

**GFI SWAPS EXCHANGE LLC
CORE PRINCIPLES COMPLIANCE CHART
EXHIBIT L-1**

<u>SEF CORE PRINCIPLES</u>	<u>APPLICANT COMMENTS</u>	<u>RELATED RULES/DOCUMENTS</u>
<p>Core Principle 1. Compliance with Core Principles.</p> <p>(a) <i>In general.</i> To be registered, and maintain registration, as a swap execution facility, the swap execution facility shall comply with—</p> <p style="padding-left: 40px;">(1) The core principles described in section 5h of the Act; and</p> <p style="padding-left: 40px;">(2) Any requirement that the Commission may impose by rule or regulation pursuant to section 8a(5) of the Act.</p> <p>(b) <i>Reasonable discretion of a swap execution facility.</i> Unless otherwise determined by the Commission by rule or regulation, a swap execution facility described in paragraph (a) of this section shall have reasonable discretion in establishing the manner in which the swap execution facility complies with the core principles described in section 5h of the Act.</p>	<p>All materials submitted with the application of GFI Swaps Exchange LLC (the “Company”) for designation as a swap execution facility (“SEF”) on Form SEF and the Exhibits thereto (the “Application”), including but not limited to the Company Rulebook (the “Rules”) provided in <u>Exhibit M-1</u> to the Application.</p> <p>Capitalized terms that are used in this <u>Exhibit L-1</u> without definition have the meaning ascribed to those terms in the Rules.</p>	<p>This Application.</p> <p><u>Exhibit M-1</u> (Rules)</p>

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<p>Core Principle 2. Compliance with rules.</p> <p>A swap execution facility shall:</p> <p>(a) Establish and enforce compliance with any rule of the swap execution facility, including the terms and conditions of the swaps traded or processed on or through the swap execution facility and any limitation on access to the swap execution facility;</p> <p>(b) Establish and enforce trading, trade processing, and participation rules that will deter abuses and have the capacity to detect, investigate, and enforce those rules, including means to provide market participants with impartial access to the market and to capture information that may be used in establishing whether rule violations have occurred;</p> <p>(c) Establish rules governing the operation of the facility, including rules specifying trading procedures to be used in entering and executing orders traded or posted on the facility, including block trades; and</p>	<p>Operation of the SEF and Compliance with Rules</p> <p>The Company has established Rules governing the operation of its SEF including rules regarding the operation of its trading systems (the “Trading Platform”). The Rules set out the framework for the submission of Orders and describe how the Trading Platform operates. In particular, the Company has an Order Book. The Rules also permit voice execution, as well as workup sessions (called join-the-trade or “JTT” sessions). <i>See</i> Rule 507. The Rules also set out procedures for entering into trades through a Request for Quote (“RFQ”) mechanism. <i>See</i> Rule 508. Under Rule 509, directions to effect a Required Transaction may be given to an employee of the Company, who will execute the directions in the manner that the employee deems appropriate, taking into account liquidity, the size and price of the Order or RFQ, the credit arrangements of the Parties to the trade (where applicable), and such other factors as such employee deems relevant in the circumstances.</p> <p>Pursuant to Rule 504, all Orders must be submitted to the Trading Platform using the relevant Trader ID and must also include the required information set out in Rule 506, including price, quantity, product, expiration date and CTI code. Orders may be submitted electronically or, if agreed in advance with a Company employee, by telephone, email, instant message or such other medium as may be agreed with the Company. <i>See</i> Rule 505. An Order may be modified or cancelled unless and until such Order is executed or has otherwise expired. <i>See</i> Rule 532. The Company also permits entry into Block Trades, subject to the requirements of Rule 601. <i>See</i> also Section 19 of the Company’s Market Surveillance and Compliance Manual (the “Manual”).</p>	<p><u>Rules</u>: 312, 401, 502, 502, 505-509, 532, 601, 1101, and 1102 and Chapters 3, 5 and 7.</p> <p><u>Exhibit O-1 (Manual)</u>: Section 3.5 and Section 19.</p>

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<p>(d) Provide by its rules that when a swap dealer or major swap participant enters into or facilitates a swap that is subject to the mandatory clearing requirement of section 2(h) of the Act, the swap dealer or major swap participant shall be responsible for compliance with the mandatory trading requirement under section 2(h)(8) of the Act.</p>	<p>The Company has established and enforces Rules relating to the terms and conditions of swaps traded on or processed through the Trading Platform (Rules 502, 503, 1101 and 1102). The Company has also adopted Rules regarding access to the Trading Platform for Participants, Sponsored Access Firms and Registered Traders (Chapter 3 of the Rules), trade practices (Chapter 5 of the Rules), disciplinary matters (Chapter 7 of the Rules) and mandatory trading requirements (Rule 401). The Company’s audit trail requirements are set out in Rule 506. <i>See also</i> Section 3.5 of the Manual.</p> <p>The Company will enforce its Rules impartially. In addition, the Company will publish a notice to its Participants and Sponsored Access Firms with respect to each new Rule and Rule amendment submitted to the Commodity Futures Trading Commission (“CFTC” or “Commission”) pursuant to the Commission’s Part 40 Regulations. <i>See</i> Rule 312.</p> <p>Access Requirements</p> <p>Participants have the right to access the Trading Platform for their own accounts and, if properly registered, on behalf of Customers, and must designate at least one of their employees as a Registered Trader. <i>See</i> Rule 301(a), (b). A Participant may also designate one or more Customers, investment managers or other third parties as a Sponsored Access Firm. <i>See</i> Rule 301(c). Each Participant and Sponsored Access Firm must be an “eligible contract participant” as defined in the Commodity Exchange Act (“CEA”) and CFTC Regulations. <i>See</i> Rule 302(a), Rule 304(b). Rule 302 sets forth the qualification standards for Participants, including that an applicant must itself be a member of or have entered into an arrangement with a</p>	<p><u>Rules:</u> 206, 301-306, 308, 309, 311, 313, 404, 504, 519 and 520.</p>

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	<p>Derivatives Clearing Organization to clear Swaps that it effects on the Trading Platform. <i>See also</i> Core Principle 7 (Financial Integrity of Transactions). Rule 304 sets out the requirements for a Participant to grant a Sponsored Access Firm the right to access the Trading Platform. Each Participant and Sponsored Access Firm is required to designate at least one person as a Registered Trader pursuant to Rule 305. Independent Software Vendors are permitted to access the Trading Platform provided they satisfy the Company’s technological integrity requirements as set out in Rule 306. Pursuant to Rule 308, the Company shall charge comparable fees for all Participants that receive comparable access to the Trading Platform. Any person that initiates or executes a transaction pursuant to the Rules, directly or indirectly, is subject to the Company’s jurisdiction. <i>See</i> Rule 311(a). Each Registered Trader, and each automated trading system, of a Participant or a Sponsored Access Firm must have a unique Trader ID, and each Participant is responsible for controlling and monitoring the use of the Trader IDs assigned to its Registered Traders. <i>See</i> Rule 504.</p> <p>The Company will apply these access criteria in an impartial manner through the application process described in Rule 303 and the Participation Committee review process described in Rule 206(d). Failure of an applicant to demonstrate a capacity to comply with the requirements of the Rules or of Applicable Law may lead to a denial of the application under Rule 302(b). Applicants have the right to appeal a denial or conditional grant of their Participant application under Rule 302(e). Other provisions in the Rulebook, including Rules 302(c), 308(b), 309(a) and 404, set out the authority of the Company to revoke, suspend or limit a Participant’s, Sponsored Access Firm’s, or Registered Trader’s access to the Trading Platform. The Company also</p>	

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	<p>reserves the right to summarily terminate the Trading Privileges of a Participant or any of its Sponsored Access Firms or its Registered Traders under Rule 520. Any denial of access, or suspension, expulsion or other restriction imposed pursuant to disciplinary procedures will similarly restrict access to the Trading Platform pursuant to Rule 519.</p> <p>The Company may grant a Participant’s request to withdraw if the requirements of Rule 313 are met.</p> <p>Rule Enforcement Program</p> <p>The Company will monitor and enforce compliance with its Rules, including the Rules prohibiting abusive trade practices. Rule 401 sets out duties and responsibilities of Participants and Sponsored Access Firms, including the requirement to utilize the Company’s services in a responsible manner, comply with all Rules of the Company, cooperate with Company investigations, inquiries, audits, examinations and proceedings, and observe high standards of integrity, market conduct, commercial honor, fair dealing and equitable principles of trade. Participants and Sponsored Access Firms are also required to maintain books and records as required under the CEA and CFTC Regulations as well as monitor and enforce compliance with any applicable internal risk limits.</p> <p>Chapter 5 of the Rules contains the Company’s trade practice rules. The Rules proscribe several forms of conduct and trade practices including: fraudulent acts (Rule 511), fictitious or noncompetitive transactions (Rule 512), fraudulent or misleading communications (Rule 513), market disruption (Rule 514), market manipulation (Rule 515), disruptive trading practices (Rule 516), misstatements (Rule</p>	<p><u>Rules</u>: 401, 402, 511-518, 521-523, 525-531, 533, 534, 602 and 702.</p> <p><u>Manual</u>: Section 2.2.</p>

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	<p>521), withholding of customer orders (Rule 526), priority of customer orders (Rule 527), trading against customer orders (Rule 528), front-running (Rule 602), simultaneous buying and selling orders, including crossing orders (Rule 529), wash sales (Rule 531) and pre-negotiated and noncompetitive trades, including money passes (Rule 533). The Rules also require compliance with the Rules and the rules of the Derivatives Clearing Organization (Rule 517) and further require only the entry of good faith bids and offers (Rule 518). In addition, Rule 405 prohibits a Participant from accepting an Order from another person unless such Participant is properly registered with the CFTC as a futures commission merchant or an introducing broker, as applicable.</p> <p>Chapter 5 also includes rules regarding acts detrimental to the Company (Rule 522), supervision (Rule 523), responsibility for customer orders (Rule 525), priority of execution (Rule 527), and discretionary orders (Rule 534). In addition, no Participant may disclose an Order other than to a designated Company Official, to the CFTC or as necessary to execute the Order. <i>See</i> Rule 530.</p> <p>The Company has made appropriate arrangements to ensure that it has sufficient resources to enforce its Rules. The Company’s ability to detect, investigate and take action with respect to violations of its rules will be provided by the Regulatory Oversight Committee (the “ROC”), the Company’s Chief Compliance Officer (the “CCO”) and the National Futures Association (“NFA”), which is the Company’s Regulatory Services Provider (“RSP”). Pursuant to Rule 402, the Company has the right to require a Participant to furnish information regarding the Participant’s business that is subject to the Rules. In addition, Rule 702(c)</p>	

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	<p>requires Participants, Sponsored Access Firms and Registered Traders to produce books and records related to a Rule, inquiry or investigation as requested by the Compliance Department (including the staff of the RSP). As described in further detail below, the RSP is primarily responsible for financial surveillance, daily market surveillance, daily trade practice surveillance and inquiries and investigations. The Compliance Department is primarily responsible for real-time market monitoring. The RSP also performs real-time market monitoring and provides services related to disciplinary proceedings.</p> <p>The ROC is responsible for monitoring the sufficiency, independence and effectiveness of the Company’s regulatory program. <i>See</i> Section 2.2 of the Manual. <i>See also</i> Core Principle 4 (Monitoring of Trading and Trade Processing).</p> <p>Regulatory Services Provider</p> <p>Rule 913 permits the Company to enter into an agreement with a regulatory services provider to provide certain regulatory services to the Company. Pursuant to the Regulatory Services Agreement entered into between the Company and the RSP (the “RSA”), the RSP will perform trade practice and market surveillance using an automated surveillance system known as the Sophisticated Warning Analysis Profiling System (“SWAPS”). <i>See</i> <u>Exhibit N-1</u>. Additional information on the SWAPS system is provided in Sections 3.1-3.4 of the Manual. The RSP uses SWAPS to monitor for certain types of suspicious transactions in connection with the time, size and percentage parameters that will be set based on the Rules or the RSP’s standards, which may be revised from time to time based on product offerings, market activities, trader profile information and the</p>	<p><u>Exhibit N-1</u> (Regulatory Services Agreement)</p> <p><u>Rules: 538 and 913.</u></p>

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	<p>Company's procedures. The RSP will review all trades executed on the Trading Platform or otherwise pursuant to the Rules.</p> <p>The Compliance Department has primary responsibility for the Company's real-time market monitoring. The Compliance Department reviews trading activity on the Trading Platform, including trades, RFQs and responses to RFQs. The Compliance Department will receive and review reports of any unusual trading activities on the Trading Platform. The RSP also performs real-time market monitoring of trading activity on the Trading Platform using a view-only market monitor screen through which it can track the activity of specific traders, monitor price and volume information and is alerted to any market messages. <i>See also</i> Core Principle 4 (Monitoring of Trading and Trade Processing).</p> <p>Pursuant to Rule 538, the Company may cancel or adjust trades if the Company determines that allowing the trade to stand could have a material, adverse effect on the integrity of the market or due to disruptions caused by the improper or erroneous use of the Trading Platform or by system defects or malfunctions. Decisions will be made as soon as practicable after the Company becomes aware of an anomaly, error or other event and the Company will notify Participants, Sponsored Access Firms and the Swap Data Repository pursuant to Rule 538(c).</p> <p>Audit Trail</p> <p>Section 3.5 of the Manual sets out the Company's audit trail arrangements, which are designed to capture all relevant trading information to facilitate the Company's trade practice</p>	

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	<p>and market surveillance activities described above. The audit trail program is based on original source documents that are unalterable, sequentially identified records. The records reflect the terms of the order entered, the time of the order, a unique Trader ID for the user entering the order and an account identifier. The system further reflects information regarding orders which are filled, unfilled or cancelled.</p> <p>The audit trail also includes an electronic transaction history database that contains a history of all Orders as well as the following: (i) all data entered into the Trading Platform to allow the transaction to match and clear; (ii) the categories of market participant for which each trade is executed, including the specific account; and (iii) timing and sequencing data enabling each order to be reconstructed. All audit trail data contained in the transaction database is organized in a manner that allows the Compliance Department to search, sort and present the information in order to reconstruct trading and identify potential violations.</p> <p>All data gathered as part of the audit trail is maintained in accordance with the CFTC’s recordkeeping requirements and is kept in a manner that does not allow for unauthorized alteration, erasure or other potential loss.</p> <p>As described in Section 7.2 of the Manual, the RSP will conduct reviews of all Participants, Sponsored Access Firms and Registered Traders to verify their compliance with the Company’s audit trail and recordkeeping requirements. Upon completion of such review, the RSP will identify, if any, the foregoing has demonstrated deficiencies in complying with the Company’s audit trail requirements, which may lead to the imposition of sanctions for purposes</p>	<p><u>Manual</u>: Section 3.5 and Section 7.2.</p> <p><u>Rules</u>: 703.</p>

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	<p>of deterring additional violations. Such sanctions are subject to the restrictions on warning letters described in Rule 703.</p> <p>Disciplinary Procedures</p> <p>Chapter 7 of the Rules sets forth the Company’s disciplinary and enforcement process and demonstrates the Company’s capacity to detect and investigate rule violations. The Compliance Department, in accordance with Rule 702, has the authority to initiate and conduct inquiries and investigations, prepare investigative reports, make disciplinary recommendations and prosecute violations. In practice, the RSP will be primarily responsible for conducting investigations and preparing investigation reports. Rule 702 also provides the Compliance Department (including the RSP) with the authority to collect information and documents and examine Participants’ books and records during an investigation.</p> <p>Rule 702 also provides that the Compliance Department (or the RSP) will commence an investigation upon the receipt of a request from Commission staff or upon the discovery or receipt of information that indicates a reasonable basis for a finding that a violation has occurred or will occur. Pursuant to Rule 703(e), absent mitigating circumstances, all investigations must be completed within twelve months after the date the investigation is opened. No person with a conflict of interest will be permitted to participate in any Company enforcement action or Disciplinary Panel. <i>See also</i> Section 4 of the Manual.</p> <p>Investigations may be resolved through a warning letter; however, no more than one warning letter for the same potential violation may be issued to the same potential</p>	<p><u>Rules</u>: Chapter 7, 912 and 914.</p> <p><u>Manual</u>: Section 4.</p>

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	<p>respondent during a rolling 12-month period. <i>See</i> Rule 703(f).</p> <p>As mentioned above, and in accordance with Rule 914, the Company has entered into the RSA with NFA, which will act as the RSP. However, the Company’s retains ultimate decision-making authority with respect to any powers or functions that are delegated to the RSP, including exclusive authority over the issuance of disciplinary charges and any denial of access to the Trading Platform for disciplinary reasons.</p> <p>Chapter 7 of the Rules sets out the detailed procedures for the Company’s disciplinary proceedings, including the potential establishment of an optional Review Panel to review an investigation report (Rule 704), the preparation of a notice of charges (Rule 705), the answer to a notice of charges by a respondent (Rule 706), service of notice of charges (Rule 707), settlements (Rule 708), the establishment and operation of a Disciplinary Panel (Rule 709), convening hearings of the Disciplinary Panel (Rule 710), the respondent’s right to review evidence (Rule 711), conducting hearings of the Disciplinary Panel (Rule 712), Disciplinary Panel decisions (Rule 713), and the imposition of sanctions (Rule 714). Rule 716 sets out the procedures for filing appeals, including the creation of an Appeal Panel. The Company may also impose summary fines relating to submission of records pursuant to Rule 717. The Company also reserves the right to impose disciplinary sanctions in an emergency in accordance with Rule 718. The rights and responsibilities of a Participant, Sponsored Access Firm or Registered Trader after suspension or termination are governed by Rule 719. The Company will provide written notice of disciplinary proceedings to the parties and to the</p>	

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	<p>CFTC in accordance with Rule 720.</p> <p>Each Hearing Panel, Disciplinary Panel and Appeals Panel must be constituted in accordance with the composition requirements set out in CFTC Regulations.</p> <p>Rule 912 permits the Company to enter into information-sharing agreements to coordinate surveillance with other markets on which financial instruments that are similar to the Company's Swaps trade.</p>	
<p>Core Principle 3. Swaps not readily susceptible to manipulation.</p> <p>The swap execution facility shall permit trading only in swaps that are not readily susceptible to manipulation.</p>	<p>The Company proposes to list cash-settled Swaps that will be cleared by one or more Derivatives Clearing Organizations. The Company will certify a swap's terms and conditions pursuant to CFTC Regulations 37.4 and 40.6 prior to offering the swap for the CFTC's approval or certification.</p> <p>Interest rate swaps that will be traded on the Company are settled in cash by the Derivatives Clearing Organization. The settlement amount is based on the net amount of interest owed between the swap counterparties. The amount of interest owed by each party is calculated on the basis of a reference interest rate applied over a period of time to a notional amount, where the referenced rates, period of time and notional amount are fixed by the relevant Swap. Each reference rate may be constant or may be determined on the basis of the 1-, 3- or 6-month LIBOR, Euribor, Bank Bill swap rate for U.S. dollar, U.K. pound sterling, Euro or Australian dollar deposits, as well as such other reference rates as may be the subject of interest rate swap clearing by the CME.</p> <p>The fixed terms of a Swap will not be subject to manipulation as they are predetermined by the Derivatives Clearing Organization. To the extent that Swaps are settled</p>	<p>Rule 901</p>

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	<p>based on reference rates that are not fixed, such rates are also not susceptible to manipulation. As an example, LIBOR refers to a daily reference rate based on the interest rates at which banks borrow unsecured funds from other banks in the London wholesale money interbank market. LIBOR rates are widely used as a reference rate for financial instruments such as interest rate futures and swaps. The British Bankers Association (“BBA”) enlists a panel of banks in which each bank supplies the rate at which it perceives it could be offered funds in the London market in a certain currency and for a certain maturity. Thomson Reuters is the designated calculation agent for the BBA. Thomson Reuters audits the data submitted by panel banks and creates the rates using the definitions provided by BBA’s FX & MM Committee, under the supervision of the BBA. The LIBOR rate produced by Thomson Reuters is calculated by using a trimmed arithmetic mean. Once Thomson Reuters receive submissions from each panel bank, Thomson Reuters ranks them in descending order and then drops the top and bottom quartiles, a process known as “trimming.” The middle two quartiles, reflecting 50% of the quotes, are then averaged to create the LIBOR quote. The BBA drops the bottom and top quartiles, which do not reflect the market rate, in order to increase the accuracy of the LIBOR quotes and limit the ability of any one bank to influence the calculation and affect the LIBOR quote. The market for the Swaps is therefore characterized by profound depth as well as an absence of barriers to delivery.</p> <p>Similarly, the Euro Interbank Offered Rate (“Euribor”) is based on average interest rates established by a panel of European banks that lend and borrow from each other. The Euribor is used as a reference rate for Euro-denominated forward rate agreements, short-term interest rate futures Swaps and interest rate swaps. To establish the Euribor, a</p>	

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	<p>panel of banks provide daily quotes of the rate that each panel bank believes one prime bank is quoting to another prime bank for interbank term deposits within the Euro zone, for maturity ranging from one week to one year to Reuters. Reuters determines the published rate by calculating a rounded, truncated mean of the quoted rates after eliminating the highest and lowest 15% of quotes.</p> <p>The Company intends to offer the following types of Swaps:</p> <p>1. Fixed /Float Interest Rate Swaps (“IRS”)</p> <p>IRS transactions are transactions in which two parties agree to Company or swap cash flows in the future. For example, two parties may enter into an IRS to exchange a fixed interest payment for a floating interest payment based on a reference rate. In a single-currency IRS, periodic payments between the counterparties are calculated based on the difference between the fixed and floating rates multiplied by the notional amount. Payments are netted because all cash flows are in the same currency.</p> <p>2. Zero Coupon Swaps</p> <p>Zero coupon (single-period) swaps are interest rate swaps in which the floating rate payments are made periodically while the fixed rate payments are paid in a single lump sum payment, which is typically made when the Swap matures. Zero coupon swaps can be structured so that both floating and fixed rate payments are paid as a lump sum.</p> <p>3. Single Currency Basis Swaps</p> <p>A single currency basis swap is an agreement between two parties to exchange a floating interest payment based on a reference rate for a floating interest payment based on a different reference rate in the same currency. Examples of single currency basis swaps include: (i) one-month U.S.</p>	

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	<p>Dollar T-Bill for one month U.S. Dollar LIBOR (matches a borrowing rate against a lending rate); and (ii) one-month U.S. Dollar LIBOR for three-month U.S. Dollar LIBOR (uses floating rates taken from different points on the yield curve).</p> <p>4. Cross-Currency Basis Swaps</p> <p>A cross-currency basis swap is an agreement between two parties to exchange a floating interest payment based on a reference rate for a floating interest payment based on a another reference rate in a different currency. For example, parties may exchange a floating interest payment based on the one-month U.S. Dollar LIBOR for a floating interest payment based on the one-month Great Britain Pound LIBOR to gain exposure to currency fluctuations.</p> <p>5. Overnight Index Swaps (“OIS”)</p> <p>An OIS is an agreement between two parties to exchange a fixed interest payment for a floating interest payment based on the geometric average of an overnight index over every day of the payment period. An OIS is generally a short-term or medium-term instrument with duration as short as a few weeks, but in some cases as long as three or four years.</p> <p>6. Forward Rate Agreement (“FRA”)</p> <p>An FRA is an agreement between two parties to exchange a fixed interest rate payment for a floating interest rate payment based on a reference rate. An FRA is a one-date interest rate swap and a cash settled OTC forward Swap. An FRA is usually a short-term instrument and the most common duration of an FRA is three months. FRAs are usually quoted (A)x(B), with A representing the number of months until the loan is set to begin and B representing the number of months until the loan ends. To find the length of</p>	

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	<p>the loan subtract A from B. For example, a 1x4 quote would mean a 3 month loan set to begin 1 month in the future.</p> <p>7. Credit Default Swaps</p> <p>The Company will also list cash-settled credit default swaps. The Company will only list credit default swaps that identify as a reference price a reliable third-party index that is not readily susceptible to manipulation.</p> <p>Finally, the Rules restrict trading on the basis of non-public information. In particular, Rule 901 prohibits Company officials from trading in Swaps or related Swaps absent prior written consent from the Company.</p>	
<p>Core Principle 4. Monitoring of trading and trade processing.</p> <p>The swap execution facility shall:</p> <p>(a) Establish and enforce rules or terms and conditions defining, or specifications detailing:</p> <p style="padding-left: 40px;">(1) Trading procedures to be used in entering and executing orders traded on or through the facilities of the swap execution facility; and</p> <p style="padding-left: 40px;">(2) Procedures for trade processing of swaps on or through the facilities of the swap execution facility; and</p> <p>(b) Monitor trading in swaps to</p>	<p>Pursuant to Rule 206(b), the ROC oversees the Company’s regulatory program and has the authority to monitor the sufficiency, effectiveness and independence of the Company’s regulatory program. The ROC is required to: (1) oversee the Company’s regulatory program on behalf of the Board; (2) monitor the Company’s regulatory program for sufficiency, effectiveness and independence; (3) review all regulatory proposals, actions or changes prior to implementation; (4) review the size and allocation of the regulatory budget and resources, and review the number, hiring and termination, and compensation of regulatory personnel; (5) review the performance of the CCO and make recommendations to the Board accordingly; and (6) recommend changes that would ensure fair, vigorous and effective regulation. <i>See also</i> Section 18.2 of the Manual.</p> <p>Chapter 5 of the Rules sets forth certain prohibited trading practices and specifically proscribes manipulation, price distortion and disruptive trading practices. Chapter 7 of the Rules describes the Company’s disciplinary and enforcement procedures, which include inquiries, investigations and</p>	<p><u>Rules:</u> 206, 302, 310, 401 and 1004 and Chapter 5 and Chapter 7.</p> <p><u>Manual:</u> Section 3.6, Section 10, and Section 18.2.</p> <p><u>NFA Manual</u></p>

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<p>prevent manipulation, price distortion, and disruptions of the delivery or cash settlement process through surveillance, compliance, and disciplinary practices and procedures, including methods for conducting real-time monitoring of trading and comprehensive and accurate trade reconstructions.</p>	<p>disciplinary proceedings. <i>See also</i> Core Principle 2 (Compliance with Rules).</p> <p>The CCO, Compliance Department and RSP implement the Company’s monitoring, surveillance and other enforcement functions, and the ROC will oversee this activity. The Rules, the Manual, RSA and NFA Market Regulation Compliance Manual for SEFs and DCMs Offering Swaps Contracts (“NFA Manual”) provide the framework for the Company’s enforcement activities. As described in greater detail in Section 3 of the Manual, the RSP has developed an automated trade surveillance system known as SWAPS that captures all trade and order data, including modifications and cancellations. The RSP uses that data to perform trade practice and market surveillance services and conducts market monitoring on a trade day plus one (“T+1”) basis. The RSP is also responsible for reviewing the Company’s trades on a routine basis to determine whether suspicious activity relating to applicable trading standards exists. The CCO oversees the RSP’s performance.</p> <p>The audit trail requirements described in Core Principle 2 (Compliance with the Rules) above ensure the Company’s ability to comprehensively and accurately reconstruct all trading on the Trading Platform.</p> <p>Section 3.6 of the Manual provides the Company’s monitoring procedures for cash-settled Swaps. The Company monitors the pricing of the index against which the Swap settles as well as the appropriateness of the methodology for deriving the index and has the ability to address circumstances that may threaten market disruption, manipulation and/or distortion. Section 3.6 of the Manual also sets out additional provisions in connection with</p>	

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	<p>monitoring for physically settled Swaps.</p> <p>Pursuant to Rule 401, all Participants and Sponsored Access Firms must maintain all records required by the Rules including all records of trading, activity in the underlying commodity and activity in related markets. All such books and records shall be made available for inspection by, and copies thereof shall be delivered to, the Company and its authorized representatives upon request.</p> <p>In addition, under Rule 302, in order to be eligible for admission as a Participant and to maintain continued access to the Company, the applicant must be in compliance with all recordkeeping requirements set forth in the Rules.</p> <p>As described above, the Company maintains comprehensive audit trail data to accurately reconstruct all trading on the Trading Platform. Pursuant to Rule 401(a), each Participant is required to furnish the Company, upon request, with information regarding such Participant's trading in related derivatives markets as well as in the products underlying the Swaps listed for trading on the Trading Platform.</p> <p>Pursuant to Rule 1004, the trades of each Participant must be guaranteed by a Clearing Firm. If a Clearing Firm revokes its guarantee of a Participant, such Participant may no longer access the Trading Platform until it has obtained another guarantee from a Clearing Firm. <i>See</i> Rule 310.</p> <p>Under Rule 401(b), all Orders submitted to the Trading Platform are subject to the Participant's own internal risk limits. This approach requires Participants to monitor and enforce risk controls that are appropriate for their activity. Such risk controls may include: pre-trade limits on order</p>	

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	<p>size, price collars or bands around the current price, message throttles, daily price limits or other customized risk controls.</p> <p>Section 10 of the Compliance Manual provides an overview of the Company’s trading risk controls, including its procedures to suspend, pause or halt trading when warranted by market conditions. The Company will implement trading risk controls, including a maximum quantity limit for any single order, a maximum notional value limit and a price variance warning. These risk controls are designed to avoid market disruptions and interference with the Company’s price discovery function. To the extent practicable, the Company will coordinate its trading controls with other designated contract markets and with swap execution facilities and national securities exchanges.</p>	
<p>Core Principle 5. Ability To Obtain Information.</p> <p>The swap execution facility shall:</p> <p>(a) Establish and enforce rules that will allow the facility to obtain any necessary information to perform any of the functions described in section 5h of the Act;</p> <p>(b) Provide the information to the Commission on request; and</p> <p>(c) Have the capacity to carry out such international information-sharing agreements as the Commission</p>	<p>Pursuant to Rule 302, Rule 304 and Rule 305, Participants, Sponsored Access Firms and Registered Traders must agree to abide by the Rules and consent to the Company’s jurisdiction when accessing the Trading Platform. Participants, Sponsored Access Firms and ISVs are required to provide notice to the Company upon the occurrence of any of the events set out in Rule 307. Rule 402 requires each Participant to provide the Company or the RSP information related to its business that is subject to the Rules, including relating to Swaps executed on or processed through the Trading Platform or in related markets. Pursuant to Rule 702, each Participant, Sponsored Access Firm, Registered Trader and ISV is required to cooperate with a Company investigation by making an appearance and making its books and records available to the Company.</p> <p>In addition, Rule 208 obliges the Company to keep, or cause to be kept, all books and records required to be maintained</p>	<p><u>Rules:</u> 208, 302, 304, 305, 307, 402, 702, 905 and 912.</p> <p><u>Manual:</u> Section 11.</p>

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<p>may require.</p>	<p>pursuant to the CEA and CFTC Regulations and to make such books and records readily accessible for inspection, in each case in the form and manner required under the CEA and CFTC Regulations.</p> <p>Rule 912 and Section 11 of the Manual, the Company has broad discretion to enter into information-sharing agreements to coordinate surveillance with other markets that trade financial instruments related to the Swaps listed for trading on or pursuant to the Rules. The Company may enter into agreements or other arrangements or procedures to coordinate surveillance with domestic or foreign regulators, self-regulatory organizations, clearing organizations, exchanges, markets or other execution facilities to share information and provide other forms of mutual assistance for market surveillance, audits, investigations, enforcement actions and other regulatory purposes the Company deems necessary or appropriate for the Company or required by Applicable Law.</p> <p>All information provided by a Participant to the Company will be kept confidential as required by Rule 905.</p>	
<p>Core Principle 6. Position limits or accountability.</p> <p>(a) <i>In general.</i> To reduce the potential threat of market manipulation or congestion, especially during trading in the delivery month, a swap execution facility that is a trading facility shall adopt for each of the contracts of the facility, as is necessary and appropriate, position</p>	<p>Rules 535-537 set forth the Company’s position limit and position accountability rules. Pursuant to Rule 535, the Company may adopt position limits for Swaps and grant exemptions from position limits, as it may determine to be necessary and appropriate, in accordance with CFTC Regulations. The Company may not set its position limit for any Swap that is subject to a position limit set by the CFTC at a level higher than the CFTC’s limit.</p> <p>Rule 536 allows the Company to adopt position accountability levels for Required Transactions. Persons</p>	<p><u>Rules:</u> 535-537, 911 and Appendix A.</p> <p><u>Manual:</u> Section 12.</p>

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<p>limitations or position accountability for speculators.</p> <p>(b) <i>Position limits.</i> For any contract that is subject to a position limitation established by the Commission pursuant to section 4a(a) of the Act, the swap execution facility shall:</p> <p>(1) Set its position limitation at a level no higher than the Commission limitation; and</p> <p>(2) Monitor positions established on or through the swap execution facility for compliance with the limit set by the Commission and the limit, if any, set by the swap execution facility.</p>	<p>with positions in excess of position accountability levels established by the Company will be required to provide, upon request by the Company, information about their positions in excess of the relevant position accountability threshold and consent to halt any further increases in those positions.</p> <p>Procedures regarding the establishment or position limits and position accountability thresholds, as well as the availability of bona fide hedging exemptions and rules relating to aggregation are set out in Section 12 of the Manual.</p> <p>Pursuant to Rule 911, the Company may impose or modify trading limits or position limits or order the reduction of positions in the event of an Emergency. <i>See also</i> Core Principle 8 (Emergency Authority).</p>	
<p>Core Principle 7. Financial integrity of transactions.</p> <p>The swap execution facility shall establish and enforce rules and procedures for ensuring the financial integrity of swaps entered on or through the facilities of the swap execution facility, including the clearance and settlement of the swaps pursuant to section 2(h)(1) of the Act.</p>	<p>The Company has established a comprehensive set of Rules and procedures to ensure the financial integrity of transactions entered into on or pursuant to the Rules. The Company has the capacity to route transactions to one or more Derivatives Clearing Organizations in a manner acceptable to each applicable Derivatives Clearing Organization for purposes of clearing. In particular, Chapter 10 of the Rules and Section 13.1 of the Manual set out the Company’s arrangements for clearing Swaps. If the CFTC determines that the clearing requirement under Applicable Law applies to a Swap, then all such Swaps traded on or pursuant to the Rules must be submitted for clearing to a</p>	<p><u>Rules:</u> 310, 403, 405, 1004 and 1102.</p> <p><u>Manual:</u> Section 13.1 and Section 13.2.</p>

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	<p>Derivatives Clearing Organization unless an exemption from such mandatory clearing requirement applies.</p> <p>Under Rule 1004, each Participant that is not a Clearing Firm and desires to enter into transactions in Swaps must obtain the prior authorization from a Clearing Firm that will guarantee such transactions, or enter into an appropriate arrangement with a Person that has such an authorization from a Clearing Firm. The Clearing Firm Authorization is appended to the Participant Agreement attached as <u>Exhibit N-2</u>. A Participant that is not itself a Clearing Firm must have a guarantee in place from a Clearing Firm; the revocation of any such guarantee will prevent a Participant from accessing the Trading Platform until another guarantee from a Clearing Firm is in place. <i>See</i> Rule 310.</p> <p>Rule 1102 provides that clearing services provided by a Derivatives Clearing Organization with respect to any Swap, and the rights and obligations of purchasers and sellers under cleared Swaps, will be governed by the rules of the Derivatives Clearing Organization.</p> <p>The Company also ensures the financial integrity of Swaps through the financial oversight of its Participants. Rule 405 prohibits a Participant from accepting an Order from another person unless such Participant is properly registered with the CFTC as a futures commission merchant or an introducing broker, as applicable. Rule 403 requires Participants that are registered with a Regulatory Authority to comply with the minimum financial and financial reporting requirements of the Regulatory Authority. The Rule also requires contemporaneous submission of any financial reports to the Company or to the RSP. A Participant that is not registered with the CFTC must provide the financial information</p>	

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	<p>required by the Company from time to time. Section 13.2 of the Manual sets out the Company’s financial surveillance policies that are designed to ensure that Participants meet the aforementioned minimum financial standards on an ongoing basis.</p> <p>In addition, Participants handling customer Orders are subject to specific requirements in connection with such Orders that are set out in the Rules, including specific Rules prohibiting certain trade practices as described in Core Principle 2 (Compliance with Rules).</p> <p>Pursuant to Rule 401, participants are required to monitor and enforce compliance with their internal risk limits.</p>	
<p>Core Principle 8. Emergency authority.</p> <p>The swap execution facility shall adopt rules to provide for the exercise of emergency authority, in consultation or cooperation with the Commission, as is necessary and appropriate, including the authority to liquidate or transfer open positions in any swap or to suspend or curtail trading in a swap.</p>	<p>The Company has adopted procedures and guidelines for implementing an emergency intervention in the market. Pursuant to Rule 911, the Board may implement temporary emergency procedures and rules (“Emergency Rules”), subject to applicable provisions of the CEA and CFTC Regulations. The Emergency Rules may require or authorize the Company, the Board, any committee of the Board, the Chief Executive Officer or any other Officer to take actions necessary or appropriate to respond to the Emergency, including, but not limited to, the following actions: (i) suspending or curtailing trading or limiting trading to liquidation only (in whole or in part); (ii) extending, limiting or changing Trading Hours for one or more Swaps; (iii) ordering the liquidation of Swaps or the reduction of positions; (iv) temporarily modifying or suspending any provision of the Rules; (v) imposing or modifying trading limits, price limits or position limits; (vi) requiring additional margin to be collected from customers; or (vii) any other</p>	<p><u>Rules</u>: 205 and 911.</p> <p><u>Manual</u>: Section 3.4.3.</p>

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	<p>action as directed by the CFTC.</p> <p>Under Rule 911, if the Chief Executive Officer (or in his or her absence, the Chief Operating Officer) determines that Emergency Rules must be implemented before a meeting of the Board can reasonably be convened, then the Chief Executive Officer (or Chief Operating Officer) shall have the authority, without Board action, to implement any Emergency Rules that he or she deems necessary or appropriate to respond to such an Emergency. Specific procedures relating to Emergencies arising from suspicious activities detected on the Trading Platform are provided in Section 3.4.3 of the Manual.</p> <p>The Company will promptly notify its Participants whenever the Company takes actions necessary or appropriate to respond to an Emergency. If the Emergency is related to a Swap that is fungible with financial products traded on another platform, the Company will attempt to coordinate its response with any directions received from the CFTC or the CFTC staff.</p> <p>The Company will use reasonable efforts to notify the CFTC prior to implementing, modifying or terminating an Emergency Rule. If such prior notification is not possible or practicable, the Company will notify the Commission as soon as reasonably practicable, but in all circumstances within 24 hours of the implementation, modification or termination of such Emergency Rule.</p> <p>Any action taken in respect of an Emergency remains subject to the conflict of interest requirements set out in Rule 205.</p>	

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<p>Core Principle 9. Timely publication of trading information.</p> <p>(a) <i>In general.</i> The swap execution facility shall make public timely information on price, trading volume, and other trading data on swaps to the extent prescribed by the Commission.</p> <p>(b) <i>Capacity of swap execution facility.</i> The swap execution facility shall be required to have the capacity to electronically capture and transmit trade information with respect to transactions executed on the facility.</p>	<p>Consistent with Rule 409, the Company will publish on its website each day information regarding volume, price ranges, open interest and settlement prices provided that such prices reflect market conditions accurately. The Company shall also publish on its website on a daily basis the total quantity of Block Trades that are included in the total volume of trading. Information on settlement prices and open interest shall be provided by the Derivatives Clearing Organization.</p> <p>In addition, Rule 539 requires the Company to transmit Required Swap Creation Data for each Swap executed pursuant to the Rules to the appropriate Swap Data Repository in the form and manner, and within the timeframe, required by the CEA and CFTC Regulations. Rule 540 obliges a Participant or Sponsored Access Firm that becomes aware of an error in any Required Swap Creation Data to promptly submit corrected data to the Company and, in the case of a Block Trade, to the counterparty to the Block Trade. The Company may provide such Required Swap Creation Data to Participants, Sponsored Access Firms and Registered Traders no earlier than the time it transmits such information to a Swap Data Repository and in a form that does not disclose the identities, or otherwise facilitate identification, of the parties to the Swap. Additional information on the Company's transaction reporting procedures is set forth in Section 15 of the Manual.</p> <p>The Company provides each counterparty to a Swap with a written record of all the terms of the Swap pursuant to Rule 406. The Company also makes information regarding Orders and trades available to Participants as it deems necessary or advisable from time to time. <i>See</i> Rule 408.</p>	<p><u>Rules:</u> 406, 408, 409, 539 and 540.</p> <p><u>Manual:</u> Section 15.</p>

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<p>Core Principle 10. Recordkeeping and reporting.</p> <p>(a) <i>In general.</i> A swap execution facility shall:</p> <p>(1) Maintain records of all activities relating to the business of the facility, including a complete audit trail, in a form and manner acceptable to the Commission for a period of five years;</p> <p>(2) Report to the Commission, in a form and manner acceptable to the Commission, such information as the Commission determines to be necessary or appropriate for the Commission to perform the duties of the Commission under the Act; and</p> <p>(3) Keep any such records relating to swaps defined in section 1a(47)(A)(v) of the Act open to inspection and examination by the Securities and Company Commission.</p> <p>(b) <i>Requirements.</i> The Commission shall adopt data collection and reporting requirements for swap</p>	<p>Rule 208 requires the Company to: (i) keep, or cause to be kept, complete and accurate books and records of all activities relating to the business of the Company, including all books and records required to be maintained pursuant to the CEA and CFTC Regulations, and (ii) retain all such books and records for at least five years, making such books and records readily accessible for inspection by the Commission and the U.S. Department of Justice during the first two years of such five-year period.</p> <p>Under Rule 904, the Company may record conversations and retain copies of electronic communications between Company officials and Participants, Sponsored Access Firms, Registered Traders or Clearing Firms. Any such copies of electronic communications may be retained by the Company in such manner and for such periods of time as the Company may deem necessary or appropriate. The Company will retain such records as required by Applicable Law.</p> <p>The Company also maintains full, complete, and systematic records, together with all pertinent data and memoranda, of all of the Company's activities with respect to Swaps, including the real-time swap data reporting requirements set out in Part 43 of CFTC Regulations as well as the swap creation data reporting requirements in Part 45 of the CFTC Regulations. <i>See also</i> Sections 15 and 16 of the Manual.</p> <p>The RSP generates records relating to the provision of services pursuant to the RSA. Such records are maintained in accordance with the CEA and CFTC Regulations, and will be provided to the Company upon request.</p> <p>Under Rule 206, the ROC will oversee all facets of the regulatory program, including compliance with</p>	<p><u>Rules:</u> 206, 208 and 904.</p> <p><u>Manual:</u> Section 15 and Section 16.</p> <p><u>Exhibit S.</u></p>

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<p>execution facilities that are comparable to corresponding requirements for derivatives clearing organizations and swap data repositories.</p>	<p>recordkeeping requirements.</p> <p><u>Exhibit S</u> describes the procedures for maintaining trade data for transactions on the Company. In addition, the Company maintains records of Board meetings in accordance with the Operating Agreement.</p>	
<p>Core Principle 11. Antitrust considerations.</p> <p>Unless necessary or appropriate to achieve the purposes of the Act, the swap execution facility shall not:</p> <p>(a) Adopt any rules or take any actions that result in any unreasonable restraint of trade; or</p> <p>(b) Impose any material anticompetitive burden on trading or clearing.</p>	<p>The Company’s Rules and policies have been designed to avoid unreasonable restraints of trade or the imposition of any material anticompetitive burden on the SEF. The Company has not adopted any rule or taken any action with the intent or result of restraining trade. The Company will not require Participants to acquire an equity interest in the Company and access will be available to a broad number of Participants and through such Participants, Sponsored Access Firms.</p> <p>As set forth in Core Principle 2 (Compliance with Rules), the Company will not restrict access or impose burdens on access in a discriminatory manner within each category or class of Participants or between similarly situated categories or classes of Participants. Moreover, the Company will make public daily information related to Swaps traded on or processed through the Trading Platform. <i>See</i> Core Principle 9 (Timely Publication of Trading Information).</p>	
<p>Core Principle 12. Conflicts of interest.</p> <p>The swap execution facility shall:</p> <p>(a) Establish and enforce rules to minimize conflicts of interest in its</p>	<p>Rule 201 minimizes conflicts of interest by requiring that, at all times, not less than 35% of the Directors (and no fewer than two individuals) are Public Directors. In addition, Rule 206 requires the Company to establish an ROC that is composed solely of Public Directors. As noted above, the ROC oversees the Company’s regulatory program and</p>	<p><u>Rules:</u> 201, 204 205, 709, 716, 901 and 902.</p> <p><u>Manual:</u> Section 6.</p>

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<p>decision-making process; and</p> <p>(b) Establish a process for resolving the conflicts of interest.</p>	<p>reviews the performance of the CCO on behalf of the Board.</p> <p>Rule 205 provides the Company’s rules for minimizing and resolving conflicts of interest. Under Rule 205, no member of the Board or any Disciplinary Panel, Review Panel or Appeal Panel will participate in such body’s deliberations and voting on any significant action if such member: (i) is a named party in interest; (ii) is an employer, employee or fellow employee of a named party in interest; (iii) has any other significant, ongoing business relationship with a named party in interest; (iv) has a family relationship with a named party in interest; or (v) has a direct and substantial financial interest in the result of the vote. Rule 205 also requires documentation of all conflicts of interest and establishes a process for resolving conflicts of interest.</p> <p>Rule 204 limits the use and disclosure of material, non-public information gained in connection with a member’s participation on the Board or any committee for any purpose other than the performance of his or her official duties as a member of the Board or committee. Company officials are also subject to certain prohibitions on trading set out in Rule 901. In addition, Section 6 of the Manual set out the Company’s policies regarding the use of data collected in connection with its regulatory obligations.</p> <p>Pursuant to Rule 709 and Rule 716, a respondent may seek to disqualify any individual named to a Disciplinary Panel or an Appeal Panel due to a conflict of interest or for any other reasonable grounds.</p> <p>Rule 902 also prohibits a Participant from giving anything of value to a Company official in excess of the maximum amount permitted by the Company’s gifts and entertainment</p>	

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	<p>policy without the prior written approval of the CCO.</p> <p><i>See also</i> Core Principle 2 (Compliance with Rules).</p>	
<p>Core Principle 13. Financial resources.</p> <p>(a) <i>In general.</i> The swap execution facility shall have adequate financial, operational, and managerial resources to discharge each responsibility of the swap execution facility.</p> <p>(b) <i>Determination of resource adequacy.</i> The financial resources of a swap execution facility shall be considered to be adequate if the value of the financial resources exceeds the total amount that would enable the swap execution facility to cover the operating costs of the swap execution facility for a one-year period, as calculated on a rolling basis.</p>	<p>The Company has adequate financial, operational, and managerial resources to discharge each of its responsibilities. As required by CFTC Regulations, the Company will calculate its financial resources to ensure that the amount of such resources are sufficient (and sufficiently liquid) to cover its operating costs for a one-year period, as calculated on a rolling basis.</p> <p>In preparing these financial resources calculations, the Company applies “haircuts” to the market value of certain resources where appropriate to reflect market and credit risk, and the ROC may require that the value of financial resources be calculated more often than monthly if the ROC determines that doing so is necessary or advisable. The Company will submit monthly reports of its financial resources calculations to the CFTC. <i>See</i> Section 13.3 of the Manual.</p> <p><i>See also</i> <u>Exhibit E</u> and <u>Exhibit I-1</u> – Financial Statements (Audited).</p>	<p><u>Manual</u>: Section 13.3</p> <p><u>Exhibit E</u>.</p> <p><u>Exhibit I-1</u>.</p>
<p>Core Principle 14. System safeguards.</p> <p>The swap execution facility shall:</p> <p>(a) Establish and maintain a program of risk analysis and oversight to</p>	<p>The Company has developed a program of risk analysis and oversight to identify and minimize sources of operational risk, through the development of appropriate controls and procedures, and the development of automated systems that are reliable, secure, and have adequate scalable capacity. This program is described in <u>Exhibit V-1</u> (Technology Questionnaire), which includes information regarding the</p>	<p><u>Rules</u>: 407 and 911.</p> <p><u>Manual</u>: Section 17.</p> <p><u>Exhibit V-1</u>.</p>

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<p>identify and minimize sources of operational risk, through the development of appropriate controls and procedures, and automated systems, that:</p> <p>(1) Are reliable and secure; and</p> <p>(2) Have adequate scalable capacity;</p> <p>(b) Establish and maintain emergency procedures, backup facilities, and a plan for disaster recovery that allow for:</p> <p>(1) The timely recovery and resumption of operations; and</p> <p>(2) The fulfillment of the responsibilities and obligations of the swap execution facility; and</p> <p>(c) Periodically conduct tests to verify that the backup resources of the swap execution facility are sufficient to ensure continued:</p> <p>(1) Order processing and trade matching;</p> <p>(2) Price reporting;</p>	<p>security of those systems, the Company’s risk assessment reviews, internal controls for operations, functional testing, security testing and capacity planning and testing.</p> <p><u>Exhibit V-1</u> also describes the Company’s emergency plan and includes a description of the back-up systems and emergency procedures that include recovery time objectives. Under the emergency plan, the Company has procedures to conduct failover tests twice a year to ensure that backup resources are sufficient to ensure continued order processing and trade matching, price reporting, market surveillance, and maintenance of a comprehensive and accurate audit trail.</p> <p>Rule 407 requires each Participant to identify an employee or agent as its “Responsible Person” for purposes of serving as administrator in respect of such Participant’s and its Sponsored Access Firms’ use of the Trading Platform. In particular, a Responsible Person must be able to access and, if required, modify or cancel, any and all Orders placed by the relevant Participant or any of its Sponsored Access Firms.</p> <p>In addition, Rule 911 authorizes the Company to adopt and implement Emergency Rules. <i>See also</i> Core Principle 8 (Emergency Authority).</p> <p><i>See also</i> Section 17 of the Manual.</p>	

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<p>(3) Market surveillance; and</p> <p>(4) Maintenance of a comprehensive and accurate audit trail.</p>		
<p>Core Principle 15. Designation of Chief Compliance Officer.</p> <p>(a) <i>In general.</i> Each swap execution facility shall designate an individual to serve as a chief compliance officer.</p> <p>(b) <i>Duties.</i> The chief compliance officer shall:</p> <p>(1) Report directly to the board or to the senior officer of the facility;</p> <p>(2) Review compliance with the core principles in this subsection;</p> <p>(3) In consultation with the board of the facility, a body performing a function similar to that of a board, or the senior officer of the facility, resolve any conflicts of interest that may arise;</p> <p>(4) Be responsible for establishing</p>	<p>The Company has appointed a CCO and has conferred on the CCO all of the obligations and powers specified by the CEA and the CFTC Regulations. The authority and resources of the CCO to enforce the Company’s policies and procedures designed to achieve compliance with the CEA and CFTC Regulations are set forth in Section 2.1 of the Manual. In addition, under Section 2.1.7 of the Manual, the CCO is responsible for supervision of key aspects of the Company’s self-regulatory program. The minimum qualifications of the CCO are set forth in <u>Exhibit E</u>.</p> <p>Rule 202 obliges the Board to appoint the CCO, who in turn reports to and is supervised by the ROC as provided in Rule 207(c). As set forth in Section 2.1 of the Manual, the CCO’s compensation is set by a majority of the Board and the CCO shall meet annually with the Board and quarterly with the ROC to provide an overview of the compliance and market surveillance programs of the SEF.</p> <p>The CCO is required to:</p> <p>(i) oversee and review the Company’s compliance with the Core Principles for SEFs set forth in the CEA and Part 37 of the CFTC Regulations;</p> <p>(iii) resolve, in consultation with the Board, the ROC, or the CEO (as appropriate), any conflicts of interest that may</p>	<p><u>Rules:</u> 202 and 207.</p> <p><u>Manual:</u> Section 2.1.</p>

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<p>and administering the policies and procedures required to be established pursuant to this section;</p> <p>(5) Ensure compliance with the Act and the rules and regulations issued under the Act, including rules prescribed by the Commission pursuant to section 5h of the Act; and</p> <p>(6) Establish procedures for the remediation of noncompliance issues found during compliance office reviews, look backs, internal or external audit findings, self-reported errors, or through validated complaints.</p> <p>(c) <i>Requirements for procedures.</i> establishing procedures under paragraph (b)(6) of this section, the chief compliance officer shall design the procedures to establish the handling, management response, remediation, retesting, and closing of noncompliance issues.</p> <p>(d) <i>Annual reports.</i></p> <p>(1) <i>In general.</i> In accordance with</p>	<p>arise, including:</p> <p>a. conflicts between business considerations and compliance requirements;</p> <p>b. conflicts between business considerations and the requirement that the Company provide fair, open, and impartial access; or</p> <p>c. conflicts between the Company’s management and members of the Board;</p> <p>(iv) establish and administer written policies and procedures reasonably designed to prevent violations of the CEA and CFTC Regulations, including without limitation Part 37 of such Regulations;</p> <p>(v) take reasonable steps to ensure compliance with the CEA and CFTC Regulations;</p> <p>(vi) establish and follow appropriate procedures for the handling, management response, remediation, retesting, and closing of noncompliance issues identified through compliance office reviews, look-backs, internal or external audit findings, self-reported errors or validated complaints;</p> <p>(vii) supervise the Company’s self-regulatory program administered by the Compliance Department with respect to trade practice surveillance, market surveillance, real-time market monitoring, compliance with audit trail requirements, enforcement and disciplinary proceedings, audits, examinations, and other regulatory responsibilities with respect to members and market participants in accordance with CFTC Regulations; and</p>	

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<p>rules prescribed by the Commission, the chief compliance officer shall annually prepare and sign a report that contains a description of:</p> <p>(i) The compliance of the swap execution facility with the Act; and</p> <p>(ii) The policies and procedures, including the code of ethics and conflict of interest policies, of the swap execution facility.</p> <p>(2) <i>Requirements.</i> The chief compliance officer shall:</p> <p>(i) Submit each report described in clause (1) with the appropriate financial report of the swap execution facility that is required to be submitted to the Commission pursuant to this section; and</p> <p>(ii) Include in the report a certification that, under penalty of law, the report</p>	<p>(ix) prepare the Company’s Annual Compliance Report.</p> <p>The Company’s policies and procedures for the CCO’s annual compliance report are set forth in Section 2.1.9 of the Manual. The annual report must contain: (i) a summary description of the Company’s written policies and procedures, including the Company’s Code of Business Conduct and Ethics and conflict of interest policies; (ii) a list of any material changes to the Company’s compliance policies and procedures; (iii) a compliance chart containing a description of the Company’s compliance policies and procedures, an assessment of the effectiveness of these policies and procedures and a summary of areas for improvement; (iv) a description of the Company’s compliance resources; and (v) a discussion of material non-compliance matters arising in the previous year. The CCO must certify that, to the best of his or her knowledge and reasonable belief, and under penalty of perjury, the report is accurate and complete.</p> <p>The CCO’s annual compliance report will be provided to the Board prior to submission to the CFTC. The Board does not have the authority to compel the CCO to make any changes to the contents of the Report. The compliance report must be submitted to the CFTC not later than 60 days after the end of the Company’s fiscal year. The CCO must file an amendment to correct any material error or omission.</p>	

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