

Exhibit L – Compliance with core principles

Total Pages (including this one): 30

COMPLIANCE WITH SEF CORE PRINCIPLES

<u>CORE PRINCIPLE</u>	<u>RELATED RULES/DOCUMENTS</u>	<u>APPLICANT COMMENTS</u>
<p>CORE PRINCIPLE 1</p> <p>COMPLIANCE WITH CORE PRINCIPLES.—</p> <p>(A) IN GENERAL.—To be registered, and maintain registration, as a swap execution facility, the swap execution facility shall comply with—</p> <p>(i) the core principles described in this subsection; and</p> <p>(ii) any requirement that the Commission may impose by rule or regulation pursuant to section 8a(5).</p> <p>(B) REASONABLE DISCRETION OF SWAP EXECUTION FACILITY.—Unless otherwise determined by the Commission by rule or regulation, a swap execution facility described in subparagraph (A) shall have reasonable discretion in establishing the manner in which the swap execution facility complies with the core principles described in this subsection.</p>	<p><u>Form SEF</u> and <u>Exhibits</u> thereto</p>	<p>The materials submitted with the Company’s application for SEF registration, including but not limited to the Rulebook (the “Rules”) satisfy this Core Principle.</p> <p>Capitalized terms used in this <u>Exhibit L</u> without definition have the meanings ascribed to such terms in the Rules.</p>
<p>CORE PRINCIPLE 2</p> <p>COMPLIANCE WITH RULES.—A swap execution facility shall—</p> <p>(A) establish and enforce compliance with any rule of the swap execution facility, including—</p> <p>(i) the terms and conditions of the swaps traded or</p>	<p><u>Exhibit M-1</u> (SwapEx, LLC Rulebook)</p> <p>Chapter 3 (Trading System)</p> <p>Chapter 4 (Business Conduct)</p> <p>Chapter 5 (Trading Practices)</p> <p>Rule 601 (Block Trades)</p> <p>Rule 602 (Time Stamp Requirements for Block</p>	<p>Operation of the SEF and Compliance with Rules</p> <p>The Company has adopted Rules governing the operation of the Company’s Trading System. In particular, Rule 524 establishes that Required Transactions may be executed either through the Company’s order book or through an RFQ functionality. Any person accessing the Trading</p>

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<p>processed on or through the swap execution facility; and</p> <p>(ii) 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—</p> <p>(i) to provide market participants with impartial access to the market; and</p> <p>(ii) 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>(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), the swap dealer or major swap participant shall be responsible for compliance with the mandatory trading requirement under section 2(h)(8).</p>	<p>Trades)</p> <p>Chapter 7 (Disciplinary Rules)</p> <p>Rule 901 (Contract Specifications)</p> <p>Rule 1006 (Rules of the Derivatives Clearing Organization)</p> <p><u>Exhibit O</u> (SwapEx, LLC Compliance Manual)</p> <p>Section III.A (Surveillance – Introduction)</p> <p>Section III.B (Trade Practice Surveillance)</p> <p>Section III.C (Market Surveillance)</p> <p>Section III.D (Real-Time Market Monitoring)</p> <p>Section III.F (Audit Trail Surveillance)</p> <p>Section III.G (Inquiries, Investigations and Warning Letters)</p> <p>Section III.H (Third-Party Regulatory Service Provider)</p> <p>Section VII.A (Access Requirements)</p> <p>Section VII.B (Rule Enforcement and Inspections)</p> <p><u>Exhibit N-1</u> (Regulatory Services Agreement with National Futures Association)</p> <p><i>See also:</i></p> <p>Core Principle 4 (Monitoring of Trading and Trade</p>	<p>System must have and use the unique User ID that has been assigned to such person for that purpose. All Orders, Indications of Interest and Requests for Quote must contain the information required by the Company from time to time, including the data fields set out in Rule 528(e). <i>See also</i> Rule 518. The Company also permits entry into Block Trades, subject to compliance with the provisions of Rules 601 and 602.</p> <p>The Company has adopted Rule 901 regarding the terms and conditions of the Contracts traded on or processed through the Trading System. The Company has also adopted Rules relating to access to the Trading System by Participants, Authorized Traders and Authorized Users (<i>see</i> Chapter 3 of the Rules), business conduct and trade practice violations (<i>see</i> Chapters 4 and 5 of the Rules), and disciplinary matters (<i>see</i> Chapter 7 of the Rules). Rule 401(c) sets out the Company’s requirements regarding the mandatory trading obligations set out in Section 2(h)(8) of the CEA. The Company’s audit trail arrangements are described in Rule 518 and in Section III.F of the Compliance Manual.</p> <p>The Company will enforce its Rules impartially. <i>See also</i> Rules 701(b), (c) and (d). All additions to or modifications of the Rules will be published on the Company’s website pursuant to Rule 308.</p> <p>Access Requirements</p> <p>The Rulebook establishes a robust framework ensuring that Participants, Authorized Traders and</p>

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	<p>Processing)</p> <p>Core Principle 5 (Ability to Obtain Information)</p> <p>Core Principle 7 (Financial Integrity of Transactions)</p> <p>Core Principle 8 (Emergency Authority)</p> <p>Core Principle 12 (Conflicts of Interest)</p> <p>Core Principle 15 (Designation of a Chief Compliance Officer)</p>	<p>Authorized Users accessing the Trading System comply with the terms and conditions of the Contracts listed for trading on the Trading System as well as with the CEA and CFTC Regulations. <i>See also</i> Section VII.A of the Compliance Manual. The criteria for becoming a Participant or Authorized Trader are set out in Rules 302 and 304, respectively, including the requirement that each Participant and Authorized Trader qualify as an “eligible contract participant” as defined in the CEA and CFTC Rules. Each Participant and Authorized Trader must nominate at least one employee to serve as an Authorized User. An Authorized User may access the Trading System on behalf of its designating Participant or Authorized Trader, or, to the extent permitted by Applicable Law, the Customers of its designating Participant or Authorized Trader. <i>See</i> Rule 301, Rule 305. Each Participant and Authorized Trader must also designate one or more Designated Representatives to represent such Participant or Authorized Trader before the Company. <i>See</i> Rule 309.</p> <p>Independent software vendors may access the Trading System provided they satisfy the Company’s technological integrity requirements. <i>See</i> Rule 306. Any Participant, Authorized Trader, Authorized User or Customer is subject to the Company’s jurisdiction. <i>See</i> Rule 310. Access to the Trading System by a Participant, Authorized Trader or Authorized User may be limited or revoked by the Company. <i>See</i> Rule 307; Rule 717.</p> <p>The Company will apply Participant criteria in an</p>

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		<p>impartial manner pursuant to an established application process, which is further supported through oversight by a Participant Committee review process. <i>See</i> Rule 303.</p> <p>A Participant may withdraw from the Company if the requirements of Rule 311 are met. Each Participant, Authorized Trader and Independent Software Vendor must pay dues, assessments and fees pursuant to Rule 312.</p> <p>Rule Enforcement Program</p> <p>The Company has adopted Rules that prohibit abusive trading practices, including: acts detrimental to the Company or that are inconsistent with just and equitable principles of trade (Rule 503), fraudulent acts (Rule 504), fictitious or non-competitive transactions (Rule 505), market manipulation (Rule 506), disruptive trading practices (Rule 507), misstatements (Rule 508), misuse of the trading system (Rule 509), wash sales (Rule 514), and pre-negotiated or non-competitive trades, including money passes (Rule 515). The Company has also adopted Rules relating to protection of Customers. <i>See</i> Rules 511-513, 516, 517. Each Participant must also comply with the rules of the applicable Derivatives Clearing Organization. <i>See</i> Rule 1006.</p> <p>The Company has sufficient resources to ensure the maintenance and enforcement of its Rules, which is the responsibility of the Chief Compliance Officer</p>

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		<p>(“CCO”), who supervises the Market Regulation Department. <i>See also</i> Section VII.B of the Compliance Manual. The CCO monitors the Company’s compliance with all regulatory, legal, and internal rules, policies and procedures and is also responsible for supervising the Company’s self-regulatory obligations. <i>See</i> Core Principle 15 (Designation of a Chief Compliance Officer). The CCO also enforces the Company’s Rules and has available to him or her the members of the Market Regulation Department and such other resources as may be necessary to conduct investigations of alleged Rule violations and market conditions.</p> <p>The CCO reports to the Board and the most senior officer of the Company (at the Company’s discretion), as well as to the Regulatory Oversight Committee, which oversees the Company’s regulatory program on behalf of the Company’s Board of Directors. The Regulatory Oversight Committee has the authority, among other things, to (1) monitor the Company’s regulatory program for sufficiency, effectiveness, and independence and (2) oversee all facets of the regulatory program. <i>See</i> Core Principle 12 (Conflicts of Interest).</p> <p>The Company has entered into a Regulatory Services Agreement with the National Futures Association (“NFA”), pursuant to which NFA will act as the Regulatory Services Provider and provide certain regulatory services to the Company, including responsibility for the Company’s on-going market surveillance functions. In particular, the Regulatory</p>

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		<p>Services Provider will perform trade practice and market surveillance activities using its automated system known as the Sophisticated Warning Analysis Profiling System, or “SWAPS.” Additional detail regarding SWAPS is set out in Sections III.A-III.C of the Compliance Manual.</p> <p>Real-time market monitoring will be performed by the CCO, or his or her designee, in accordance with the provisions of Section III.D of the Compliance Manual, which also sets out procedures for addressing suspicious activities and for adjusting prices and/or cancelling trades. <i>See also</i> Rule 526.</p> <p>The Company has the authority to enforce compliance with the provisions of its Rulebook, including those Rules prohibiting fraudulent acts, market disruption, market manipulation and misstatements of material fact. The Company also has the power, at any time, to revoke, suspend, limit, condition, restrict, or qualify the trading privileges of any Participant either due to the occurrence of an enumerated “termination event” or if the Company determines, in its sole discretion, that such action is in the Company’s best interests. <i>See</i> Rule 405; Rule 717. The Company also has the power to revoke or suspend the designation of a Participant’s Authorized Trader.</p> <p>The Market Regulation Department is responsible for investigating potential Rule violations. The Market Regulation Department (or the Regulatory Service Provider on its behalf) may conduct preliminary inquiries of potential irregularities or exceptions and</p>

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		<p>request information from Participants. <i>See</i> Section III.G of the Compliance Manual. <i>See also</i> Rule 702. At the conclusion of an investigation, the Market Regulation Department (or the Regulatory Service Provider) will issue an investigation report and may recommend either closing the matter or propose other measures. The CCO will review the investigation report and determine whether further action is appropriate, including having the Market Regulation Department file charges directly, without going to a Review Panel, or submitting the investigation to a three-member Review Panel to determine whether to file charges.</p> <p>As described further below, the Company has enforcement and disciplinary procedures in place in the event that Participants or any of their Authorized Traders and Authorized Users do not comply with the Rules.</p> <p>Regulatory Services Provider</p> <p>Pursuant to Rule 720, the Company may delegate certain self-regulatory responsibilities to a Regulatory Services Provider. <i>See also</i> Section III.H of the Compliance Manual. As described above, the Regulatory Services Provider provides certain regulatory services to the Company pursuant to a Regulatory Services Agreement, including responsibility for the Company’s on-going market surveillance functions.</p> <p>Although some investigatory functions may be delegated to the Regulatory Services Provider, the</p>

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		<p>Company retains ultimate decision-making authority with respect to any functions that are delegated to the Regulatory Services Provider. In particular, the Company always remains responsible for prosecuting violations of the Rules.</p> <p>Audit Trail</p> <p>The Company’s audit trail processes are set out in Rule 518 and Section III.F of the Compliance Manual. The audit trail is designed to capture trading information that is sufficient to allow the Company to determine whether Rule violations have occurred. The audit trail is based on original, unalterable and sequentially identified records that are recorded in an electronic history database which includes all information input into the Trading System, the Participant for which a trade is executed, timing and sequencing data to permit trade reconstruction and the identity of the account for which each trade is executed. Audit trail data is maintained in accordance with the CFTC’s recordkeeping requirements and is organized such that the CCO and/or the Regulatory Services Provider can search, sort and analyze the audit trail information to reconstruct trading and identify potential violations.</p> <p>The Regulatory Services Provider conducts annual investigations of all Participants to verify compliance with the Company’s audit trail and recordkeeping requirements. The Company may sanction any Participant in connection with any deficiencies identified in these reviews.</p>

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		<p>Disciplinary Procedures and Sanctions</p> <p>The Company’s disciplinary procedures are set out in Chapter 7 of the Rules, the Compliance Manual and in the Regulatory Services Agreement with the Regulatory Services Provider.</p> <p>The Rules set out detailed requirements relating to the Company’s disciplinary arrangements, including the potential respondent’s right to respond to an investigative report (Rule 704), preparation and service of a notice of charges (Rules 706, 707), the respondent’s right to file an answer to a notice of charges (Rule 708), settlements (Rule 709), composition of the Hearing Panel (Rule 710), the respondent’s right to review evidence (Rule 711), conducting hearings of the Hearing Panel (Rule 712), decisions of the Hearing Panel (Rule 713) and the imposition of sanctions (Rule 714). Orders of the Hearing Panel may be appealed to a three-member Appeals Panel, whose decision is final and may not be further appealed within the Company.</p> <p>Sanctions on a Participant may include: <i>inter alia</i> (1) censure; (2) limitations on Trading Privileges, ability to otherwise access the Trading System, and/or other activities, functions or operations; (3) suspension of Trading Privileges and/or ability to otherwise access the Trading System; (4) fines of up to \$100,000 per violation; (5) restitution or disgorgement; (6) termination of Trading Privileges and/or ability to otherwise access the Trading System; or (7) any other sanction or remedy deemed to be appropriate. The</p>

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		<p>rights and responsibilities of a market participant after termination or suspension are set out in Rule 718.</p> <p>In addition, the CCO has the power to impose summary fines and suspensions and may further summarily revoke, limit, condition, restrict or qualify a Participant's Trading Privileges and/or ability to otherwise access the Trading System for certain Rule violations. See Rules 716, 717.</p> <p>The composition of any Review Panel, Hearing Panel and Appeals Panel will meet the applicable requirements of CFTC Regulations.</p> <p>The Company may provide notice of disciplinary proceedings in accordance with the requirements of Rule 719.</p>
<p>CORE PRINCIPLE 3</p> <p>SWAPS NOT READILY SUSCEPTIBLE TO MANIPULATION.— The swap execution facility shall permit trading only in swaps that are not readily susceptible to manipulation.</p>	<p><u>Exhibit O</u> (SwapEx, LLC Compliance Manual)</p> <p>Section IV.A(1) (Product Not Readily Subject to Manipulation)</p>	<p>The CCO will review compliance with Core Principle 3 in connection with the preparation of a product filing with the CFTC or the listing for trading of a new swap. This review will include discussions with business staff on the terms and conditions of the swap, with particular emphasis given to calculation of the reference price to be utilized for that swap. In addition, the CCO will conduct a similar review from time to time of the reliability of such reference prices for each swap listed for trading.</p> <p>In general, the Company intends to permit trading only in Swaps based on underlying markets such as those for interest rates and currencies, that are substantial in size and that feature liquid products. All Swaps that will be traded on the SEF at least initially will be cash-</p>

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		<p>settled, and cleared Swaps thus will be settled in cash by the DCO. Although the Company will be independently reviewing proposed new Swaps before listing them on the System, the Market Regulation Department in the case of reviewing a Swap that is listed for clearing by one or more DCOs will review and consider the CFTC filings and due diligence reviews made by the DCO(s) in connection with the Company’s own product reviews.</p> <p>The Company also takes note of ongoing developments in the underlying markets for OTC derivatives products that are intended to move in the direction of providing more autonomous and independent assessments of benchmark reference prices, specifically LIBOR. As of April 2, 2013, the administration and determination of LIBOR is subject to statutory regulation by the U.K. Financial Conduct Authority.</p>
<p>CORE PRINCIPLE 4</p> <p>MONITORING OF TRADING AND TRADE PROCESSING.— The swap execution facility shall—</p> <p>(A) establish and enforce rules or terms and conditions defining, or specifications detailing—</p> <p>(i) trading procedures to be used in entering and executing orders traded on or through the facilities of the swap execution facility; and</p> <p>(ii) procedures for trade processing of swaps on or</p>	<p><u>Exhibit M-1</u> (SwapEx, LLC Rulebook)</p> <p>Rule 401 (Duties and Responsibilities of Participants and Authorized Traders)</p> <p>Rule 518 (Recordkeeping; Audit Trail)</p> <p>Rule 717 (Summary Suspensions and other Summary Actions)</p> <p>Rule 907 (Information-Sharing Agreements)</p> <p>Rule 913 (Emergencies)</p>	<p>In General</p> <p>The Company will only allow authorized persons to enter Orders, Indications of Interest or RFQs into the electronic Trading System. Any matched Orders or RFQs will then be electronically executed by the Trading System following the workflows outlined in <u>Exhibit Q</u>, which will vary depending on the order and instrument types. After execution, the Contract will be electronically sent to a Derivatives Clearing Organization, if applicable, for processing.</p> <p>As described above in the response to Core Principle</p>

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<p>through the facilities of the swap execution facility; and</p> <p>(B) monitor trading in swaps to 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><u>Exhibit O</u> (SwapEx, LLC Compliance Manual) Section III (Surveillance Activity)</p> <p><u>Exhibit Q</u> (Explanation of Trading System)</p> <p><u>Exhibit S</u> (Trading Data Maintenance)</p> <p><u>Exhibit V</u> (Technology Questionnaire)</p> <p><i>See also:</i> Core Principle 2 (Compliance with the Rules) Core Principle 8 (Emergency Authority)</p>	<p>2 (Compliance with the Rules), the Company conducts real-time market monitoring of trading activity to detect anomalies in the Trading System. The market monitoring function allows the Company, acting through the Market Regulation Department, to modify or adjust prices or cancel trades to address errors or malfunctions in the Trading System.</p> <p>The Company also monitors trading through the use of the Regulatory Service Provider’s SWAPS automated trade surveillance system, described in further detail above in the response to Core Principle 2 (Compliance with the Rules). <i>See also</i> Sections III.A-III.C of the Compliance Manual.</p> <p>In addition, the SWAPS automated trade surveillance system plays a key role in the Company’s audit trail procedures, which are described in more detail above in the response to Core Principle 2 (Compliance with the Rules). The Company conducts reviews not less than annually to assess compliance by Participants with these audit trail procedures. <i>See also</i> Rule 518; Section III.F of the Compliance Manual.</p> <p>Physical-Delivery Swaps</p> <p>The Company does not list Contracts for trading that are physically settled. To the extent that the Company does list a physically settled Contract in the future, the Company (or the Regulatory Services Provider) will monitor the Contract’s terms and conditions in light of the underlying commodity market, the convergence of the price of the Contract with the price of the underlying commodity and the adequacy of</p>

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		<p>deliverable supply of the underlying commodity.</p> <p>Cash-Settled Swaps</p> <p>In respect of each cash-settled Contract listed for trading on the Trading System, the Company (or the Regulatory Services Provider) will monitor the pricing of the index or other value against which the Contract will be settled.</p> <p>Ability to Obtain Information</p> <p>Pursuant to Rule 907, the Company may enter into any information-sharing agreement in order to, among other things, coordinate surveillance with other trading platforms regarding Contracts and any related financial instruments. Each Participant, Authorized Trader and Authorized User is required pursuant to Rule 401(a)(8) to keep, or cause to be kept, complete and accurate books and records of its activity in the index or instrument used as a reference price, the underlying instrument and related derivatives markets, and to make such books and records available for inspection by a representative of the Company (or of the Regulatory Services Provider).</p> <p>Risk Controls for Trading</p> <p>The Company has the authority to pause or halt trading activity on the Trading System in response to an Emergency or to any condition that the CCO, or his or her designee, deems warrants such a pause or halt. <i>See</i> Section III.D of the Compliance Manual. <i>See</i> Rule 717; Rule 913; Core Principle 8 (Emergency</p>

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<p>CORE PRINCIPLE 5</p> <p>ABILITY TO OBTAIN INFORMATION.—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 this section;</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 may require.</p>	<p><u>Exhibit M-1</u> (SwapEx, LLC Rulebook)</p> <p>Rule 207 (Maintenance of Books and Records by the Company)</p> <p>Rule 401 (Duties and Responsibilities of Participants and Authorized Traders)</p> <p>Rule 402 (Required Notices)</p> <p>Rule 403 (Inspections by the Company)</p> <p>Rule 404 (Financial and Related Reporting Requirements)</p> <p>Rule 905 (Confidentiality)</p> <p>Rule 906 (Recording of Communications)</p> <p>Rule 907 (Information-Sharing Agreements)</p> <p><u>Exhibit O</u> (SwapEx, LLC Compliance Manual)</p> <p>Section III.G (Collecting Information)</p> <p><i>See also:</i></p> <p>Core Principle 4 (Monitoring of Trading and Trade Processing).</p>	<p>Authority).</p> <p>The Rules ensure that the Company is able to obtain all information necessary to perform its regulatory obligations. Each Participant is obligated to provide the Company with copies of any financial reports submitted to such Participant’s regulator as well as to notify the Company immediately upon the occurrence of certain events that may have a material effect on such Participant’s ability to continue to meet the Company’s participant criteria. <i>See</i> Rule 402, Rule 404. The Company (or the Regulatory Services Provider) also has the right to conduct inspections pursuant to Rule 403.</p> <p>The Company is required to keep, or cause to be kept, all books and records required to be maintained pursuant to the CEA and CFTC Regulations and to make such books and records available to the CFTC and the US Department of Justice. <i>See</i> Rule 207. In addition, each Participant, Authorized Trader and Authorized User is required to keep, or cause to be kept, complete and accurate books and records with respect to their activities on the Trading System and to make such books and records available to the Company or the Regulatory Services Provider. <i>See</i> Rule 401. <i>See also</i> Section III.G of the Compliance Manual.</p> <p>In addition, the Company has the right to inspect and access all systems, equipment and software as well as the books and records of Participants and Authorized Traders as necessary to monitor for compliance with</p>

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		<p>the requirements of the Company’s recordkeeping and audit trail requirements.</p> <p>The Rules permit the Company to share all information so obtained, as well as information relating to Orders and trades, with the CFTC staff. The rules also provide carve-outs from otherwise applicable confidentiality obligations to ensure that such information may be shared freely with the CFTC. <i>See also</i> Rule 905.</p> <p>The Company (or the Regulatory Services Provider) may record conversations and retain copies of electronic communications between Company personnel and Participants, Authorized Traders, Authorized Users and Clearing Firms pursuant to Rule 906.</p> <p>Finally, the Company is permitted under Rule 907 to enter into any information-sharing agreements or other arrangements or procedures, provided that the Company considers such agreement or arrangement to be in furtherance of its purposes or duties or to comply with any law or regulation.</p>
<p>CORE PRINCIPLE 6</p> <p>POSITION LIMITS OR ACCOUNTABILITY.—</p> <p>(A) IN GENERAL.—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</p>	<p><u>Exhibit M-1</u> (SwapEx, LLC Rulebook)</p> <p>Rule 519 (Position Accountability)</p> <p>Rule 520 (Position Limits)</p> <p>Rule 521 (Position Information)</p> <p>Rule 522 (Aggregation of Positions)</p> <p>Rule 523 (Position Limits and Position</p>	<p>The Company has position limit and position accountability rules and utilizes position accountability levels to assess the position size of a Participant or one or more of its Authorized Traders. <i>See</i> Rules 519, 520 and 523. <i>See also</i> Section VIII of the Compliance Manual. The Company also has the right under Rule 521 to request position and trading information in respect of a given Contract from any</p>

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<u>CORE PRINCIPLE</u>	<u>RELATED RULES/DOCUMENTS</u>	<u>APPLICANT COMMENTS</u>
<p>necessary and appropriate, position limitations or position accountability for speculators.</p> <p>(B) POSITION LIMITS.—For any contract that is subject to a position limitation established by the Commission pursuant to section 4a(a), the swap execution facility shall—</p> <p>(i) set its position limitation at a level no higher than the Commission limitation; and</p> <p>(ii) 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>Accountability Levels)</p> <p>Rule 717 (Summary Suspensions and Other Summary Actions)</p> <p><u>Exhibit O</u> (SwapEx, LLC Compliance Manual)</p> <p>Section III.C (Market Surveillance)</p> <p>Section VIII (Position Limits and Position Accountability)</p>	<p>Participant, Authorized Trader, Authorized User or Customer with a position in such Contract in excess of the level set by the Company. <i>See also</i> Rules 522; 523. The Market Regulation Department and the Regulatory Services Provider monitor for positions that meet or exceed position accountability levels. <i>See</i> Section III.C of the Compliance Manual.</p> <p>The Company’s real-time market monitoring and trade surveillance function identify certain events relating to open interest and large positions. <i>See</i> Section III.C of the Compliance Manual.</p> <p>Failure of a Participant to abide by position limits, if applicable, is subject to sanctions imposed by the Company as set out in Rule 717.</p>
<p>CORE PRINCIPLE 7</p> <p>FINANCIAL INTEGRITY OF TRANSACTIONS.—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).</p>	<p><u>Exhibit M-1</u> (SwapEx, LLC Rulebook)</p> <p>Rule 302 (Participant Eligibility Requirements)</p> <p>Rule 304 (Authorized Traders)</p> <p>Rule 305 (Authorized Users)</p> <p>Rule 401 (Duties and Responsibilities of Participants and Authorized Traders)</p> <p>Rule 404 (Financial and Related Reporting Requirements)</p> <p>Rule 406 (Customers)</p> <p>Rule 409 (Anti-Money Laundering Obligations)</p> <p>Chapter 10 (Clearing)</p>	<p>The Company ensures the financial integrity of its Contracts through rules and procedures relating to the following:</p> <ul style="list-style-type: none"> • criteria that Participants, Authorized Traders and Authorized Users, must meet pursuant to Rules 302, 304 and 305; • the Participant Committee; • powers to limit or suspend access to trading; and • clearing arrangements with one or more Derivatives Clearing Organizations. <p>The Company’s Rulebook requires that each Participant, <i>inter alia</i>: (1) is an Eligible Contract Participant; (2) is a member of a registered</p>

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<u>CORE PRINCIPLE</u>	<u>RELATED RULES/DOCUMENTS</u>	<u>APPLICANT COMMENTS</u>
	<p><u>Exhibit O</u> (SwapEx, LLC Compliance Manual)</p> <p>Section III.E (Financial Surveillance)</p> <p>Section X.C (Financial Integrity)</p> <p><u>Exhibit N-2</u> (Form SwapEx Participant Agreement)</p> <p><u>Exhibit N-3</u> (Form SwapEx User License Agreement)</p> <p><u>Exhibit N-4</u> (CME ClearPort® Developer Utility Agreement (with the Chicago Mercantile Exchange Inc.))</p> <p><i>See also:</i></p> <p>Core Principle 4 (Monitoring of Trading and Trade Processing)</p> <p>Core Principle 8 (Emergency Authority)</p> <p>Core Principle 12 (Conflicts of Interest)</p>	<p>Derivatives Clearing Organization or is a clearing customer of a Clearing Firm; (3) is not insolvent and has not filed for bankruptcy; (4) holds all required registrations; and (5) is not subject to a statutory disqualification under the CEA. The Company's procedures for monitoring that its members retain their Eligible Contract Participant status are set out in Section III.E of the Compliance Manual. <i>See also</i> Section X.C of the Compliance Manual. In addition, each Participant and Authorized Trader is subject to certain anti-money laundering requirements set out in Rule 409.</p> <p>In addition, all Participants must execute the SwapEx Participant Agreement and SwapEx User License Agreement. <i>See Exhibits N-2 and N-3.</i></p> <p>The Company's Participant Committee is responsible for determining the standards and requirements for initial and continuing Participant eligibility and for reviewing appeals of denials of Participant applications. The Participant Committee is also responsible for approving any rules that would result in different categories or classes of Participants receiving disparate access to the Trading System. <i>See</i> Core Principle 12 (Conflicts of Interest).</p> <p>The Company also has the power to revoke, suspend, limit, condition, restrict or qualify a Participant's Trading Privileges and/or ability to access the Trading System, if in the sole discretion of the Company, such action is in the best interests of the Company. The Company may also, in the exercise of its emergency</p>

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<u>CORE PRINCIPLE</u>	<u>RELATED RULES/DOCUMENTS</u>	<u>APPLICANT COMMENTS</u>
		<p>powers, impose additional restrictions on access to the Trading System. <i>See</i> Core Principle 8 (Emergency Authority).</p> <p>All Contracts that are required to be cleared pursuant to Section 2(h) of the CEA or that are voluntarily cleared by the counterparties to a Contract must be submitted for clearing through a Derivatives Clearing Organization. <i>See</i> Rule 1002. Participants that are not themselves Clearing Firms are required to cause each of their Clearing Firms to execute a Clearing Firm Authorization, pursuant to which each such Clearing Firm agrees to take financial responsibility for all transactions executed by the Participant, its Authorized Traders and its and their Authorized Users. <i>See</i> Schedule 2 to the SwapEx Participant Agreement. <i>See also</i> Rule 1003. Participants and Authorized Traders are required pursuant to Rule 1004 to assist their Clearing Firm and Derivatives Clearing Organization in the clearing of their Contracts. The Company has also entered into an Interface Development and Testing Agreement with the Chicago Mercantile Exchange (“CME”) in connection with the clearing by CME of Interest Rate Swaps executed on the Trading System. The Company anticipates that eventually it will establish an arrangement for clearing services with one or more Derivatives Clearing Organizations for the clearing of NDF products. <i>See Exhibit T.</i></p>
<p>CORE PRINCIPLE 8 EMERGENCY AUTHORITY.—The swap</p>	<p><u>Exhibit M-1</u> (SwapEx, LLC Rulebook)</p>	<p>Rule 913 and Section X.B of the Compliance Manual set out the procedures to be taken upon the occurrence</p>

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<u>CORE PRINCIPLE</u>	<u>RELATED RULES/DOCUMENTS</u>	<u>APPLICANT COMMENTS</u>
<p>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>Rule 101 (Definition of “Emergency”) Rule 201 (Board) Rule 913 (Emergencies)</p> <p><i>Exhibit Q</i> (SwapEx, LLC Compliance Manual)</p> <p>Section IV.C.3 (Emergency Rules and Rule Amendments) Section X.B (Emergency Authority)</p>	<p>of an Emergency, which is defined in Rule 101 to include any circumstance which, in the opinion of the Board, the Chairman or the Chief Executive Officer, requires immediate action and which threatens or may threaten the fair and orderly trading in, or the settlement or integrity of, any Contract traded on or through the Trading System.</p> <p>If an Emergency occurs, the Board may, subject to the CEA and the CFTC Regulations, adopt temporary emergency procedures and rules to authorize appropriate Officers, Directors or the Board itself (subject to appropriate conflict of interest considerations) to take such actions that are necessary or appropriate to address the emergency, including but not limited to:</p> <ul style="list-style-type: none"> • suspending or curtailing trading or limiting trading to liquidation only; • extending, limiting or changing trading hours; • temporarily modifying or suspending rules; • imposing or modifying price limits; and/or • imposing or modifying position limits. <p>Ordinarily Emergency Rules may only be authorized by majority vote of a duly constituted meeting of the Board, however the Chief Executive Officer may act without the vote of the Board, provided that the Board be convened as soon as practicable.</p> <p>Participants shall be notified of any Emergency Rules taken through a Notice to Participants and the</p>

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<u>CORE PRINCIPLE</u>	<u>RELATED RULES/DOCUMENTS</u>	<u>APPLICANT COMMENTS</u>
		<p>Company shall use all reasonable efforts to notify the CFTC prior to implementing, modifying or terminating an Emergency Rule. If practicable, Emergency Rules should be filed with the CFTC prior to their implementation, however where such prior filing is not possible, an Emergency Rule will be filed with the CFTC no later than 24 hours after its implementation. See Section IV.C.3 of the Compliance Manual.</p> <p>All actions taken in response to an Emergency shall be documented and maintained in accordance with the Company’s recordkeeping policies.</p>
<p>CORE PRINCIPLE 9</p> <p>TIMELY PUBLICATION OF TRADING INFORMATION.—</p> <p>(A) IN GENERAL.—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) CAPACITY OF SWAP EXECUTION FACILITY.—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><u>Exhibit M-1</u> (SwapEx, LLC Rulebook)</p> <p>Rule 407 (Publication of Trade Information)</p> <p>Rule 525 (Confirmation of Transactions)</p> <p>Rule 528 (Swap Data Reporting)</p> <p>Rule 529 (Updating Required Swap Creation Data)</p> <p><u>Exhibit N-5</u> (Repository User Agreement with DTCC Data Repository (U.S.), LLC)</p> <p><u>Exhibit Q</u> (SwapEx, LLC Compliance Manual)</p> <p>Section IX (Transaction Reporting)</p> <p><i>See also:</i></p> <p>Core Principle 4 (Monitoring of Trading and Trade</p>	<p>In accordance with Part 16 of the CFTC Regulations, the Company publishes daily market volume data reports for each swap (or class of swap) either by reference to the number of contracts traded, in the case of standard-sized swaps, or in terms of notional value, for non-standard-sized swaps. In addition, the Company publishes for each trading day, by tenor of the swap, the opening price and the high and low prices. See Section IX of the Compliance Manual. In addition, the Company will publish a settlement price for each such swap except that, in the case of swaps listed for clearing by a derivatives clearing organization, the applicable settlement price will be the settlement price established by the Derivatives Clearing Organization and the Company’s website will contain a hyperlink to the relevant settlement information. See Rule 407.</p> <p>The Company submits electronic reports of all</p>

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<u>CORE PRINCIPLE</u>	<u>RELATED RULES/DOCUMENTS</u>	<u>APPLICANT COMMENTS</u>
	Processing).	<p>primary economic terms data for each swap to a registered swap data repository immediately following execution of the swap. <i>See</i> Rule 528. All such reports meet the standards set out in CFTC Regulation 45.3, including the requirement to produce a unique swap identifier for each transaction. These electronic reports discharge the Company’s requirement to provide real-time public dissemination of trades executed on the Trading System, however the Company retains the right to engage a third-party service provider to provide public dissemination of this trading information. The Company also issues confirmations of transactions pursuant to Rule 525.</p> <p>The Company has the ability to capture electronically and subsequently transmit trade information relating to transactions executed on the Trading System as part of its audit trail procedures. <i>See</i> Core Principle 4 (Monitoring of Trading and Trade Processing).</p>
<p>CORE PRINCIPLE 10</p> <p>RECORDKEEPING AND REPORTING.—</p> <p>(A) IN GENERAL.—A swap execution facility shall—</p> <p>(i) 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 5 years;</p> <p>(ii) report to the Commission, in a form and manner acceptable to the Commission, such information as</p>	<p><u>Exhibit M-1</u> (SwapEx, LLC Rulebook)</p> <p>Rule 207 (Maintenance of Books and Records by the Company)</p> <p>Rule 518 (Recordkeeping; Audit Trail)</p> <p>Rule 907 (Information-Sharing Arrangements)</p> <p><u>Exhibit Q</u> (SwapEx, LLC Compliance Manual)</p> <p>Section IV.E (Material Event Notification to RSP on Rule and Product Filings to CFTC)</p>	<p>Rule 207 requires the Company to keep, or cause to be kept, complete and accurate books and records required to be maintained pursuant to the CEA and CFTC Regulations. Such books and records shall be retained for at least 5 years and shall be made readily available to the CFTC or the Department of Justice for the first 2 years of such 5-year period. Rule 518 also imposes recordkeeping requirements on any Person submitting an Order, Indications of Interest or RFQ to the Trading System. The Rules authorize the Company to enter into information-sharing arrangements with, <i>inter alia</i>, the CFTC and to</p>

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<u>CORE PRINCIPLE</u>	<u>RELATED RULES/DOCUMENTS</u>	<u>APPLICANT COMMENTS</u>
<p>the Commission determines to be necessary or appropriate for the Commission to perform the duties of the Commission under this Act; and</p> <p>(iii) shall keep any such records relating to swaps defined in section 1a(47)(A)(v) open to inspection and examination by the Securities and Exchange Commission.</p> <p>(B) REQUIREMENTS.—The Commission shall adopt data collection and reporting requirements for swap execution facilities that are comparable to corresponding requirements for derivatives clearing organizations and swap data repositories.</p>	<p>Section V (Other Material Event Notifications)</p> <p>Section IX (Transaction Reporting)</p> <p>Section X.A(2) (SEF Compliance Information Reporting)</p> <p>Section X.H (Recordkeeping Requirements)</p> <p>Section X.J (Equity Transfers)</p> <p><i>See also:</i></p> <p>Core Principle 4 (Monitoring of Trading and Trade Processing)</p> <p>Core Principle 9 (Timely Publication of Trading Information)</p>	<p>provide such information to the CFTC as the Company deems necessary and appropriate to exercise a legal or regulatory function. <i>See</i> Rule 907.</p> <p>Section IX of the Compliance Manual sets out the Company’s policies relating to transaction reporting, including Part 16 reporting, real-time public reporting and swap data reporting. Section X.H of the Compliance Manual sets out the Company’s recordkeeping requirements. Sections IV.E and V of the Compliance Manual set out the Company’s material event reporting procedures and Section X.J obliges the Company to notify the CFTC in the event of certain equity transfers.</p> <p>Section X.A(2) of the Compliance Manual requires the Company to report to the CFTC, in the manner and form acceptable to the CFTC, any information that the CFTC determines is necessary or appropriate to perform its duties under the CEA. The Company, acting through the Market Regulation Department, has a similar right to obtain information from each Participant as deemed necessary to enable the Company to perform its obligations under the CEA and CFTC Regulations.</p> <p>The Company’s audit trail procedures ensure that all data gathered as part of the audit trail is maintained in accordance with the CFTC Regulations. <i>See</i> Core Principle 4 (Monitoring of Trading and Trade Processing).</p> <p>The Company also provides reports of primary economic terms data to a registered swap data</p>

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<u>CORE PRINCIPLE</u>	<u>RELATED RULES/DOCUMENTS</u>	<u>APPLICANT COMMENTS</u>
		repository and ensures real-time public dissemination of such data. <i>See</i> Core Principle 9 (Timely Publication of Trading Information).
<p>CORE PRINCIPLE 11</p> <p>ANTITRUST CONSIDERATIONS.—Unless necessary or appropriate to achieve the purposes of this Act, the swap execution facility shall not—</p> <p>(A) adopt any rules or taking 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><u>Exhibit O</u> (SwapEx, LLC Compliance Manual)</p> <p>Section IV.D (Anti-trust Considerations and Rule and Product Submissions)</p> <p><i>See also:</i></p> <p>Core Principle 2 (Compliance with Rules)</p>	<p>The Rules and the Company’s policies have been designed to avoid any unreasonable restraints on trade or the imposition of any material anticompetitive burden on trading.</p>
<p>CORE PRINCIPLE 12</p> <p>CONFLICTS OF INTEREST.—The swap execution facility shall—</p> <p>(A) establish and enforce rules to minimize conflicts of interest in its decision-making process; and</p> <p>(B) establish a process for resolving the conflicts of interest.</p>	<p><u>Exhibit A</u> (Ownership)</p> <p><u>Exhibit B</u> (Directors and Officers)</p> <p><u>Exhibit C</u> (Director Fitness Standards)</p> <p><u>Exhibit M-1</u> (SwapEx, LLC Rulebook)</p> <p>Rule 201 (Board)</p> <p>Rule 203 (Qualifications of Directors, Officers, Committee Members, Disciplinary Panel Members and Appeal Panel Members)</p> <p>Rule 204 (Standing Committees)</p> <p>Rule 205 (Additional Committees)</p> <p>Rule 206 (Conflicts of Interest)</p>	<p>The Rules have been drafted to ensure that the Company’s decision-making process includes independent perspectives through the inclusion of public directors. In particular, the Board of Directors must be composed of at least 35%, but no fewer than two, public directors. <i>See</i> Rule 201. <i>See also</i> Section XII of the Compliance Manual.</p> <p>Public directors are also included in the Company’s three standing committees pursuant to Rule 204 as follows:</p> <ul style="list-style-type: none"> • the Regulatory Oversight Committee, which is responsible for overseeing the Company’s regulatory program on behalf of the Board, is composed exclusively of public directors; • the Nominating Committee, which is responsible for identifying suitable candidates for the Board

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<u>CORE PRINCIPLE</u>	<u>RELATED RULES/DOCUMENTS</u>	<u>APPLICANT COMMENTS</u>
	<p>Rule 710 (Disciplinary Panel)</p> <p>Rule 903 (Trading by Company Officials Prohibited; Misuse of Material, Non-Public Information)</p> <p><i>Exhibit G-4</i> (State Street Standard of Conduct)</p> <p><i>Exhibit Q</i> (SwapEx, LLC Compliance Manual)</p> <p>Section II.G (Overview on Conflicts of Interest)</p> <p>Section VI.E (Annual Fitness Review)</p> <p>Section X.D (Annual Review of Director’s Certifications)</p> <p>Section X.G (Conflicts of Interest)</p> <p>Section XII (Governance)</p> <p>Appendix IX (Board Code of Ethics)</p>	<p>and administering the nominations process, is composed of at least 51% public directors; and</p> <ul style="list-style-type: none"> the Participant Committee, which is responsible for overseeing the admission and continuing eligibility of Participants, is composed of at least 35%, but no fewer than two, public directors. <p>The CCO is responsible for undertaking a review at least annually to verify that Board members serving as public directors continue to remain eligible to serve in that capacity. See Sections VI.E and X.D of the Compliance Manual.</p> <p>Rule 206 addresses conflicts of interest in decision-making, including means to determine whether an actual or potential conflict of interest exists as well as procedures for decision-making if a conflict of interest is present. Members of the Board are also subject to a Code of Ethics that includes provisions to mitigate conflicts of interest and an obligation to prevent the misuse or disclosure of confidential or otherwise non-public information. See <u>Appendix IX of Compliance Manual</u>. All employees must comply with a separate Standard of Conduct containing similar obligations. See <i>Exhibit G-4</i>. The Company’s procedures for resolving conflicts of interest in its decision-making process are set out in Sections II.G and X.G of the Compliance Manual.</p> <p>In addition, Rule 903 prohibits certain “Covered Persons,” including Board members, Board committee members, and Disciplinary Panel and Appeals Panel Members, from trading directly or indirectly in a</p>

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<u>CORE PRINCIPLE</u>	<u>RELATED RULES/DOCUMENTS</u>	<u>APPLICANT COMMENTS</u>
		<p>Contract or other commodity interest on the basis of material, non-public information obtained as a result of such individual's responsibilities as a Covered Person.</p> <p>A person serving on a Review Panel may not serve on the related Hearing Panel, and vice versa.</p>
<p>CORE PRINCIPLE 13</p> <p>FINANCIAL RESOURCES.—</p> <p>(A) IN GENERAL.—The swap execution facility shall have adequate financial, operational, and managerial resources to discharge each responsibility of the swap execution facility.</p> <p>(B) DETERMINATION OF RESOURCE ADEQUACY.—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 1-year period, as calculated on a rolling basis.</p>	<p><u>Exhibit I</u> (Financial Information)</p> <p><u>Exhibit Q</u> (SwapEx, LLC Compliance Manual)</p> <p>Section X.A(1) (Financial Reporting)</p>	<p>The Company shall maintain financial resources that exceed the total amount needed to cover its operating costs for a one-year period, as calculated on a rolling basis. The valuation of such resources will be adjusted to reflect market and credit risk.</p> <p>The Company's financial resources will also include unencumbered, liquid assets equal to at least six months' operating costs.</p> <p>The Company has established internal procedures to comply with the on-going financial reporting requirements of CFTC Rule 37.1306 so that the Company can calculate, on a quarterly basis, its anticipated operating costs for the next twelve months, and the value of its financial resources to cover those operating costs. See Section X.A(1) of the Compliance Manual.</p>
<p>CORE PRINCIPLE 14</p> <p>SYSTEM SAFEGUARDS.—The swap execution facility shall—</p> <p>(A) establish and maintain a program of risk analysis and oversight to identify and minimize sources of</p>	<p><u>Exhibit M-1</u> (SwapEx, LLC Rulebook)</p> <p>Rule 408 (Disaster Recovery; Business Continuity)</p>	<p>The Company has policies and procedures in place related to information technology, including system safeguards, that form part of the wider program of risk analysis and oversight policies and procedures in place at State Street Bank and Trust Company, which follows generally accepted standards and best</p>

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<u>CORE PRINCIPLE</u>	<u>RELATED RULES/DOCUMENTS</u>	<u>APPLICANT COMMENTS</u>
<p>operational risk, through the development of appropriate controls and procedures, and automated systems, that—</p> <p>(i) are reliable and secure; and</p> <p>(ii) 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>(i) the timely recovery and resumption of operations; and</p> <p>(ii) the fulfilment 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>(i) order processing and trade matching;</p> <p>(ii) price reporting;</p> <p>(iii) market surveillance and</p> <p>(iv) maintenance of a comprehensive and accurate audit trail.</p>	<p><u>Exhibit Q</u> (SwapEx, LLC Compliance Manual)</p> <p>Section XI (Operational Requirements)</p> <p><u>Exhibit S</u> (Trading Data Maintenance)</p> <p><u>Exhibit V</u> (Technology Questionnaire)</p>	<p>practices with respect to the development, operation, reliability, security and capacity of automated systems. Compliance with the technology policies is under the supervision of the Chief Technology Officer and the CCO. The Information Technology Risk department undertakes independent audits to assess compliance with those policies and procedures on an on-going basis. <i>See also</i> Section XI of the Compliance Manual.</p> <p>The Company’s business, continuity and disaster recovery policies also require that a “mirror image” of all trade information is maintained at a separate data center. The Company’s systems reside with a managed hosting provider, and the ability to add new resources in terms of storage space, network bandwidth, and computing power will be constantly monitored and can be scaled up as needed. Additionally, all data will be backed up regularly to maintain integrity for all trade information required by law, regulation or internal policies and procedures to be maintained by the Company.</p> <p>The Company intends to participate in industry-wide business continuity and disaster recovery exercises organized by the Futures Industry Association. The Market Regulation Department will submit information to the Division of Market Oversight relating to material changes to the Company’s automated systems as part of the CFTC’s Market Continuity Program.</p> <p>The Company’s chief information security officer</p>

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<u>CORE PRINCIPLE</u>	<u>RELATED RULES/DOCUMENTS</u>	<u>APPLICANT COMMENTS</u>
		<p>conducts periodic checks, no less than yearly, to assess sufficiency of systems back-up resources.</p> <p>Participants are required to have written disaster recovery and business continuity procedures in place and certain Participants that provide significant liquidity to the Trading System may be required to meet additional business continuity and testing requirements. <i>See</i> Rule 408.</p>
<p>CORE PRINCIPLE 15</p> <p>DESIGNATION OF CHIEF COMPLIANCE OFFICER.—</p> <p>(A) IN GENERAL.—Each swap execution facility shall designate an individual to serve as a chief compliance officer.</p> <p>(B) DUTIES.—The chief compliance officer shall—</p> <p>(i) report directly to the board or to the senior officer of the facility;</p> <p>(ii) review compliance with the core principles in this subsection;</p> <p>(iii) 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>(iv) be responsible for establishing and administering the policies and procedures required to be established pursuant to this section;</p>	<p><u>Exhibit M-1</u> (SwapEx, LLC Rulebook)</p> <p>Rule 202(a) (Officers)</p> <p>Rule 203 (Qualifications of Directors, Officers, Committee Members, Disciplinary Panel Members and Appeal Panel Members)</p> <p>Rule 703 (Reports of Investigations)</p> <p>Rule 705 (Review of Investigation Reports)</p> <p>Rule 708 (Answer to Notice of Charges)</p> <p>Rule 709 (Settlements)</p> <p>Rule 710 (Disciplinary Panel)</p> <p>Rule 714 (Sanctions)</p> <p>Rule 716 (Summary Imposition of Fines)</p> <p>Rule 717 (Summary Suspension and Other Summary Actions)</p> <p>Rule 718 (Rights and Responsibilities After Suspension or Termination)</p>	<p>The Company has a CCO, who is responsible for taking reasonable steps to ensure compliance with the Act and the rules of the Commission applicable to swap execution facilities. The CCO is appointed by the Board of the Company and must meet certain fitness standards, including that he or she is not subject to a statutory disqualification under the CEA. <i>See</i> Rules 202, 203.</p> <p>The duties and responsibilities of the CCO are primarily set out in Sections II, IV, VI, and X.G of the Company’s Compliance Manual and include the following:</p> <ul style="list-style-type: none"> • resolving any conflicts of interest that arise in connection with the operations of the Company; • addressing instances of non-compliance by the Company’s directors, officers or employees with the Company’s own internal policies or procedures or with the requirements of the CEA or the CFTC Regulations applicable to swap execution facilities;

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<u>CORE PRINCIPLE</u>	<u>RELATED RULES/DOCUMENTS</u>	<u>APPLICANT COMMENTS</u>
<p>(v) ensure compliance with this Act and the rules and regulations issued under this Act, including rules prescribed by the Commission pursuant to this section; and</p> <p>(vi) 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) REQUIREMENTS FOR PROCEDURES.—In establishing procedures under subparagraph (B)(vi), the chief compliance officer shall design the procedures to establish the handling, management response, remediation, retesting, and closing of noncompliance issues.</p> <p>(D) ANNUAL REPORTS.—</p> <p>(i) IN GENERAL.—In accordance with 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 this 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>(ii) REQUIREMENTS.—The chief compliance officer shall—</p> <p>(I) submit each report described in clause (i) with the</p>	<p><i>Exhibit O</i> (SwapEx, LLC Compliance Manual)</p> <p>Section II (Market Regulation Department and the Chief Compliance Officer)</p> <p>Section IV (Listing New Swaps and Implementing New Rules and Rule Amendments)</p> <p>Section VI (Annual Report)</p> <p>Section X.G (Conflicts of Interest)</p>	<ul style="list-style-type: none"> • generating a compliance manual that is designed to promote compliance by the Company and its directors, officers and personnel with the requirements of the CEA and CFTC Regulations applicable to the Company’s business activities; • designing and administering a written code of conduct designed to promote ethical conduct by the Company and its directors, officers and employees and to prevent ethical violations; • supervising key elements of the Company’s self-regulatory program, including: (1) trade surveillance; (2) real-time market monitoring; (3) audit trail requirements; (4) enforcement and disciplinary proceedings; and (5) oversight of the Company’s Participants; and • drafting, reviewing and approving submissions to the CFTC in connection with listing any new swaps for trading or making any additions or amendments to the Rules. <p>The CCO plays a key role in the Company’s disciplinary procedures. <i>See</i> Rules 703, 705, 708-10, 714, 716-18. <i>See also</i> Core Principle 2 (Compliance with the Rules).</p> <p>The CCO is the officer in charge of the production of the Company’s Annual Compliance Report, including gathering relevant information, drafting, and ensuring that the report has been reviewed by the Regulatory Oversight Committee and the Board. The CCO is also responsible for ensuring that the Annual Report</p>

SwapEx, LLC: Swap Execution Facility Application For Registration

<u>CORE PRINCIPLE</u>	<u>RELATED RULES/DOCUMENTS</u>	<u>APPLICANT COMMENTS</u>
<p>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 is accurate and complete.</p>		<p>contains all information required by the CEA and CFTC Regulations and must certify that, under penalty of law, the report is accurate and complete.</p> <p>The CCO reports to the Board or the most senior officer of the Company (at the Company’s discretion), and may only be removed by a majority vote of the Board, in which case a replacement CCO, or temporary replacement CCO, must be appointed immediately. The appointment of the CCO, and of any replacement, must be notified to the CFTC within two (2) business days.</p>