset at a fixed date and price.
Call Currency	Currency for call option.
Put Currency	Currency for put option.
Strike Price	The currency exchange rate at which the investor can exercise an option.
Expiration Date	Date at which option contract expires.
Barrier Low	Pre-set low barrier level either springs the option into existence or extinguishes an already existing option.
Barrier High	Pre-set high barrier level either springs the option into existence or extinguishes an already existing option.
Barrier Style	American / European
Barrier Direction	The four types of barrier options are: • Up-and-out: spot price starts below the barrier level and has to move up for the option to be knocked out. • Down-and-out: spot price starts above the barrier level and has to move down for the option to become null and void. • Up-and-in: spot price starts below the barrier level and has to move up for the option to become activated. • Down-and-in: spot price starts above the barrier level and has to move down for the option to become activated.
Expiration Time	Time at which option contract expires (i.e., cut off time).
Settlement Date	Settlement date of the option contract.
Premium	Premium amount (expressed in premium currency).
Premium Currency	Currency in which option premium is expressed.
Premium Date	Date on which premium amount is due.
Quoting Convention and Minimum	Notional amount, as agreed by counterparties.

Increment	
Notional Currency	Currency in which contract size is expressed.
Settlement Procedure	Bilateral settlement performed in settlement currency.
Trading Hours	00:01 -24:00 Sunday-Friday (Eastern Time)
Block Size	As set forth in Appendix F to Part 43 of the Commission's Regulations.
Speculative Limits	As set forth in Part 151 of the Commission's Regulations.
Reportable Levels	As set forth in Commission's Regulation §15.03.

As indicated above, this option contract provides several flexible features. First, counterparties are able to choose six different types of options:

(a) **Up-and-Out (Barrier)**: In this option, the spot price starts below a specified barrier level (determined by the counterparties) and the holder has the option to exercise the option – at the expiration date/time if the counterparties choose a European option, or anytime up to, and including, the expiration date/time if the counterparties choose an American option – unless the spot price rises to the specified barrier level prior to the expiration date of the option. If the option hits the barrier level, it becomes null and void.

(b) **Down-and-Out (Barrier)**: In this option, the spot price starts above a specified barrier level (determined by the counterparties) and the holder has the option to exercise the option – at the expiration date/time if the counterparties choose a European option, or anytime up to, and including, the expiration date/time if the counterparties choose an American option – unless the spot rate drops to the specified barrier level prior to the expiration date of the option. If the option hits the barrier level, it becomes null and void.

(c) **Up-and-In (Barrier)**: In this option, the spot price starts below a specified barrier level (determined by the counterparties) and the option only becomes effective if it reaches the specified barrier level. If the spot price rises to the barrier level, the holder then has the option to exercise the option at the expiration date/time (if the counterparties chose a European option), or anytime up to, and including, the expiration date/time (if the counterparties choose an American option). If the spot price never hits the barrier level prior to the expiration date, the option is not exercisable.

(d) **Down-and-In (Barrier)**: In this option, the spot price starts above a specified barrier level (determined by the counterparties) and the option only becomes effective if it lowers to the specified barrier level. If the spot price lowers to the barrier level, the holder then has the option to exercise the option at the expiration date/time (if the counterparties choose a European option), or anytime up to, and including, the expiration date/time (if the counterparties choose an American option). If the spot price never reaches the barrier level prior to the expiration date, the option is not exercisable.

As noted above, counterparties are able to choose several aspects of the Contract, including the overall option style (American or European), the barrier style, expiration date/time, and the barrier levels. Counterparties are also able choose, among other things: (a) currencies, from the list of currencies in Attachment A; (b) settlement date; (c) strike price (e.g., exchange rate); (d)

the premium; (e) the premium currency; (f) and the premium date. The trading hours, however, are fixed for each contract – trading is available twenty-fours, from Sunday to Friday (ET).

(i) Estimating Deliverable Supplies.
(A) General definition. The specified terms and conditions, considered as a whole, should result in a ‘‘deliverable supply’’ that is sufficient to ensure that the contract is not susceptible to price manipulation or distortion. In general, the term ‘‘deliverable supply’’ means the quantity of the commodity meeting the contract’s delivery specifications that reasonably can be expected to be readily available to short traders and salable by long traders at its market value in normal cash marketing channels at the contract’s delivery points during the specified delivery period, barring abnormal movement in interstate commerce. Typically, deliverable supply reflects the quantity of the commodity that potentially could be made available for sale on a spot basis at current prices at the contract’s delivery points. For a non-financial physical delivery commodity contract, this estimate might represent product which is in storage at the delivery point(s) specified in the futures contract or can be moved economically into or through such points consistent with the delivery procedures set forth in the contract and which is available for sale on a spot basis within the marketing channels that normally are tributary to the delivery point(s). Furthermore, an estimate of deliverable supply would not include supply that is committed for long-term agreements (i.e., the amount of deliverable supply that would not be available to fulfill the delivery obligations arising from current trading). The size of commodity supplies that are committed to long-term agreements may be estimated by consulting with market participants. However, if the estimated deliverable supply that is committed for long-term agreements, or significant portion thereof, can be demonstrated by the designated contract market to be consistently and regularly made available to the spot market for shorts to acquire at prevailing economic values, then those ‘‘available’’ supplies committed for long term contracts may be included in the designated contract market’s estimate of deliverable supply for that commodity. An adequate measure of deliverable supply would be an amount the commodity that would meet the normal or expected range of delivery demand without causing futures prices to become distorted relative to cash market prices. Given the availability of acceptable data, deliverable supply should be estimated on a monthly basis for at least the most recent three years for which data are available. To the extent possible and that data resources permit, deliverable supply estimates should be constructed such that the data reflect, as close as possible, the market defined by the contract’s terms and conditions, and should be formulated, whenever possible, with government or publicly available data. All deliverable supply estimates should be fully defined, have all underlying assumptions explicitly stated, and have documentation of all data/information sources in order to permit estimate replication by Commission staff.

Foreign currency is an extremely liquid market. There is a nearly inexhaustible supply of the foreign currencies applicable to this Contract. Information about spot FX rates is readily available from a variety of sources including Central Banks, the Emerging Markets Trade Association, Bloomberg and Reuters. The strike price is determined by the counterparties at the point of entering into a transaction and will not change even if the spot FX exchange rate will change on the expiration date. For this reason, even though observation of the spot FX price

may inform a counterparty's decision to exercise the option, the spot FX price on the exercise date will not change the strike price. As such, the Contract is not readily susceptible to manipulation.

(B) Accounting for variations in deliverable supplies. To assure the availability of adequate deliverable supplies and acceptable levels of commercial risk management utility, contract terms and conditions should account for variations in the patterns of production, consumption and supply over a period of years of sufficient length to assess adequately the potential range of deliverable supplies. This assessment also should consider seasonality, growth, and market concentration in the production/ consumption of the underlying cash commodity. Deliverable supply implications of seasonal effects are more straightforwardly delineated when deliverable supply estimates are calculated on a monthly basis and when such monthly estimates are provided for at least the most recent three years for which data resources permit. In addition, consideration should be given to the relative roles of producers, merchants, and consumers in the production, distribution, and consumption of the cash commodity and whether the underlying commodity exhibits a domestic or international export focus. Careful consideration also should be given to the quality of the cash commodity and to the movement or flow of the cash commodity in normal commercial channels and whether there exist external factors or regulatory controls that could affect the price or supply of the cash commodity.

Unlike non-financial commodities, foreign currencies are standard and readily available, and are not to subject to variations in the patterns of production, consumption or supply.

(C) Calculation of deliverable supplies. Designated contract markets should derive a quantitative estimate of the deliverable supplies for the delivery period specified in the proposed contract. For commodities with seasonal supply or demand characteristics, the deliverable supply analysis should include that period when potential supplies typically are at their lowest levels. The estimate should be based on statistical data, when reasonably available, covering a period of time that is representative of the underlying commodity's actual patterns of production, patterns of consumption, and patterns of seasonal effects (if relevant). Often, such a relevant time period should include at least three years of monthly deliverable supply estimates permitted by available data resources. Deliverable supply estimates should also exclude the amount of the commodity that would not be otherwise deliverable on the futures contract. For example, deliverable supplies should exclude quantities that at current price levels are not economically obtainable or deliverable or were previously committed for long-term agreements.

Please see above regarding liquidity of underlying market and the voluminous deliverable supply of the applicable foreign currencies. Please note that the strike price (e.g., the exchange rate at which the option will be exercised if so elected by the buyer) of the option is agreed upon at the inception of the contract and will not change based on fluctuations of the underlying currency.

(2) Contract terms and conditions requirements for futures contracts settled by physical delivery. (i) For physical delivery contracts, an acceptable specification of terms and conditions would include, but may not be limited to, rules that address, as appropriate,

the following criteria and comply with the associated standards:

(A) Quality Standards. The terms and conditions of a commodity contract should describe or define all of the economically significant characteristics or attributes of the commodity underlying the contract. In particular, the quality standards should be described or defined so that such standards reflect those used in transactions in the commodity in normal cash marketing channels. Documentation establishing that the quality standards of the contract's underlying commodity comply with those accepted/established by the industry, by government regulations, and/or by relevant laws should also be submitted. For any particular commodity contract, the specific attributes that should be enumerated depend upon the individual characteristics of the underlying commodity. These may include, for example, the following items: grade, quality, purity, weight, class, origin, growth, issuer, originator, maturity window, coupon rate, source, hours of trading, etc. If the terms of the contract provide for the delivery of multiple qualities of a specific attribute of the commodity having different cash market values, then a ''par'' quality should be specified with price differentials applicable to the ''non-par'' qualities that reflect discounts or premiums commonly observed or expected to occur in the cash market for that commodity.

The Contract's terms and conditions indicate the foreign currencies that underlay the Contract. Quality standards, such as purity, grade, etc. are not applicable to foreign currencies.

(B) Delivery Points and Facilities. Delivery point/area specifications should provide for futures delivery at a single location or at multiple locations where the underlying cash commodity is normally transacted or stored and where there exists a viable cash market(s). If multiple delivery points are specified and the value of the commodity differs between these locations, contract terms should include price differentials that reflect usual differences in value between the different delivery locations. If the price relationships among the delivery points are unstable and a designated contract market chooses to adopt fixed locational price differentials, such differentials should fall within the range of commonly observed or expected commercial price differences. In this regard, any price differentials should be supported with cash price data for the delivery location(s). The terms and conditions of the contracts also should specify, as appropriate, any conditions the delivery facilities and/or delivery facility operators should meet in order to be eligible for delivery. Specification of any requirements for delivery facilities also should consider the extent to which ownership of such facilities is concentrated and whether the level of concentration would be susceptible to manipulation of the futures contract's prices. Commodity contracts also should specify appropriately detailed delivery procedures that describe the responsibilities of deliverers, receivers and any required third parties in carrying out the delivery process. Such responsibilities could include allocation between buyer and seller of all associated costs such as load-out, document preparation, sampling, grading, weighing, storage, taxes, duties, fees, drayage, stevedoring, demurrage, dispatch, etc. Required accreditation for third-parties also should be detailed. These procedures should seek to minimize or eliminate any impediments to making or taking delivery by both deliverers and takers of delivery to help ensure convergence of cash and futures at the expiration of a futures delivery month.

Delivery points are not applicable to foreign currency which can be transferred electronically to virtually any location.

(C) Delivery Period and Last Trading Day. An acceptable specification of the delivery period would allow for sufficient time for deliverers to acquire the deliverable commodity and make it available for delivery, considering any restrictions or requirements imposed by the designated contract market. Specification of the last trading day for expiring contracts should consider whether adequate time remains after the last trading day to allow for delivery on the contract.

As noted above, for the "barrier options," the last trading day of the Contract is the expiration date of the option, which is the last opportunity (and in the case of European options, the only opportunity) for the holder of the option to exercise it – unless the spot price reaches the barrier level before exercise (or expiration), at which point the option becomes null and void. The settlement date, which is agreed upon by the counterparties, is set at an appropriate time to allow for the exchange of the currencies if the option has been exercised.

(D) Contract Size and Trading Unit. An acceptable specification of the delivery unit and/or trading unit would be a contract size that is consistent with customary transactions, transportation or storage amounts in the cash market (e.g., the contract size may be reflective of the amount of the commodity that represents a pipeline, truckload or railcar shipment). For purposes of increasing market liquidity, a designated contract market may elect to specify a contract size that is smaller than the typical commercial transaction size, storage unit or transportation size. In such cases, the commodity contract should include procedures that allow futures traders to easily take or make delivery on such a contract with a smaller size, or, alternatively, the designated contract market may adopt special provisions requiring that delivery be made only in multiple contracts to accommodate reselling the commodity in the cash market. If the latter provision is adopted, contract terms should be adopted to minimize the potential for default in the delivery process by ensuring that all contracts remaining open at the close of trading in expiring delivery months can be combined to meet the required delivery unit size. Generally, contract sizes and trading units should be determined after a careful analysis of relevant cash market trading practices, conditions and deliverable supply estimates, so as to ensure that the underlying market commodity market and available supply sources are able to support the contract sizes and trading units at all times.

The contract size is as agreed upon by the counterparties, as is customary in the market.

(E) Delivery Pack. The term ''delivery pack'' refers to the packaging standards (e.g., product may be delivered in burlap or polyethylene bags stacked on wooden pallets) or non- quality related standards regarding the composition of commodity within a delivery unit (e.g., product must all be imported from the same country or origin). An acceptable specification of the delivery pack or composition of a contract's delivery unit should reflect, to the extent possible, specifications commonly applied to the commodity traded or transacted in the cash market.

Not applicable to foreign currency.

(F) Delivery Instrument. An acceptable specification of the delivery instrument (e.g., warehouse receipt, depository certificate or receipt, shipping certificate, bill of lading, inline transfer, book transfer of securities, et etc.) would provide for its conversion into the cash commodity at a commercially reasonable cost. Transportation terms (e.g., FOB, CIF, freight prepaid to destination) as well as any limits on storage or certificate daily premium fees should be specified. These terms should reflect cash market practices and the customary provision for allocating delivery costs between buyer and seller.

The settlement procedures for the Contract are determined by the counterparties. If the option is exercised, the parties exchange the applicable currencies.

(G) Inspection Provisions. Any inspection / certification procedures for verifying compliance with quality requirements or any other related delivery requirements (e.g., discounts relating to the age of the commodity, etc.) should be specified in the contract rules. An acceptable specification of inspection procedures would include the establishment of formal procedures that are consistent with procedures used in the cash market. To the extent that formal inspection procedures are not used in the cash market, an acceptable specification would contain provisions that assure accuracy in assessing the commodity, that are available at a low cost, that do not pose an obstacle to delivery on the contract and that are performed by a reputable, disinterested third party or by qualified designated contract market employees. Inspection terms also should detail which party pays for the service, particularly in light of the possibility of varying inspection results.

Not applicable to foreign currencies.

(H) Delivery (Trading) Months. Delivery months should be established based on the risk management needs of commercial entities as well as the availability of deliverable supplies in the specified months.

As noted above, for the barrier options, an American option can be exercised any time up to and including the expiration date, while a European option can only be exercised at the expiration date of the option.

(I) Minimum Price Fluctuation (Minimum Tick). The minimum price increment (tick) should be set at 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 between the counterparties, as is consistent with customary transactions in the market.

(J) 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.

None applicable, as is customary in the market.

(K) Speculative Limits. Specific information regarding the establishment of speculative position limits are set forth in part 150, and/or part 151, as applicable, of the Commission's regulations.

BSEF will comply with Parts 150 and 151 of the Commission's regulations.

(L) 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.

(M) 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.

(d) ***Options on a Futures Contract.*** **(1) The Commission's experience with the oversight of trading in futures option contracts indicates that most of the terms and conditions associated with such trading do not raise any regulatory concerns or issues. The Commission has found that the following terms do not affect an option contract's susceptible to manipulation or its utility for risk management. Thus, the Commission believes that, in most cases, any specification of the following terms would be acceptable; the only requirement is that such terms be specified in an automatic and objective manner in the option contract's rules:**

- **Exercise method;**
- **Exercise procedure (if positions in the underlying futures contract are established via book entry);**
- **Strike price listing provisions, including provisions for listing strike prices on a discretionary basis;**
- **Strike price intervals;**
- **Automatic exercise provisions;**
- **Contract size (unless not set equal to the size of the underlying futures contract); and**

- **Option minimum tick should be equal to or smaller than that of the underlying futures contract.**

Please see above for a description of, among other things, the Contract's: exercise method, strike price provisions, automatic exercise provisions, and contract size. As noted above, the contract size is, as is common in the market, as determined by the counterparties. The option tick minimum is also determined by the counterparties, as is customary in the market.

(2) Option Expiration & Last Trading Day. For options on futures contracts, specification of expiration dates should consider the relationship of the option expiration date to the delivery period for the underlying futures contract. In particular, an assessment should be made of liquidity in the underlying futures market to assure that any futures contracts acquired through exercise can be liquidated without adversely affecting the orderly liquidation of futures positions or increasing the underlying futures contract's susceptibility to manipulation. When the underlying futures contract exhibits a very low trading activity during an expiring delivery month's final trading days or has a greater risk of price manipulation than other contracts, the last trading day and expiration day of the option should occur prior to the delivery period or the Settlement date of the underlying future. For example, the last trading day and option expiration day might appropriately be established prior to first delivery notice day for option contracts with underlying futures contracts that have very limited deliverable supplies. Similarly, if the futures contract underlying an option contract is cash settled using cash prices from a very limited number of underlying cash market transactions, the last trading and option expiration days for the option contract might appropriately be established prior to the last trading day for the futures contract.

As noted above, for the "barrier options," the last trading day of the Contract is the expiration date of the option, which is the last opportunity (and in the case of European options, the only opportunity) for the holder of the option to exercise it – unless the spot price reaches the barrier level prior to exercise (or expiration), at which point the option becomes null and void. And, as previously stated, foreign currency, the underlying commodity upon which the Contract is based, has an extremely liquid market. There is a nearly inexhaustible supply of the foreign currencies applicable to this Contract. As such, the Contract is not readily susceptible to manipulation.

(3) Speculative Limits. In cases where the terms of an underlying futures contract specify a spot-month speculative position limit and the option contract expires during, or at the close of, the futures contract's delivery period, the option contract should include a spot-month speculative position limit provision that requires traders to combine their futures and option position and be subject to the limit established for the futures contract. 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.

As noted above, BSEF will comply with Parts 150 and 151 of the Commission's regulations.

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 "Foreign Exchange: Exotic FX Option 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 30, 2013

Attachment A
Terms and Conditions

[*see attached*]

Bloomberg SEF LLC

Foreign Exchange:

Exotic FX Option Contract Specifications

Contract Overview	An exotic foreign-exchange option is an option which has more than one trigger relating to the determination of the payoff.
Trade Date	The date on which parties enter into the contract
Option Style	American / European • A **European option** may be exercised only at the **expiration date** of the option, i.e. at a single pre-defined point in time. • An **American option** on the other hand may be exercised at **any** time before the expiration date.
Option Type	Put/ Call • Call option – the right to buy an asset at a fixed date and price. • Put option – the right to sell an asset a fixed date and price.
Call Currency	Currency for call option
Put Currency	Currency for put option
Strike Price	The currency exchange rate at which the investor can exercise an option.
Expiration Date	Date at which option contract expires
Barrier Low	Pre-set low *barrier level* either springs the option into existence or extinguishes an already existing option.
Barrier High	Pre-set high *barrier level* either springs the option into existence or extinguishes an already existing option.
Barrier Style	American / European
Barrier Direction	The four types of barrier options are: • **Up-and-out**: spot price starts below the barrier level and has to move up for the option to be knocked out. • **Down-and-out**: spot price starts above the barrier level and has to move down for the option to become null and void. • **Up-and-in**: spot price starts below the barrier level and has to move up for the option to become activated. • **Down-and-in**: spot price starts above the barrier level and has to move down for the option to become activated.
Expiration Time	Time at which option contract expires (cut off time)
Settlement Date	Settlement date of the option contract
Premium	Premium amount expressed in premium currency
Premium currency	Currency in which option premium is expressed in
Premium Date	Date on which premium amount is due
Quoting Convention and Minimum Increment	Notional amount, as agreed by counterparties
Notional Currency	Currency in which contract size is expressed in
Settlement Procedure	Bilateral settlement performed in settlement currency
Trading Hours	00:01 -24:00 Sunday-Friday Eastern Time
Clearing Venue	Bilateral
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

Bloomberg SEF LLC

Reportable Levels	As set in CFTC Regulation 15.03

Currency list:

AED UAE Dirham
AFN Afghanistan Afghani
ALL Albanian Lek
AMD Armenia Dram
ANG Neth. Ant. Guilder
AOA Angolan Kwanza
ARS Argentine Peso (NDF)
ARS Argentine Peso
AUD Australian Dollar
AWG Aruban Guilder
BAM Bosnia-Herze Convrt Mrka
BBD Barbados Dollar
BDT Bangladesh Taka
BGN Bulgarian Lev
BHD Bahraini Dinar
BIF Burundi Franc
BMD Bermudian Dollar
BND Brunei Dollar
BOB Bolivian Boliviano
BRL Brazilian Real (NDF)
BSD Bahamas Dollar
BWP Botswana Pula
BYR Belarus Ruble
BZD Belize Dollar
CAD Canadian Dollar
CDF Congolese Franc
CHF Swiss Franc
CLF Chilean UF
CLP Chilean Peso
CNY China Renminbi (NDF)
COP Colombian Peso
CRC Costa Rican Colon
CVE Cape Verde Escudo
CZK Czech Koruna
DJF Djibouti Franc
DKK Danish Krone
DOP Dominican Repb.
DZD Algerian Dinar
EGP Egyptian Pound (NDF)
ERN Eritrean Nakfa
EUR Euro
FJD Fiji Dollar
GBP British Pound
GEL Georgia Lari
GMD Gambian Dalasi
GNF Guinea Franc
GTQ Guatemala Quetzal
GYD Guyana Dollar
HKD Hong Kong Dollar
HNL Honduras Lempira
HRK Croatia Kuna
HTG Haiti Gourde
HUF Hungarian Forint
IDR Indonesian Rupiah (NDF)
ILS Israeli Shekel
INR Indian Rupee (NDF)
ISK Iceland Krona
JMD Jamaica Dollar
JOD Jordanian Dinar
JPY Japanese Yen
KES Kenyan Shilling
KGS Kyrgyzstan Som
KHR Cambodia Riel
KMF Comoros Franc
KRW South Korean Won (NDF)
KWD Kuwaiti Dinar
KYD Cayman Islands Dollar
KZT Kazakhstan Tenge
LAK Laos Kip
LBP Lebanese Pound
LKR Sri Lankan Rupee
LTL Lithuanian Litas
LVL Latvian Lats
MAD Moroccan Dirham
MDL Moldova Leu
MGA Malagascy Ariary
MKD Macedonia Denar
MMK Myanmar Kyat
MNT Mongolian Togrog
MOP Macau Pataca
MRO Mauritania Ouguiya
MUR Mauritius Rupee
MVR Maldives Rufiyaa
MWK Malawi Kwacha
MXN Mexican Peso
MYR Malaysian Ringgit (NDF)
MZM Mozambique Metical
MZN New Mozambique Metical
NGN Nigeria Naira (NDF)
NID New Iraqi Dinar
NIO Nicaragua Cordoba
NLG Dutch Guilder
NOK Norwegian Krone
NPR Nepalese Rupee
NZD New Zealand Dollar
OMR Omani Rial
PAB Panamanian Balboa
PEN Peruvian New Sol
PGK Papua N.G. Kina
PHP Philippines Peso (NDF)
PKR Pakistani Rupee
PLN Polish Zloty
PTE Portuguese Escudo
PYG Paraguay Guarani
QAR Qatari Riyal
ROL Romanian Leu
RON New Romanian Leu
RSD Serbian Dinar
RUB Russian Ruble (NDF)
RWF Rwanda Franc
SAR Saudi Riyal
SBD Solomon Is. Dollar
SCR Seychelles Rupee
SDD Sudanese Dinar
SDG New Sudanese Pound
SDP Old Sudanese Pound
SEK Swedish Krona
SGD Singapore Dollar
SIT Slovenia Tolar
SKK Slovakia Koruna

Bloomberg SEF LLC

SLL Sierra Leone Leone
SOS Somali Shilling
SRD Suriname Dollar
SSP South Sudanese Pound
STD Sao Tome Dobra
SVC El Salvador Colon
THB Thai Baht
THO Thai Baht Onshore
TJS Tajikistan Somoni
TND Tunisian Dinar
TOP Tonga Pa'Anga
TRY Turkish Lira
TTD Trinidad/Tobago Dol
TWD Taiwan Dollar (NDF)
TZS Tanzanian Shilling
UAH Ukraine Hryvnia (NDF)
UDI Mexican UDI
UGX Ugandan Shilling
USD US Dollar
USDCLF CHILEAN UNIDAD SP
x10000
UYU Uruguay Peso
UZS Uzbekistan Sum
VEE Venezuela Essential Rate
VEF Venezuelan Bolivar
VND Vietnamese Dong (NDF)
VUV Vanuatu Vatu
WST Samoa (West) Tala
XAF CFA Franc Beac
XCD East Caribbean Dollar
XDR Special Drawing Rights
XOF CFA Franc Bceao
XPF Pacific Island Franc
XSU Sucre
YER Yemeni Rial
ZAR S. African Rand
ZMK Zambian Kwacha
ZMW Zambian Kwacha (NDF)
ZWR Zimbabwe Dollar