



SEF Products

UNITED STATES COMMODITY FUTURES TRADING COMMISSION

Submitter Information	
Organization Name Bloomberg SEF LLC	
Organization Type SEF	Organization Acronym BSEF
Submitted By jreinhold2	Email Address jreinhold@bloomberg.net
Cover Sheet	
Submission Number 2501-2409-2913-63	Submission Date 1/24/2025 9:29:13 AM ET
Submission Type 40.2(a) Product Certification	
Submission Description DKK DESTR OIS Compound Fixed-to-Floating Swap Contract	
<input type="checkbox"/> Request Confidential Treatment	
Registered Entity Identifier Code	
Intended Listing Date 1/30/2025	
<input type="checkbox"/> Listing Date Unknown	
Product Information	
Official Product Name DKK DESTR OIS Compound Fixed-to-Floating Swap Contract	
Product Type Swap	Settlement Method Cash Settlement
Product Group Financial Instrument	Product Sub Group Interest Rate
<input type="checkbox"/> Novel Product Subject to Jurisdictional Determination	
Product Publication Website https://www.bloomberg.com/professional/products/trading/trading-venues/swap-execution-facility/compliance/	
Documents	
DKK-DESTROIS Compound Fixed to Floating.pdf	
Request For Confidential Treatment - Detailed Written Justification	
N/A	



January 24, 2025

VIA ELECTRONIC PORTAL

Mr. Christopher J. Kirkpatrick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

Re: CFTC Regulation 40.2(a) Certification. Initial Listing of DKK DESTR Fixed-to-Floating Overnight Interest Rate Swap Contract.

BSEF Submission No. 2025-R-1

Dear Mr. Kirkpatrick:

Bloomberg SEF LLC ("**BSEF**") is certifying to the Commodity Futures Trading Commission ("**CFTC**" or "**Commission**") the initial listing of the DKK DESTR Fixed-to-Floating Overnight Interest Rate Swap contract (the "**Contract**") for trading on the swap execution facility operated by BSEF ("**SEF**") effective January 30, 2025, for trade date January 30, 2025. Capitalized terms used but not defined herein have the meanings ascribed to them in the Bloomberg SEF LLC Rulebook – Swap Execution Facility ("**BSEF Rulebook**").

A Description of the Contract's Terms and Conditions

Each Contract is an overnight interest rate swap contract in which one party (the fixed rate payer) makes periodic payments to another party (the floating rate payer) based on a fixed rate of interest multiplied by a notional amount in exchange for receipt of periodic payments based on an overnight rate index multiplied by the same notional amount upon which the fixed rate payments are based.

The Contract's terms follow the 2021 ISDA Interest Rate Derivatives Definitions ("**2021 Definitions**"), developed by The International Swaps and Derivatives Association, Inc. ("**ISDA**")¹ and are updated from time to time. The Floating Rate Option for DESTR under the 2021 Definitions is DKK-DESTROIS Compound.

The 2021 Definitions define the following elements for interest rate swap contracts:

- Calculation Agent provisions
- Business Days and Currencies

¹ The 2021 Definitions are published by ISDA on its "MyLibrary" platform, available here: <https://www.isda.org/isda-solutions-infohub/mylibrary/>. For more information on the 2021 Definitions, please see: <https://www.isda.org/2021/10/04/2021-isda-interest-rate-derivatives-definitions>.

- Dates and Periods, e.g., Business Day Convention
- Payments, Calculations and Corrections, E.g., Initial Exchange Amount, Final Exchange Amount
- Fixed Amount
- Floating Amounts, E.g., determination of Floating Rate and calculation of Floating Amount
- Overnight Rate Compounding
- Fallbacks
- Settlement Method

Terms and Conditions of the Contract

The terms and conditions of the Contract are set forth in Rule 1309, attached as Exhibit A. As described in Exhibit A, some terms of the Contract are fixed (i.e., reference rate index, notional currency, reference rate index term value, notional schedule, quoting convention, trading conventions), while other terms are flexible and determined by the counterparties (i.e., fixed rate, minimum increment, minimum size, trade start types, swap tenor, effective date and maturity/expiration date). This combination of standard and flexible terms allows the Contract to have a basic consistent form, while allowing counterparties to tailor some aspects of the Contract to their economic needs. This structure follows industry convention; the terms of the Contract match the terms of interest rate swap contracts that are commonly offered in the market under the 2021 Definitions.

The Contract is not a referenced contract under CFTC Regulation 150.1.

Calculation of Cash Settlement Price

The Contract is financially settled. The cash settlement price will be calculated as follows:

- **Fixed Leg:** The payment amount is based on the following: Notional Amount, Payment Frequency, Payment Convention and Fixed Interest Rate.
- **Floating Leg:** The payment amount is based on the following: Notional Amount, Payment Frequency, Payment Convention, the value of the Reference Rate index on the Payment/Reset Date and Floating Reset Dates.

All payments are settled in accordance with the rules of Clearing House or the 2021 Definitions.

B. Description of Underlying Commodity

Denmark Short-Term Rate (“**DESTR**”) is intended to reflect unsecured overnight wholesale deposit costs in Danish kroner for banks active in the Danish krone market. DESTR is calculated using unsecured overnight fixed-rate deposit transactions in Danish kroner. Danmarks Nationalbank, the central bank of Denmark and a member of the Bank for International Settlements, is the owner and administrator of DESTR and calculates it on all Danish banking days based on the specific transactions made in the Danish krone market the previous banking day.

Danmarks Nationalbank has established criteria for the transaction dataset, which is representative of the overnight money market in Danish kroner and designed to reduce the risk of manipulation of the reference rate. A full description of the calculation methodology that Danmarks Nationalbank uses is available here: <https://www.nationalbanken.dk/en/what-we-do/stable-prices-monetary-policy-and-the-danish-economy/destr/about-destr>.

The methodology for DESTTR follows the international practice for calculating transaction-based reference rates. Additionally, Danmarks Nationalbank has designed its governance around the International Organisation of Securities Commissions (“IOSCO”) Principles for Financial Benchmarks.

C. Compliance with Applicable Core Principles

BSEF reviewed the swap execution facilities core principles (“**Core Principles**”) as set forth in the Commodity Exchange Act (“**CEA**”) and identified that the Contract may have some bearing on the following Core Principles:

§ 37.200 Core Principle 2—Compliance with rules.

The Contract is not subject to the mandatory trading requirement under CFTC Regulation 37.12 and can be executed as set forth in Chapter 5 of the Rules of the BSEF Rulebook.

Trading in this Contract will be subject to Chapter 5 of the Rules which includes prohibitions against fraudulent, non-competitive, unfair and abusive practices and will be subject to monitoring and surveillance by the Compliance Department. The Compliance Department may use its investigatory and enforcement power where potential rule violations are identified during its regular surveillance reviews.

Chapter 6 of the Rulebook contains provisions that allow BSEF to discipline, suspend or expel Participants that violate the Rules. Trading in the Contract will be subject to Chapter 6, and the Compliance Department has the authority to exercise its enforcement power in the event rule violations related to this Contract are identified.

§ 37.300 Core Principle 3—Swaps not readily susceptible to manipulation.

The Contract is not readily susceptible to manipulation for a number of reasons.

First, the underlying Reference Rate Index for the Contract is an excluded commodity as defined in section 1a(19) of the CEA, making manipulation difficult to achieve.

Second, the management and calculation of the Reference Rate Index is generated through a transparent rules-based process, as described above and on the website of Danmarks Nationalbank, a reliable and stable central bank. The process is based upon the 2021 Definitions and the IOSCO Principles for Financial Benchmarks and the Reference Rate Index is made available on Bloomberg and the Danmarks Nationalbank website, both of which are reliable and widely accepted sources.

Third, as noted above, the method for calculating the cash settlement price – involving a fixed leg and floating leg – is widely used and generally accepted by market participants. The calculation of the fixed leg and floating leg are not within the control of the parties – the fixed leg

is set at inception of the Contract and the floating leg is calculated as described above in Section B, subject to the 2021 Definitions.

Finally, BSEF has a market surveillance program that is designed to surveil this market, detect uncommon activity, and investigate any such activity for signs of manipulation.

§ 37.400 Core Principle 4—Monitoring of trading and trade processing.

Trading in the Contract will be subject to Chapter 5 of the Rules which include prohibitions on manipulation, price distortion and disruptive trading practices. As with any new product listed for trading on the SEF, trading activity in the Contract proposed herein will be subject to monitoring and surveillance by Compliance Department.

Rule 409 requires Participants to retain information and provide to BSEF sufficient information to allow BSEF to comply with Core Principle 4 with respect to trade monitoring and trade processing.

BSEF will monitor the underlying Reference Rate Index to determine if the Contract continues to be suitable for listing on the SEF. The calculation methodology of the Reference Rate Index is publicly available.

The Contract will be subject to risk controls set forth in Rule 535.

§ 37.600 Core Principle 6—Position limits or accountability.

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

§ 37.900 Core Principle 9—Timely publication of trading information.

Trading volume and price information will be published daily on BSEF's website at <https://data.bloombergsef.com/>.

BSEF certifies that: (1) the Contract complies with the Commodity Exchange Act, 7 U.S.C. §1 et seq. and regulations thereunder; and (2) this submission has been posted on BSEF's website at <https://www.bloomberg.com/professional/products/trading/trading-venues/swap-execution-facility/compliance/> concurrently with the filing of the submission with the Commission.

Should you have any questions concerning the above, please contact the undersigned at 212-617-7331 or dglatter1@bloomberg.net.

Sincerely,

/s/ Daniel Glatter, Chief Compliance Officer

Exhibit A: SEF Rule 1309

RULE 1309. DKK DESTR OIS Compound Fixed-to-Floating

Contract Overview	An agreement to exchange a stream of cash flows by applying a fixed and floating interest rate to a specified notional over a term to maturity.
Ticker	DKK DESTR OIS [Swap Tenor or Maturity Date]
Notional Currency	DKK
Reference Rate Index	DKK-DESTR-OIS Compound
Reference Rate Index Term Value	1 day
Fixed Rate	Par; custom coupon
Notional Schedule	Constant
Quoting Convention	Fixed Rate
Minimum Increment	CLOB: 100,000 Trading Protocols other than CLOB: 0.01
Minimum Size	CLOB: 100,000 Trading Protocols other than CLOB: 0.01
Trading Conventions	Pay Fixed, Receive Float Receive Fixed, Pay Float
Trade Start Types	Spot: A new swap where the Effective date is T+2 from the trade date. Non-Spot: Any date where the Effective Date is a date other than the spot date
Fixing Offset	0 to 10 days
Payment Conventions	Fixed Leg <ul style="list-style-type: none"> ○ Payment: Annual ○ Day Count Conventions: ACT/360 ○ Holiday Calendar: Denmark ○ Business Day Conventions: Modified Following with adjustment to period end dates Floating Leg <ul style="list-style-type: none"> ○ Payment/Resets: Daily, Annual ○ Day Count Conventions: ACT/360 ○ Holiday Calendar: Denmark ○ Business Day Conventions: Modified Following with adjustment to period end dates
Swap Tenor	The duration of time from the effective date to the maturity date. A contract can have a tenor from 7 days to up to 4050 days.
Effective Date	Unadjusted date at which the obligations under the Swap come into effect.
Maturity/Expiration Date	Unadjusted date at which the obligations under the Swap stop being effective.
Final Contractual Settlement Date	Expiration Date
Payment Lag	Fixed leg: 0 days or the same number of days as the Floating Leg Floating leg: 2 to 5 days
Settlement Method	Financially settled
Settlement Procedure	As determined by the Clearing House or Bilateral
Settlement Currency	DKK
“Made Available to Trade” Determination	None
Mandatory Clearing Determination	None

Trading Hours	00:01-24:00 Sunday-Friday (Eastern Time)
Clearing House	LCH.Clearnet Ltd. or Eurex Clearing Aktiengesellschaft
Block Size	As set forth in Appendix F to Part 43 of the CFTC Regulations
Speculative Limits	As set forth in Part 150 of the CFTC Regulations
Reportable Levels	As set forth in CFTC Regulation 15.03