

# SUBMISSION COVER SHEET

**IMPORTANT:** Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): \_\_\_\_\_

Organization: RTX Fintech & Research LLC

Filing as a:  DCM  SEF  DCO  SDR Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 08/27/23 \_\_\_\_\_ Filing Description:  
New Product

**SPECIFY FILING TYPE** Please note only ONE choice allowed per Submission.

## Organization Rules and Rule Amendments

- |  |            |
|--|------------|
| <input type="checkbox"/> Certification                       | § 40.6(a)  |
| <input type="checkbox"/> Approval                            | § 40.5(a)  |
| <input type="checkbox"/> Notification                        | § 40.6(d)  |
| <input type="checkbox"/> Advance Notice of SIDCO Rule Change | § 40.10(a) |
| <input type="checkbox"/> SIDCO Emergency Rule Change         | § 40.10(h) |

Rule Numbers: \_\_\_\_\_

## New Product

Please note only ONE product per Submission.

- |  |            |
|--|------------|
| <input type="checkbox"/> Certification                         | § 40.2(a)  |
| <input type="checkbox"/> Certification Security Futures        | § 41.23(a) |
| <input checked="" type="checkbox"/> Certification Swap Class   | § 40.2(d)  |
| <input type="checkbox"/> Approval                              | § 40.3(a)  |
| <input type="checkbox"/> Approval Security Futures             | § 41.23(b) |
| <input type="checkbox"/> Novel Derivative Product Notification | § 40.12(a) |
| <input type="checkbox"/> Swap Submission                       | § 39.5     |

Official Product Name: Basis Swap - USD SOFR vs. Fed Funds

## Product Terms and Conditions (product related Rules and Rule Amendments)

- |  |                      |
|--|----------------------|
| <input type="checkbox"/> Certification   | § 40.6(a)            |
| <input type="checkbox"/> Certification Made Available to Trade Determination     | § 40.6(a)            |
| <input type="checkbox"/> Certification Security Futures                          | § 41.24(a)           |
| <input type="checkbox"/> Delisting (No Open Interest)                            | § 40.6(a)            |
| <input type="checkbox"/> Approval  | § 40.5(a)            |
| <input type="checkbox"/> Approval Made Available to Trade Determination          | § 40.5(a)            |
| <input type="checkbox"/> Approval Security Futures                               | § 41.24(b)           |
| <input type="checkbox"/> Approval Amendments to enumerated agricultural products | § 40.4(a), § 40.5(a) |
| <input type="checkbox"/> "Non-Material Agricultural Rule Change"                 | § 40.4(b)(5)         |
| <input type="checkbox"/> Notification  | § 40.6(d)            |

Official Name(s) of Product(s) Affected: \_\_\_\_\_

Rule Numbers: \_\_\_\_\_

## RTX Fintech & Research LLC

90 Broad Street, Suite 402  
New York, NY 10004

August 27, 2023

### By Upload to CFTC Portal

Secretary of the Commission  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, NW  
Washington, DC 20581

### Re: Class Certification of Interest Rate Swaps Under 17 CFR 40.2(d)

Dear Secretary Kirkpatrick:

On August 24, 2023, RTX Fintech & Research LLC (“RTX SEF”) submitted its class certification of interest rate products (“IRS Products”) that it intended to list, in accordance with 17 CFR 40.2(d), on August 28, 2023. The IRS Products only included cleared products at LCH Ltd. or CME Inc. for USD, EUR, GBP, and JPY fixed/floating IRS or basis swaps. At the request of CFTC Staff, RTX SEF has withdrawn the submission to break out the single filing into separate submissions, which include:

- Fixed-for-Floating IRS—USD SOFR
- Fixed-for-Floating IRS—EUR EURIBOR
- Fixed-for-Floating IRS—EUR EuroSTR
- Fixed-for-Floating IRS—GBP SONIA
- Fixed-for-Floating IRS—JPY TONA
- Basis Swap—USD SOFR vs. Fed Funds
- Basis Swap—EUR EURIBOR vs. EuroSTR

This submission covers the following product: Basis Swap—USD SOFR vs. Fed Funds (the “Product”).

RTX SEF hereby notifies the Commodity Futures Trading Commission (“CFTC”) that it intends to list the product identified above in accordance with 17 CFR 40.2(d). RTX SEF intends to list the Product on **Tuesday, August 29, 2023**.

In accordance with 17 CFR 40.2, this submission includes the following:

- the certifications required under 17 CFR 40.2(d);
- a copy of the submission cover sheet required under 17 CFR 40.2(a)(3)(i); and
- the certifications required under 17 CFR 40.2(a)(iv) and 17 CFR 40.2(a)(vi).

In addition, in accordance with 17 CFR 40.2(a)(1), RTX SEF is filing this submission electronically in the format and manner specified by the Secretary of the Commission with the Secretary of the Commission. As required under 17 CFR 40.2(a)(2), the CFTC has received the submission (in its original form) by the open of business on the business day preceding the Product's listing on August 29, 2023.

The attachments to this letter, which include additional items than those referenced above, are listed below.

*List of Attachments*

<b>Attachment</b>	<b>Description</b>
Attachment A	Certifications
Attachment B	Terms and Conditions of Product

Please direct questions about this submission to Glenn Chaleff, RTX SEF's CCO, at (917) 694-4856 or [glenn@rtxfintech.com](mailto:glenn@rtxfintech.com).

Sincerely,



Glenn Chaleff,  
Chief Compliance Officer, RTX SEF

## Attachment A

### Certifications Required Under 17 CFR 40.2(d), 17 CFR 40.2(a)(iv), and 17 CFR 40.2(a)(vi)

RTX Fintech & Research LLC (“RTX SEF”) hereby certifies the following:

#### *17 CFR 40.2(d)*

- that each particular swap within the certified class of swaps is based upon an excluded commodity specified in 17 CFR 40.2(d)(1);
- that each particular swap within the certified class of swaps is based upon an excluded commodity with an identical pricing source, formula, procedure, and methodology for calculating reference prices and payment obligations;
- that the pricing source, formula, procedure, and methodology for calculating reference prices and payment obligations in each particular swap within the certified class of swaps is identical to a pricing source, formula, procedure, and methodology for calculating reference prices and payment obligations in a product previously submitted to the CFTC and certified or approved pursuant to 17 CFR 40.2 or 17 CFR 40.3;
- that each particular swap within the certified class of swaps is based upon an excluded commodity involving an identical currency or identical currencies;

#### *17 CFR 40.2(a)(iv)*

- that the products to be listed comply with the Commodity Exchange Act and CFTC regulations thereunder; and

#### *17 CFR 40.2(a)(vi)*

- that, concurrent with this submission, RTX SEF posted on its website (1) a notice of pending certification of the products with the CFTC and (2) a copy of this submission.

RTX Fintech & Research LLC



Glenn Chaleff  
Chief Compliance Officer

August 27, 2023

# Attachment B

## Product Terms and Conditions

## 6 Basis Swap—USD SOFR vs. Fed Funds

### 6.1 Discussion: Contracts Not Readily Susceptible to Manipulation

The interest rate swap (IRS) market is considered the largest derivative market in the world, with an estimated 632 trillion in notional principal outstanding as of June 2022 according to the Bank for International Settlements.<sup>18</sup>

IRS are cash-settled, so there is no deliverable supply to be manipulated. IRS are widely used by corporations, insurance companies, banks, and governments to transfer and manage interest rate risk. Interest-rate-linked financial instruments (e.g., bonds, loans, government interest-bearing instruments, and interest-rate-sensitive instruments) are not easily susceptible to manipulation because of the size and liquidity of the cash market for such instruments. Furthermore, IRS-associated interest rate futures contracts, loans, cleared swaps, and cash and futures markets for government debt securities offer a deep liquidity pool to hedge and risk-manage swaps based on such rates indexes.

RTX SEF will monitor trading in these swaps. RTX SEF has a comprehensive surveillance program and rules to prevent RTX SEF Participants from engaging in manipulative activity and possesses discretion to impose fines and disciplinary sanctions on its Participants.

#### 6.1.1 Discussion of Index Reference Prices: SOFR & Fed Funds

RTX SEF limits the indexes underlying its interest rate swap offerings to well-established, publicly available third-party interest rate market benchmarks. Some are published by central banks (such as the United States Federal Reserve Secured Overnight Financing Rate (SOFR) rate), while others are calculated and published by reliable independent providers (such as trade associations, exchanges, or other third parties). The interest rate reference prices underlying swaps on RTX SEF are the timeliest, most widely recognized, and reliable benchmarks for interest rates in their respective markets. The index levels are readily available and commercially acceptable as benchmarks for borrowers, lenders, investors, portfolio managers, governments, and public policy makers.

The New York Federal Reserve Bank describes the SOFR as a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities. The SOFR includes all trades in the Broad General Collateral Rate<sup>19</sup> plus bilateral Treasury repurchase agreement (repo) transactions cleared through the Delivery-versus-Payment (DVP) service offered by the Fixed Income Clearing Corporation (FICC), which is filtered to remove a portion of transactions considered “specials.”

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<sup>18</sup>[https://www.bis.org/publ/otc\\_hy2211.pdf](https://www.bis.org/publ/otc_hy2211.pdf)

<sup>19</sup><https://www.newyorkfed.org/markets/reference-rates/bgcr>

SOFR was identified by the Alternative Reference Rates Committee (ARRC)<sup>20</sup> as its recommended alternative to U.S. dollar LIBOR for use in certain new U.S. dollar derivatives and other financial contracts.<sup>21</sup> The New York Fed began publication of the SOFR on April 3, 2018. In the production of the Treasury SOFR repo reference rates, the New York Fed has endeavored to adopt policies and procedures consistent with best practices for financial benchmarks, including the IOSCO Principles for Financial Benchmarks.<sup>22</sup>

The USD-Federal Funds-H.15-OIS-COMPOUND is the rate for the reset date (i.e., the rate of return of a daily compound interest investment). The reference rate for the calculation of interest is the daily effective federal funds rate determined by the Federal Reserve Bank of New York as the volume-weighted median of transaction-level data collected from depository institutions reported in the FR 2420 Report of Selected Money Market Rates. The FR 2420 is a transaction-based report that collects daily liability data on federal funds, Eurodollars, certificates of deposit and time deposits, and selected deposits from (1) domestically chartered commercial banks and thrifts that have \$18 billion or more in total assets, or \$5 billion or more in assets and meet certain unsecured borrowing activity thresholds, and (2) U.S. branches and agencies of foreign banks with total third-party assets of \$2.5 billion or more. The Federal Reserve Bank of New York calculates and published the rate each New York business day. The rate is widely available and unbiased. The calculation formula may be found in “Supplement number 6 to the 2000 ISDA Definitions and Annex to the 2000 ISDA Definitions.”<sup>23</sup>

RTX SEF believes that the large number of participants in each market and the calculation of each index by well-known, independent third parties further limits the susceptibility of manipulation of these indexes. RTX SEF believes that such benchmark indexes (many of which also underlie liquid interest rate futures contracts on major Designated Contract Markets) are not readily susceptible to manipulation due to the large number of index participants, ubiquity, and broad-market nature.

## 6.2 MAT Contracts: Swaps Subject to the Trade Execution Requirement

For interest rate swaps that are Made Available Trade (MAT)—that is, subject to the Trade Execution Requirement under CEA section 2(h)(8)—see the industry filings posted on the CFTC’s website.<sup>24</sup>

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<sup>20</sup><https://www.newyorkfed.org/arrc/index.html>

<sup>21</sup><https://www.newyorkfed.org/medialibrary/microsites/arrc/files/2017/ARRC-press-release-Jun-22-2017.pdf>

<sup>22</sup><https://www.bankofengland.co.uk/markets/transition-to-sterling-risk-free-rates-from-libor>

<sup>23</sup><https://www.isda.org/book/supplements-to-the-2000-isda-definitions-and-annex-to-the-2000-isda-definitions/>

<sup>24</sup><https://www.cftc.gov/IndustryOversight/IndustryFilings/index.htm>

### 6.3 Product Description

Participants can trade the product below as of August 29, 2023.

PRODUCT	CURRENCY	INDEX	AUTHORIZED DCO
Basis Swap, Floating/Floating	USD	SOFR, Fed Funds	LCH Ltd./CME Inc.

An IRS is where two parties agree to exchange interest rate cash flows, based on a specified notional amount from a fixed rate to a floating rate (or vice versa) or from one floating rate to another for a predetermined term. In a Basis Swap IRS, one party pays a floating rate for the term of the IRS indexed to a floating reference rate. The other party will also pay a floating rate indexed to a reference rate in a different tenor. For example, in a 2-year term IRS, Party A pays SOFR in a particular tenor, Party B pays Fed Funds to the same or a different tenor. Generally payments of the SOFR will be compounded and offset on the coupon dates.

### 6.4 Clearing Required

The listed specifications for this product represent the customary attributes of the swap agreements. Because RTX SEF only permits trading in cleared products, all attributes must conform to the specifications of the authorized DCOs.

## 6.5 General Definitions

Unless stated otherwise in the product specifications or terms and conditions, below are the general definitions for products listed on RTX SEF.

ITEM	DESCRIPTION
Swap Transaction	Any transaction that is a rate swap, basis swap, or similar transaction (and any combination thereof).
Fixed-Rate Payer	A party obligated to make payments calculated by reference to a fixed rate.
Floating-Rate Payer	A party obligated to make payments calculated by reference to a floating rate.
Floating-Rate Index	Depends on currency and as agreed by Participants.
Quoting Convention/Min. Increment	Depends on Currency, Index, and Tenor for Electronic Order Book or as agreed by Participants for Voice Order Book.
Min. Size	Depends on Currency, Index, and Tenor for Electronic Order Book or as agreed by Participants for Voice Order Book.
Confirmation	Documents or other confirming evidence exchanged between the counterparties that confirm all the terms of the Swap Transaction.
Business Day	A day on which banks settle payments.
Day-Count Convention	The convention used for adjusting any relevant date that would otherwise fall on a non-Business Day. Day count will be specific to the individual product specification.
Holiday Calendar	Applied in accordance with the country currency denoted for the instrument.
Term (Tenor)	The total period of the Swap Transaction, starting on the Effective Date and ending on the Termination Date.
Notional Types	<i>Bullet</i> = notional remains constant over term of swap; <i>amortizing</i> = notional declines over term of swap; <i>accreting</i> = notional increases over term of swap.
Effective (Start) Date	The first date of the Term of the Swap Transaction, Spot or Forward starting, subject to the agreed Day-Count Convention.
Termination Date	The last day of the Term of the Swap Transaction.
Maturity Date	Start Date + Term (Tenor).
First Fixing Date	The first Index Fixing Date is zero, one, or two business days (depends on that Currency's market standard and according to agreed Holiday calendars) prior to the Start Date of the Swap.

ITEM	DESCRIPTION
Trade Types	The following swap types may be executed: Outright (Spot and Forward starting), Curve (tenor) Spreads, Butterflies, Spreads between different floating Indices, Spreads to Futures, Spreads to Treasuries, and combinations thereof.
Trade Start Types	<i>Spot</i> = a swap where the Effective Date is T+0 (e.g., GBP), T+2 (e.g., USD, EUR, JPY) from the trade date, depending on Currency and floating Index market standard; <i>forward</i> = a swap where the Effective Date is after the Effective Date for a Spot Starting swap of that Currency and floating Index.
Settlement Procedure	As determined by the Clearing Organization.
Block Trades	Block Trades may be submitted pursuant to RTX SEF Rule 510.
Position Limits	Parts 150 and 151 of the Commission's regulations, as applicable, set forth the Commission's rules regarding speculative position limits. The CFTC does not require speculative position limits for IRS.
Trading Hours	The operating hours of RTX SEF, published on RTX SEF's website.

Table: General Definitions Cont'd

## 6.6 Product Specifications & Terms and Conditions

ITEM	DESCRIPTION
Contract Definition	An agreement to exchange two streams of floating cash flows on a specified notional over a term to maturity.
Basis Spread	A spread between two Floating Rate Indices (SOFR & Fed Funds) of the same currency (USD).
Basis Spread Types	3v1, 3v6 or 6v3, 3v12, 6v12 or other combinations of floating indices as agreed by Participants.
Specific Trade Types	The following swap types may be executed: Outrights (Spot and Forward starting), Curve (tenor) Spreads, Butterflies.
Trade Start Dates	Spot or Forward Start Date or as agreed by the Participants, subject to DCO rules.
Swap Term (Tenor)	As agreed by the Participants. A contract can have a Tenor from 3 months to 51 years.
Trading Conventions	<i>Buy/pay</i> = Pay Floating Fed Funds Index Flat, Receive Floating SOFR Index + Basis; <i>spread sell/receive</i> = Receive Floating Index Fed Funds Flat, Pay Floating SOFR Index + Basis Spread; <i>basis spread price</i> quoted in increments of fractions or decimals of a basis point. Leg 1 is usually the longer underlying index tenor (e.g., 3v1 rather than 1v3). Thus the 3M index is paid flat and the spread is added to the 1m index. The shorter index can be compounded, i.e. Q/Q = 3m index vs 1 quarterly payment consisting of 3 compounded 1m index settings OR the shorter index can be 3 separate monthly payments.
<b>SWAP CONVENTIONS</b>	
<i>Floating Legs 1 &amp; 2</i>	
Index	As agreed by Participants and suitable to the Currency's market standards (SOFR and Fed Funds).
Payment/Resets	Annual, Semi-Annual, Quarterly, Monthly, Daily or as agreed by Participants.
Day-Count Conventions	As dictated by market standard for each Index (e.g., Act/360, Act/365, etc.).
Holiday Calendar	As agreed by Participants and suitable to the Currency's market standards.
Fixing Calendar	As agreed by Participants and suitable to the Currency's market standards.
Business Day Conventions	Modified Following with adjustment to period end dates or as agreed by Participants and suitable to each Currency's market standards.
<b>PERIODIC SETTLEMENT PAYMENT/RESETS</b>	
Floating Legs 1 & 2	The payment amount of the Floating Leg is based on: 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.