

BGC Derivative Markets, L.P
Rule Implementation Submission 2021-02
November 5, 2021

1. The texts of the amended Rules are appended as Attachment A. Any additions are underlined and any deletions are struck through.
2. The date of intended implementation for these rules is ten business days following the filing of this submission.
3. Attached, please find a certification that: (1) these rules comply with the Commodity Exchange Act (“Act”), and the Commission’s regulations thereunder; and (2) concurrent with this submission, BGCDMLP posted on its website: (i) a notice of pending certification of the rule amendments with the Commission; and (ii) a copy of this submission.
4. A concise explanation and analysis of the operation, purpose, and effect of each of the amended rules appears below.
5. There were no opposing views expressed regarding these amended rules.
6. Confidential treatment is not requested.

CONCISE EXPLANATION AND ANALYSIS OF THE OPERATION, PURPOSE, AND EFFECT OF THE RULE AMENDMENT AND ITS COMPLIANCE WITH APPLICABLE PROVISIONS OF THE ACT, INCLUDING CORE PRINCIPLES AND THE COMMISSION’S REGULATIONS THEREUNDER

Pursuant to Commission Rule 40.6(a)(7)(vi), the following is a concise explanation and analysis of the operation, purpose, and effect of the amended rules. The attached amendments are cumulative and in response to suggestions and guidance from the staff during the course of the staff review of the BGCDMLP application for registration as a Swap Execution Facility. These amendments are either:

- (1) technical corrections to align the rules more closely with the language of Commission Rules; and/or
- (2) amendments made in response to guidance of Commission staff.

The following chart identifies the changed rules and notes the effect of the change and an explanation of the operation, purpose, and effect of the change.

CONCISE EXPLANATION AND ANALYSIS OF THE OPERATION, PURPOSE, AND EFFECT OF THE RULE AMENDMENT AND ITS COMPLIANCE WITH APPLICABLE PROVISIONS OF THE ACT

Rule	Rule Title	Effect
203(a)	Establishment of Regulatory Oversight Committee	Amend rule to clarify composition of Regulatory Oversight Committee.
204(a)	Establishment of the Disciplinary Committee	Amend rule to clarify how members of Disciplinary Committee are appointed.
602(b) 602(c) 602(d) 602(e)	Trade Execution via Electronic Order Book	Remove subsets of rules not currently being utilized.
603(b)(i)(F)	Orders	Amend text to clarify rule.
703(c)	Voice Trading Facility	Remove subsets of rules not currently being utilized.

CERTIFICATIONS PURSUANT TO SECTION 5c OF THE COMMODITY EXCHANGE ACT, 7 U.S.C. §7A-2 AND COMMODITY FUTURES TRADING COMMISSION RULE 40.6, 17 C.F.R. §40.6

I hereby certify that:

- (1) the amended Rules above comply with the Commodity Exchange Act, and the Commodity Futures Trading Commission's regulations thereunder; and
- (2) concurrent with this submission, BGC Derivative Markets, L.P. posted on its website:
 - (a) a notice of pending certification of the above Rules with the Commission; and (b) a copy of this submission



By: Michael C. Sulfaro
Title: Chief Compliance Officer
Date: November 5, 2021

BGC Derivative Markets, L.P. Rules

PART 2. GOVERNANCE.

203. Regulatory Oversight Committee

- (a) **Establishment of Regulatory Oversight Committee.** The Regulatory Oversight Committee (“ROC”) is a subcommittee of the Board of Directors of the Facility, and shall be composed of ~~no fewer than three~~ Public Directors only. In the event of an even number of Public Directors in the ROC, the chair of the ROC shall have the tie breaker vote. The ROC shall be appointed by the Board of Directors.

204. Disciplinary Committee.

- (a) **Establishment of the Disciplinary Committee.** The Disciplinary Committee is a committee of the Facility whose members shall consist of such members appointed by the ~~Chief Executive Officer~~ Board of Directors of the Facility. The members of the Disciplinary Committee shall constitute the Facility’s Review Panel(s) and Hearing Panel(s). A member of a Hearing Panel may not serve as a member of the Review Panel in the same matter and each Hearing Panel and each Review Panel must include a member that is not a Participant of the Facility.

PART 6. TRADING VIA ELECTRONIC ORDERBOOK.

602. Trade Execution via Electronic Order Book.

- ~~(a) — Volume Clear Trading (“Fully Electronic Work Up”).~~
- ~~(i) — in order to encourage Participants to provide liquidity to the market during the Electronic Order Book Trading Session, a Participant that executes a transaction and exhausts all of the Bids (Offers) displayed on the Electronic Trading System at that time and at a particular price shall be able to use the Electronic Trading System to query the parties whose Bids were hit (or Offers lifted) to request to enter into additional transactions at the same price.~~
- ~~(ii) — the Electronic Trading System on behalf of the Participant shall query the parties in the order in which their Bids (Offers) were executed. The Participant enters a request to the Electronic Trading System for additional volume which shall remain open with each such contra-counterparty party for the number of seconds specified by the Electronic Trading System, which number may vary according by category or class of Swap. Once the time has expired for the original executing parties, all market Participants~~

~~may be then matched with contra requests for additional volume of transactions. Separate transactions entered into during the work-up process will not be confirmed or reported as a single aggregate transaction.~~

~~(b) *Volume Match Trading Facility.* The Volume Match Trading Facility is an auction Trading Session separate and distinct from the Electronic Order Book Trading Session and is held periodically during the Business Day. All trades during the Volume Match Trading Session matched subsequent to the Opening Period will be executed at a single price and in time order of priority. The Facility shall announce a Volume Match Trading Session not less than five minutes before it commences. A Volume Match Trading Session may be held once or more during the day at set times or as announced in response to market demand and these timings may vary by particular Swap contract.~~

~~(i) *Opening Period.* The Volume Match Trading Session begins by the Facility gathering indications of interest from potential market participants with respect to volume, Bids or Offers (the "Opening Period"). The Facility will announce the length of the Opening Period at its commencement.~~

~~(A) During the Opening Period, Participants may enter Executable and Indicative Orders into the Electronic Order Book. Executable orders in the Electronic Order Book may immediately match in full or in part during the opening period.~~

~~(B) The Facility will announce to the market the end of the Opening Period at least two minutes prior to its ending.~~

~~(ii) *Matching Session.* Upon the close of the Opening Period, the Facility will announce the price that it determines in its discretion to be the proposed market clearing price (the "Volume Match Price"). The Volume Match Price, is determined by the Facility acting in its discretion, the functions of which may, but are not required to, be carried out by an Execution Specialist acting for the Facility.~~

~~(A) In determining the Volume Match Price, the Facility shall adhere to the following procedures: The Facility begins the process of determining the Volume Match proposed price, as provided in paragraph (c)(i)(A) by sending one or more of Voice, electronic or any other form of notice to all market Participants active on the Facility at that time, including natural persons active on the Facility or their automated order entry systems, and issuing a system alert announcing the beginning of a Volume Match or Volume Match Plus trading session. The notice or notices shall indicate the Swap product which will be traded during the session and specify the time until the trading session~~

~~commences. When announcing by Voice, the Facility shall ensure that the announcement is made to all Participants active on the Facility through Voice at that time.~~

~~(B) Determination of the proposed market-clearing price shall include any one or a combination of a number of inputs, in the discretion of the Facility. The particular inputs to be used are in the discretion of the Facility. They include prices of transactions, executable or indicative bids or offers or historical prices on the Facility or any other registered SEF or designated contract market; prices derived from transactions, executable or indicative bids or offers or historical prices on the Facility or any other registered SEF or designated contract market; and views of active market participants.~~

~~(1) **Prices of the Subject Swap.** Prices from the Facility or from any registered SEF or designated contract market for the Swap that is the subject of the Volume Match will include, where available, the last price of a transaction, executable or indicative bids and offers or historical prices on the Facility or from any other registered SEF or designated contract market for the Swap.~~

~~(2) **Derived Prices.** Where such prices and/or executable or indicative bids or offers are unavailable for the Swap that is the subject of the Volume Match, the Facility shall apply analytical analysis to prices, executable or indicative bids or offers, or historical price information for a similar Swap traded on the Facility or any other registered SEF or designated contract market to determine the proposed Volume Match Price.~~

~~a.) The Facility may also apply analytics where bids or offers are available from the Facility or any other registered SEF or designated contract market but because of the width of the bid/offer spread or other factors, the mid market price may be ambiguous and the application of such analytics would provide additional clarity. Such analytical analysis may include, for example, but is not limited to, empirical cash flow valuations using Libor, Euribor and Overnight Interest Rate bootstrapped Discount Factor curves and forward forecasting curves, credit adjustment and valuation models and options~~

~~modelling using, but not limited to, industry standard Black Scholes, adjusted Black Scholes (Garman-Kohlhagen) and Stochastic Options models on specific option structures.~~

- ~~(3) — **Market Participant Views.** The Facility may also request the views of active market Participants and consider such views in determining the proposed Volume Match Price. In requesting the views of active market Participants, the Facility:~~
- ~~a.) must act fairly in determining which active market Participants to survey;~~
 - ~~b.) must weigh the views of market Participants based on market conditions and not on factors unrelated to the Participant's assessment of market conditions, and shall not knowingly ask for or receive a market view intended solely to favor the market Participant's position;~~
 - ~~c.) shall not attempt to coerce or pressure an active market Participant to respond to the request for their views or to alter a view once it has been expressed; and~~
 - ~~d.) shall not divulge any information regarding the positions or intentions of any other Participant without the consent of such Participant.~~
 - ~~e.) In using responses from active market Participants as an input in the determination of the proposed Volume Match price, the Facility shall use its best efforts, acting in good faith, to disregard any prices that are outliers from the consensus view expressed.~~
 - ~~f.) All contacts with active market Participants shall be made only via BGC communications media and the Facility will record all oral information requests and responses thereto and retain a record of all oral or written information requests and responses thereto in accordance with Commission Rule 1.31.~~

- ~~(iii) *Conclusion of Matching Session.* With the announcement of the proposed Volume Match Price the auction will commence (the “Matching Session”). Participants may then submit the notional amount of Swaps they want to buy or sell at the Volume Match Price. Participants may withdraw any pending, unexecuted Orders during the Matching Session. All transactions effected during the Matching Session are executed at the Volume Match Price and are matched via a pre-determined non-discretionary automated trade matching system using time priority. Trades are matched in sequence of Order entry (except for “all or none” Orders which may be matched at a later priority in order to fulfill their size requirement) until all Orders are filled or market supply exhausted at the Volume Match price. Any unfilled Orders are cancelled, unless expressly requested by the Participant to be transferred to the Electronic Order Book Trading Session as a new Order.~~
- ~~(e) *Volume Match Plus (“VM Plus”) Trading Facility.* The VM Plus Trading Facility is an auction Trading Session separate and distinct from the Regular Trading Session held periodically during the Business Day. A VM Plus Trading Session will be executed in price and time order of priority. The Facility shall announce a VM Plus Trading Session within a specified period of time before it commences. A VM Plus Trading Session may be held once or more during the day at set times or as announced in response to market demand and may vary by particular Swap contract.~~
- ~~(i) *Opening Period.* The VM Plus Trading Session begins by the Facility gathering indications of interest from potential market participants with respect to volume, Bids or Offers (the “Opening Period”). The Facility will announce the length of the Opening Period at its commencement.~~
- ~~(A) *During the Opening Period, Participants may enter Executable and Indicative Orders into the Electronic Order Book. Notwithstanding the matching procedure in subparagraph (d)(ii), during the Opening Period, executable orders in the Electronic Order Book may immediately match in full or in part during the opening period.*~~
- ~~(B) *The Facility will announce to the market the end of the Opening Period two minutes prior to its ending.*~~
- ~~(ii) *Matching Session.* Upon the close of the Opening Period, the Facility will announce the price that it determines in its discretion to be the market-clearing price (the “Volume Match Price”) using the procedure provided in subsection (c)(iii) of this Rule 602 and will commence the auction (the “Matching Session”). Participants may then submit the notional amount of Swaps they want to buy or sell at the Volume Match Price. Participants may withdraw any pending, unexecuted Orders during the Matching Session. All transactions effected during the Matching Session are~~

~~executed at the Volume Match Price and are matched using time priority. Trades are matched in sequence of Order entry (except for “all or none” Orders which may be matched at a later priority in order to fulfill their size requirement) until all Orders are filled or market supply is exhausted at the Volume Match price.~~

~~(iii) — In the VM Plus trading session, an Authorized Participant may bid higher or offer lower than the VM price displayed. Where such higher bid or lower offer meets no contra size to trade, the Volume Match price originally indicated prevails until a trade is subsequently executed at the new, more aggressive price level, which becomes the new Volume Match price displayed.~~

~~Any unfilled Orders are cancelled, unless expressly requested to be transferred to the Electronic Order Book Trading Session as a new Order.~~

~~(d) — *Customer Match Trading Facility.* The “Customer Match Trading Facility” is a Trading Session separate and distinct from the Electronic Order Book Trading Session held periodically during the Business Day during which prices are determined by the interaction of multiple Participants entering Bids and Offers into the Trading System’s Customer Match Session. The Facility shall announce a Customer Match Trading Session no less than five minutes before it commences. Customer Match Trading Session auctions will be held at pre-established times during the day and/or in the discretion of the Facility in response to market demand, which may vary by Swap contract.~~

~~(i) — *Opening Period.* The Customer Match Trading Session begins by Participants entering indicative or executable Bids, Offers and Bid/Offer quotes into the Trading System’s Customer Match Trading Session. The Facility will announce the length of the Opening period at its commencement. All Participants are invited to quote.~~

~~(ii) — Executable Bids and Offers entered into the Customer Match Trading Session during the Opening Period will not be matched until the end of the Opening Period if a matched or crossed orders result. Bids and Offers may be withdrawn at any time prior to the end of the Opening Period.~~

~~(iii) — The Trading System counts down with a visual indicator to Participants indicating the end of the Opening Period. Upon the close of the Opening Period, the Trading System calculates the market price using executable Bids and Offers from the multiple Participants, and crosses any Bids and Offers (e.g. a Bid which has been entered at a price above an Offer and vice versa) which were not withdrawn during the Opening Session such that the price chosen for the ensuing Matching Session is that at which the maximum volume can be traded. Where executable Bids and Offers do not cross (e.g. the price levels of all the Bids are below the levels of all the Offers), the mid-price is ascertained arithmetically. In the absence of~~

~~executable orders, Indicative Orders may be used as the basis for the market price.~~

- ~~(iv) — *Matching Session.* At the beginning of the Matching Session, the Facility will announce the market price (“Customer Match Price”) ascertained at the end of the Opening Period. Where Bids and Offers that crossed during the Opening Period created a trade execution which generated the mid-price, Participants may then submit the notional amount of Swaps they further wish to buy or sell at the Customer Match Price. All trades are executed at the Customer Match Price and matched using time priority (except for those matched during the Opening Period which used price and time priority). Orders may be withdrawn until they have been executed. The trades are matched in sequence of Order entry until all Orders are filled or market supply is exhausted. Any unfilled Orders are not disclosed and are cancelled at the end of the session unless expressly requested to be returned to the Electronic Order Book Trading Session.~~

603. Orders.

- (F) *AON Cross.* Following the pre-execution communication, as permitted under Rule 505, an All-Or-None Request for Cross (“AONX”), which contains both the buy and the sell orders, must be entered onto the Electronic Order Book, either by a party to the transaction or by an agent on behalf of the participants. Upon entry of the AONX, the Electronic Order Book will display an indication that a cross will occur in fifteen (15) seconds. If the AONX price improves both the best bid and best offer (or if there is no bid/offer) in the Electronic Order Book, after fifteen (15) seconds following the submission of the AONX, the full quantity will be matched at the AONX price. If the AONX price matches or is outside the best bid or offer in the Electronic Order Book, the applicable side of the AONX order will match against the order in the Electronic Order Book at a price better than or equal to the AONX price, at any point during the fifteen (15) second period, provided the Electronic Order Book quantity is the same or higher than the quantity of the AONX cross request. Immediately thereafter, any unexecuted order remaining in the AONX cross request will be cancelled. Following the pre-execution communication, as permitted under Rule 505, a Request for Cross (“RFC”) order will be entered into the Electronic Order Book where the first party’s order is entered into the Electronic Order Book first. The second party’s order may not be entered into the Electronic Order Book until a period of fifteen (15) seconds has elapsed. The orders may be entered by either party to the transaction or by an agent on behalf of the participants. The first party’s order will immediately match against any orders in the Electronic Order Book on the opposite side of the market which are at a price better than or equal to the price of the first order and will complete the order. The AON Cross will not interact with prices in quantities less than the order size of the transaction.

PART 7. TRADING VIA VOICE FUNCTIONALITY.

703. Voice Trading Facility.

~~(e) — **Additional Voice Trading Facilities.** If, in the discretion of the Execution Specialist, there is sufficient trading interest at any particular time, the Execution Specialist may announce the initiation of any one of the Voice Trading Facility Trading Sessions provided for in sub paragraphs (i), (ii), or (iii). Additional Voice Trading Facility Trading Sessions are separate from the Regular Voice Trading Facility Trading Session and the Technology Assisted Voice Trading Facility Trading Session provided in paragraphs (a) and (b) respectively. Additional Voice Trading Facility Trading Sessions may be structured in the manner that, in the judgment of the Execution Specialist, will provide for a robust exchange of indications of interest, or Bids and Offers by multiple parties. In order for trading to occur in an Additional Voice Trading Facility Trading Session, there must be no fewer than four participating Participants. Additional Voice Trading Facilities are as follows:~~

~~i. — **Volume Match Voice Trading Facility.** A Volume Match Voice Trading Facility Trading Session, if initiated by the Execution Specialist, will operate as provided in Rule 602(b).~~

~~ii. — **Volume Match Plus Voice Trading Facility.** A Volume Match Plus Voice Trading Facility Trading Session, if initiated by the Execution Specialist, will operate as provided in Rule 602(c).~~

~~iii. — **Customer Match Voice Trading Facility.** A Customer Match Voice Trading Facility Trading Session, if initiated by the Execution Specialist, will operate as provided in Rule 602(e).~~