



## Exhibit L: Compliance Chart

Attach as Exhibit L, a narrative and any other form of documentation that may be provided under other Exhibits herein, that describes the manner in which the Applicant is able to comply with each core principle. Such documentation must include a regulatory compliance chart setting forth each core principle and providing citations to the Applicant’s relevant rules, policies, and procedures that address each core principle. To the extent that the application raises issues that are novel or for which compliance with a core principle is not self-evident, include an explanation of how that item and the application satisfy the core principles.

All capitalized terms used in this Exhibit L and not defined have the meanings ascribed in the Rulebook, which is included as Exhibit M to this Application. All references to “Rules” contained in this Exhibit are references to the Rules of the Exchange’s Rulebook.

CONTRACT MARKET CORE PRINCIPLES	EXPLANATIONS AND REFERENCES TO RELEVANT SMALL EXCHANGE, INC. DOCUMENTS, RULES AND AGREEMENTS
Core Principle 1 – Designation as Contract Market	
<p>(a) <i>In general.</i> To be designated, and maintain designation, as a contract market, the board of trade shall comply with:</p> <p>(1) Any core principle described in 5(d) of the Act, and</p> <p>(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 designated contract market.</i> Unless otherwise determined by the Commission by rule or regulation, a board of trade described in subparagraph (a) shall have reasonable discretion in establishing the manner in which the board of trade complies with the core principles described in this subsection.</p>	<p>Small Exchange, Inc. (“Exchange”, “SMFE”) is applying for registration as a Designated Contract Market (“DCM”) by submitting Form DCM and exhibits thereto in accordance with 17 CFR Part 38.</p> <p>SMFE has designed the Exchange to be compliant with the DCM Core Principles and the Commodity Exchange Act, as amended (“CEA”) and other applicable Commodity Futures Trading Commission (“CFTC”) regulations promulgated thereunder.</p>
Core Principle 2 – Compliance with Rules	

<p>(a) In general. The board of trade shall establish, monitor, and enforce compliance with the rules of the contract market, including:</p> <ul style="list-style-type: none"> <li>(1) Access requirements;</li> <li>(2) The terms and conditions of any contracts to be traded on the contract market; and</li> <li>(3) Rules prohibiting abusive trade practices on the contract market</li> </ul> <p>(b) Capacity of contract market. The board of trade shall have the capacity to detect, investigate, and apply appropriate sanctions to any person that violates any rule of the contract market.</p> <p>(c) Requirement of the rules. The rules of the contract market shall provide the board of trade with the ability and authority to obtain any necessary information to perform any function described in this subsection, including the capacity to carry out such international information-sharing agreements, as the Commission may require.</p>	<p>SMFE will be an intermediated market and a fully electronic exchange. All Persons requesting Membership will complete their registration online through the Exchange’s onboarding process. All Members accessing the Exchange’s secure website and Trading System will do so through a unique user ID and password. Each Member and/or Authorized User will have their own user ID and password. Pursuant to the Membership Agreement and Rule 301, Members and Related Parties must consent to the jurisdiction of the Exchange before being granted access to the Exchange Trading System. Rule 302 clearly defines criteria for becoming a Member of the Exchange, while Rule 303 defines the three types of Exchange Membership which include Clearing Member, Corporate Member and Individual Member. Clearing and Corporate Members may designate an Authorized Trader to access the Exchange Trading System. Rule 304 details requirements for Authorized Traders. Chapter 4 provides the obligations of the Members, including Rule 413 which requires the Member to make its books and records available to the Exchange.</p> <p>The Exchange’s Fee Schedule along with contract specifications will be made publicly available on the Exchange website. The fees are discussed in greater detail in Exhibit K.</p> <p>SMFE has contracted the National Futures Association (“NFA”) to be a Regulatory Service Provider of the Exchange (see Exhibit N for the Regulatory Service Agreement with the NFA). The NFA will work with the Exchange on trade practice surveillance, market surveillance, investigations and disciplinary matters, regulatory reporting and recordkeeping, arbitration services and audit trail requirements. These regulatory functions will be supported by SMFE’s technology which will collect and transmit the bid, offer, and trade data to the NFA. The Exchange has also contracted Eventus as a software provider (Exhibit N) to assist with real-time market surveillance. The Exchange’s regulatory staff will use technology and services provided by Eventus along with the SMFE Admin and Risk Monitor (“ARM”) application to monitor trading in real-time to detect potential market anomalies, trade practice violations, and large trader position monitoring. The ARM will assist the Exchange staff in monitoring trading and the market in real time with the ability to query orders, trades and current positions. The ARM also monitors firm’s risk limit usage and prevents new orders if pre-trade limits are breached. Further, individual traders generally must first establish a relationship with an Introducing Broker (“IB”) or Futures Commission Merchant (“FCM”) in order to trade the Exchange’s products. IBs and FCMs will monitor their customer’s access and activity. In accordance with NFA Compliance Rule 2-9, Clearing Members are responsible for supervising</p>
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the use and access to the Exchange Trading System by its customers. The SMFE Regulatory Department will supervise these functions and act as the liaison with the NFA. The Regulatory Oversight Committee (“ROC”) oversees all facets of the Exchange’s regulatory program, as addressed in Rule 207. The ROC will prepare an annual report for the Board and the CFTC that assess the Exchange’s regulatory program. The report shall set forth the program’s expenses, describe its staffing and structure, catalogue investigations and disciplinary proceedings taken during the year, and review the Disciplinary Panel as established from time to time. Exchange market surveillance staff will be responsible for monitoring trading on a real-time basis. The Exchange will also provide the NFA with access into the real-time monitoring risk application to ensure integration into NFA’s surveillance.

Rules 601-603 of the SMFE Rulebook imposes trading business conduct Rules designed to encourage ethical trading conduct and protect Members, Related Parties, and Participants from fraudulent (Rule 604), non-competitive (Rule 605), manipulative (Rule 606), abusive (Rule 608) and disruptive trading practices (Rule 607). See also Core Principal 4 and Exhibit R. As mentioned above, the Exchange will monitor for these violations using the NFA, Eventus and the SMFE ARM.

Discipline and enforcement rules set forth in Chapter 7 of the Rulebook give the Exchange the capacity to detect, investigate and apply appropriate sanctions to any person that violates any rule of the Exchange. The NFA (as the Exchange’s Regulatory Service Provider), in conjunction with the Exchange Regulatory Department and Disciplinary Panel, will enforce compliance with the Rules. Under Rule 703 the Regulatory Department of the Exchange may resolve an investigation through an informal disposition, including the issuance of a Warning Letter. No more than one (1) Warning Letter for the same potential violation may be issued to the same Member, Related Party or Participant during a rolling twelve (12) month period. Under Rule 704, the Chief Regulatory Officer (“CRO”) will review investigation reports submitted to determine whether a reasonable basis exists to believe a violation within the Exchange’s jurisdiction has occurred or is about to occur. The Disciplinary Panel, detailed in Rule 709, will conduct disciplinary hearings and render a decision following each hearing pursuant to the procedures detailed in Chapter 7. Under Rule 716, the decisions of the Disciplinary Panel may be appealed before the Appeals Panel. The CRO will be supervised by and report to the ROC.

	<p>See Exhibits E, F, N, O, P and R for a description of the Exchange's staffing and resources for a description concerning the enforcement of Exchange Rules. In addition to the staffing and resources, the Exchange has Rules in place to discipline Participants in Chapter 7, also referenced in Exhibit P, including the authority to examine books and records (Rule 413). Pursuant to Exchange Rule 213, the Exchange may enter into information-sharing agreements, including the capacity to carry out international information-sharing agreements, as the Commission may require, as the Exchange determines necessary or advisable, or where the Exchange determines such arrangements exercises a legal or regulatory function under any Applicable Law or considers such arrangement to be in furtherance of the operation or duties of the Exchange under Applicable Law. SMFE has joined the Futures Industry Association ("FIA") as of October 2018. FIA is the leading global trade organization for the futures, options and centrally cleared derivatives markets. FIA's membership includes clearing firms, exchanges, clearinghouses, trading firms and commodities specialists from more than 48 countries as well as technology vendors, lawyers and other professionals serving the industry. FIA's mission is to support open, transparent and competitive markets, protect and enhance the integrity of the financial system, and promote high standards of professional conduct. SMFE is also in the process of joining the Joint Compliance Committee ("JCC"). The JCC is a voluntary committee of self-regulatory organizations including DCMs, swap execution facilities and registered futures associations. The JCC operates through its members to protect market integrity within and across the members' markets. It provides a forum to share information and ideas on regulatory topics of interest, as well as identify issues within the industry or elsewhere that may impact their markets, members or self-regulatory responsibilities.</p>
<p><b>Core Principle 3 – Contracts Not Readily Subject to Manipulation</b></p>	
<p>The board of trade shall list on the contract market only contracts that are not readily susceptible to manipulation.</p>	<p>The Exchange will submit Contracts for listing pursuant to Commission Regulation 40.2.</p> <p>The Contracts that will trade on the Exchange are all financially settled and do not involve physical delivery.</p> <p>Contract specifications will be made publicly available on the Exchange website.</p> <p>All activity in the products that will trade on the Exchange will be subject to extensive monitoring and surveillance by the Exchange Regulatory Department using the SMFE ARM and software provided by Eventus as mentioned in Core Principle 2. In addition, the NFA will also</p>

	assist SMFE with surveillance pursuant to the provisions of the Regulatory Services Agreement which is provided in Exhibit N.
Core Principle 4 – Prevention of Market Disruption	
<p>The board of trade shall have the capacity and responsibility to prevent manipulation, price distortion, and disruptions of the delivery or cash-settlement process through market surveillance, compliance, and enforcement practices and procedures, including:</p> <p>(a) Methods for conducting real-time monitoring of trading; and</p> <p>(b) Comprehensive and accurate trade reconstructions.</p>	<p>Pursuant to Rule 207, the ROC shall oversee the regulatory program of the Exchange on behalf of the Board. The Board shall delegate sufficient authority, dedicate sufficient resources and allow sufficient time for the ROC to fulfill its mandate. The ROC shall oversee all facets of the Exchange’s regulatory program, including trade practice and market surveillance, regulatory audits, examinations, and other regulatory responsibilities with respect to Members and Participants (including ensuring compliance with, if applicable, financial integrity, financial reporting, sales practice, recordkeeping and other requirements), and the conduct of investigations.</p> <p>Pursuant to Chapter 6 of the Rules, the Exchange prohibits manipulation (Rule 606) and disruptive trading practices (Rule 607). The Exchange has contracted the NFA as its Regulatory Service Provider, the Regulatory Services Agreement is provided in Exhibit N. As part of the Regulatory Service Agreement, the NFA will be working in conjunction with the Exchange on services including, but not limited to, market and trade surveillance. These services are described in the Exchange’s Surveillance Manual, as provided in Exhibit O. The Exchange has contracted Eventus and its software, Validus, to assist in real-time surveillance along with the SMFE ARM. The NFA’s automated market surveillance system DETECT and Eventus’ platform Validus will use the Exchange’s audit trail as the primary source of data. These systems, along with the SMFE ARM, will allow the Exchange’s compliance staff to monitor large trader positions and to detect potential market anomalies and trade practice violations in real-time and on a T+1 basis. The SMFE ARM, along with DETECT and Validus, will notify the Exchange’s compliance staff, by way of market alerts, of potential position limit violations and other potential market irregularities as they develop and before market disruptions occur or become more serious. System alerts are reviewed on a daily basis by Exchange and NFA staff to determine if a formal investigation may be opened. Exhibit P describes the Exchange’s disciplinary and enforcement protocols, tools, procedures and the arrangement for dispute resolution. Pursuant to Rule 523, Clearing Members are required to submit a daily report of all reportable positions to the Exchange which will also be reviewed by SMFE compliance staff and the NFA. This, along with the Exchange audit trail data and market data will be used by DETECT to create comprehensive and accurate trade reconstruction.</p>

All contracts that trade on the Exchange will be cash settled. The Exchange will perform cross-market surveillance for components of the indexes using real-time and T + 1 monitoring as per the Service Agreement with the NFA. The Exchange, using Eventus's Validius software, will monitor the pricing of the cash index which could be used in settlement depending on market liquidity. See Exhibits M and Q for more information on settlement procedures.

Pursuant to Rule 213, The Exchange may enter into information-sharing arrangements, as the Commission may require or as it determines necessary or advisable, to coordinate surveillance with other markets where financial products trade that may relate to Exchange products. As part of any information-share agreement, the Exchange may: (i) share trade and market surveillance reports to other markets; (ii) share completed and on-going investigations with other markets; (iii) share information concerning current and former Participants with other markets; (iv) and/or require current and former Participants to provide the Exchange information requested by other markets that are part of an information-share agreement with the Exchange.

SMFE is also in the process of joining the Joint Compliance Committee ("JCC"). The JCC is a voluntary committee of self-regulatory organizations including DCMs, swap execution facilities and registered futures associations. The JCC operates through its members to protect market integrity within and across the members' markets. It also provides a forum to share information and ideas on regulatory topics of interest, as well as identify issues within the industry or elsewhere that may impact their markets, members or self-regulatory responsibilities.

The Exchange will keep records of all trade data for a period of five (5) years, with two (2) years easily accessible, per CFTC regulations. Pursuant to Rule 524, Clearing Members must guarantee any connection allowed for access by a Member, Related Party or Participant to the Trading System and are responsible for maintaining or causing to be maintained the order routing/front-end audit trail for all electronic orders, including order entry, modification, cancellation and responses to such messages (referred to as the "Electronic Audit Trail"), entered into the Trading System through any gateway to the Trading System for a period of five (5) years, with two (2) years easily accessible. The Electronic Audit Trail records must be maintained for a minimum of 5 years, with two (2) years easily accessible, and Clearing Members must have the ability to produce this data in a standard format compliant with

Applicable Law upon request of the Exchange. This Electronic Audit Trail must contain all order receipt, order entry, order modification, and response/receipt times to the highest level of precision achievable by the operating system, but to at least hundredth of a second granularity. The times captured must not be able to be modified by the person entering the order as is required by Applicable Law for record retention. The data must also contain all FIX tag information and fields, which should include, with limitation, the following: A record of all fields relating to order entry, including transaction date, product, Exchange code, expiration month, quantity, order type, order qualifier, price, buy/sell indicator, stop/trigger price, order number, unique transaction number, account number, session ID, operator ID, host order number, trader order number, Clearing Member, type of action, action status code, customer type indicator, origin, and timestamps. For executed orders the audit trail must record the execution time (including milliseconds) of the trade along with all fill information. In the case where the guaranteeing Clearing Member has a direct connect customer that is another Clearing Member, the Clearing Member may notify the customer Clearing Member in writing that it is their obligation to maintain the Electronic Audit Trail. It shall be the duty of the customer Clearing Member to maintain an Electronic Audit Trail pursuant to this Rule. The Exchange Trading System captures all order and trade execution related data and assembles it in the Electronic Audit Trail. The Electronic Audit Trail is provided to the NFA daily. In addition, all Trading System data is captured in a data warehouse.

The Exchange utilizes risk controls and has the ability to pause and halt its market as a way to prevent market disruption. As described in Exhibit Q the Exchange has three levels of risk controls: Exchange, firm, and FIX API. Exchange wide risk controls include order validations, dynamic order protections and price limits. Dynamic order protection validates incoming orders to prevent erroneously priced orders from hitting the market while price limits protect the market from significant moves from prior day's settlement. Firm level risk controls include max order quantity limits, daily position exposure limits, a kill switch, self-trade match prevention and execution rate protection. Max order limits can be set by Clearing Members on their trading firms to limit the size of orders that can be placed through the exchange. Daily position exposure limits can be set by Clearing Members on their trading firms to limit positions that can be held by trading firms. A kill switch can be enabled by the Exchange, a clearing firm, or trading firm through a FIX session or the Exchange's Trading System to simultaneously cancel all existing orders on all Exchange markets and to prevent placing any new orders until the kill switch has been disabled. Self-trade match prevention is an optional

	<p>risk control intended to prevent matching of orders with common ownership. Execution rate protection is a form of a risk control placed on a market maker’s grouped orders to limit the number of trades over a specified time range. On the FIX API level there is an optional cancel on disconnect risk control in which all day orders are canceled within a FIX session when disconnected from the gateway.</p> <p>Pursuant to Rule 525 and Appendix B of the Rules, the Exchange has an error trade policy to ensure a fair and equitable market.</p> <p>Pursuant to Rule 902, the Exchange will work in conjunction with the DCO on setting and maintaining margin requirements on SMFE products. Clearing Members of the Exchange will be bound by Exchange and DCO Rules.</p>
<p>Core Principle 5 – Position Limitations or Accountability</p>	
<p>To reduce the potential threat of market manipulation or congestion (especially during trading in the delivery month), the board of trade shall adopt for each contract of the board of trade, as is necessary and appropriate, position limitations or position accountability for speculators. For any contract that is subject to a position limitation established by the Commission, pursuant to section 4a(a), the board of trade shall set the position limitation of the board of trade at a level not higher than the position limitation established by the Commission.</p>	<p>The Exchange does not currently have position limits set for any Contract, due to the fact that the Contracts do not have a deliverable supply (and are not subject to minimum position limits under statute or Commission regulations); instead the Contracts are cash settled and such settlement does not depend on the supply of physical commodities or related securities. The Exchange has determined that position accountability limits (Rules 521 and 522) will allow the Exchange to monitor the market and enforce the Rules of the Exchange. The Regulatory department along with the NFA will monitor for positions that meet or exceed accountability levels.</p> <p>Pursuant to Rule 902, the Exchange will work in conjunction with the DCO on setting and maintaining margin requirements on SMFE products.</p> <p>The Exchange, in conjunction with the NFA, will track Member’s and Participant’s positions by large trader reports received from the Clearing Firms and the Exchange’s Trading System. While monitoring trading on the Exchange, the NFA will provide alerts that include (but are not limited to) the following: (a) whenever an account is identified as a large trader for the first time; (b) whenever large trader positions exceed reportable levels; (c) whenever large trader positions exceed speculative position limits, if any; and (d) whenever a Participant’s open interest exceeds contract open interest by predefined limits. See Regulatory Services Agreement with NFA in Exhibit N.</p>

	<p>The Exchange may impose or modify position accountability limits or order reduction of positions in the event of an Emergency addressed in Rule 211 and also in connection compliance with Core Principle 6.</p>
<p>Core Principle 6 — Emergency Authority</p>	
<p>The board of trade, in consultation or cooperation with the Commission, shall adopt rules to provide for the exercise of emergency authority, as is necessary and appropriate, including the authority:</p> <ul style="list-style-type: none"> <li>(a) To liquidate or transfer open positions in any contract;</li> <li>(b) To suspend or curtail trading in any contract; and</li> <li>(c) To require market participants in any contract to meet special margin requirements</li> </ul>	<p>The term "emergency" means any occurrence or circumstance that, in the opinion of the Board, or a Person or Persons duly authorized to issue such an opinion on behalf of the Board under circumstances and pursuant to procedures that are specified, requires immediate action and threatens or may threaten such things as the fair and orderly trading in, or the liquidation of or delivery pursuant to, any agreements, contracts or transactions or the timely collection and payment of funds including: (a) any manipulative or attempted manipulative activity; (b) any actual, attempted or threatened corner, squeeze, congestion or undue concentration of positions; (c) any circumstances which may materially affect the performance of agreements, contracts or transactions, including failure of the payment system or the bankruptcy or insolvency of any Member; (d) any action taken by any Governmental Agency, or any other registered entity, board of trade, market or facility which may have a direct impact on trading and settlement; and (e) any other circumstance which may have a severe, adverse effect upon the functioning of SMFE Futures.</p> <p>Rule 211 describes the Emergency Action available to the Exchange. Subsection (a) of this Rule requires the Board of Directors to determine the existence of an emergency. Additionally, the President or an Officer of the Exchange may determine that an emergency exists if a situation demonstrates a severe, adverse effect upon the functioning of the Exchange.</p> <p>Pursuant to subsection (b) of Rule 211, Emergency Action may require or authorize the Exchange, the Board, any committee of the Board, the President, or any other Officer to take actions necessary or appropriate to respond to the Emergency, on its own or in coordination with another relevant person, including, but not limited to: (i) imposing or modifying position limits; (ii) imposing or modifying price limits; (iii) imposing or modifying intraday market restrictions; (iv) imposing special margin requirements; (v) ordering the liquidation or transfer of open positions in any Contract; (vi) ordering the fixing of a settlement price; (vii) extending or shortening the expiration date or the Trading Hours; (viii) suspending or curtailing trading in any Contract; (ix) transferring Contracts and the margin associated therewith as permitted by Applicable Law; (x) altering any Contract's settlement terms or conditions; (xi) limit access to</p>

	<p>the Platform by any Member, Client, Authorized Trader or ISV; or (xii) taking such other actions as may be directed by the CFTC or other regulatory authority.</p> <p>Pursuant to subsection (c) of Rule 211, The Exchange will document the decision-making process related to any Emergency Action. The Exchange will promptly notify the CFTC of any Emergency Action, explaining the decision-making process, the reasons for taking such action, and how conflicts of interest were minimized. Such documentation will be maintained in accordance with applicable CFTC Regulations. In addition, measures available to the Exchange concerning system redundancy, reliability and disaster recovery are further detailed in Exhibit V and the Exchange Business Continuity Plan. In the case of an Emergency, SMFE will work closely with its Board of Directors, Executive Staff and Senior Management to notify the CFTC, DCO and other relevant vendors and to keep them informed as the situation evolves.</p> <p>Please see the escalation procedures chart in Exhibit V for additional information on escalation.</p> <p>Emergency actions taken pursuant to Rule 211 are subject to the conflict of interest in emergencies requirements set forth in Rule 212.</p>
<p>Core Principle 7 — Availability of General Information</p>	
<p>The board of trade shall make available to market authorities, market participants, and the public accurate information concerning:</p> <p>(a) The terms and conditions of the contracts of the contract market; and</p> <p>(b)(i) The rules, regulations, and mechanisms for executing transactions on or through the facilities of the contract market, and</p> <p>(2) The rules and specifications describing the operation of the contract market's:</p> <p>(i) Electronic matching platform, or</p> <p>(ii) Trade execution facility.</p>	<p>The Exchange will post general information, including but not limited to contract specifications, rulebook, exchange trading hours, settlement procedures, requirements for membership and access, FIX documentation, on-boarding procedure and general Exchange Trading System descriptions on its website with the goal of open and fair access for all participants. Any rule amendments and product changes (including terms and conditions of the contracts) will also be made available through the Exchange website. Notice of new product listings, new rules, and rule amendments will be placed on the Exchange website concurrent with the filing of such information or submissions with the Secretary of the Commission.</p> <p>The Exchange Rulebook includes a description of orders that may be submitted to the trading system in Rule 507. The Exchange matching algorithm is described in Rule 516. Additional details on the Exchange Trading System can be found in Chapter 5 and also in Exhibit Q.</p>

	<p>Rules 310 and 311 in the Exchange Rulebook outline the process of providing general notices to Members and Participants of the Exchange.</p> <p>SMFE will post to its website any non-confidential material associated with regulatory filings relating to rules and new products at the time SMFE submits the filings to the CFTC.</p>
<p><b>Core Principle 8 — Daily Publication of Trading Information</b></p>	
<p>The board of trade shall make public daily information on settlement prices, volume, open interest, and opening and closing ranges for actively traded contracts on the contract market.</p>	<p>Pursuant to Rule 904, the Exchange will publish to its website daily information on settlement prices, volume, open interest, and opening and closing ranges for contracts on the Exchange.</p> <p>The Exchange will work with the NFA as part of the Regulatory Services Agreement on regulatory reporting as described in CFTC Part 16 of the Act. Such daily reports to the Commission shall include transaction-level data and related order information for each futures contract. Reports shall include time and sales data, reference files and any other information the Commission may require.</p>
<p><b>Core Principle 9 — Execution of Transactions</b></p>	
<p>The board of trade shall provide a competitive, open, and efficient market and mechanism for executing transactions that protects the price discovery process of trading in the centralized market of the board of trade. The rules of the board of trade may authorize, for bona fide business purposes:</p> <ul style="list-style-type: none"> <li>(a) Transfer trades or office trades;</li> <li>(b) An exchange of: <ul style="list-style-type: none"> <li>(1) Futures in connection with a cash commodity transaction;</li> <li>(2) Futures for cash commodities; or</li> <li>(3) Futures for swaps; or</li> </ul> </li> <li>(c) A futures commission merchant, acting as principal or agent, to enter into or confirm the execution of a contract for the purchase or sale of a commodity for future delivery if the contract is reported, recorded, or cleared</li> </ul>	<p>The Exchange Trading System provides Members and Participants with the ability to execute transactions from the interaction of multiple bids and multiple offers within a predetermined, nondiscretionary automated trade matching and execution algorithms. Additional detail on the Exchange Trading System can be found in Exhibit Q. The Exchange will conduct periodic objective testing of the Trading System, and trade environment generally, pursuant to the provisions contemplated in the CFTC Technology Questionnaire in Exhibit V.</p> <p>Contracts trade under the terms publicly provided for in the contract specifications, and as certified pursuant to Commission Regulation § 40.2.</p> <p>Rule 906 allows the transfer of trade(s) from one Clearing Member to another Clearing Member upon notice to the Exchange and in accordance with the Rules of the Clearing House.</p> <p>A Futures Commission Merchant can act as principal or agent on SMFE trades and is subject to Exchange and DCO Rules.</p>

<p>in accordance with the rules of the contract market or a derivatives clearing organization.</p>	
<p>Core Principle 10 — Trade Information</p>	
<p>The board of trade shall maintain rules and procedures to provide for the recording and safe storage of all identifying trade information in a manner that enables the contract market to use the information:</p> <ul style="list-style-type: none"> <li>(a) To assist in the prevention of customer and market abuses; and</li> <li>(b) To provide evidence of any violations of the rules of the contract market.</li> </ul>	<p>The Exchange Trading System will capture and maintain all information with respect to each Order. This will include information on Orders that were executed and those that were not executed as well as all other information relating to the trade environment that determines the matching and clearing of trades such as information related to clearing and number and types of contracts. Orders entered into the Trading System can be tracked from the time entered until the time that it is matched, canceled or otherwise removed. All of this information is contained in the Exchange Audit Trail.</p> <p>In accordance with the Regulatory Service Agreement with the NFA, the Exchange has audit trail processes that capture trading information to facilitate trade practice and market surveillance activities which are sent to the NFA daily. The audit trail program is based on original source documents that are unalterable, sequentially identified records. The audit trail contains a history of all orders as well as other identifying information. All data gathered as part of the audit trail is maintained in accordance with the Commission's recordkeeping requirements and in a manner that does not allow for unauthorized alteration, erasure or other potential loss.</p> <p>Exchange Members, Related Parties, Participants and Authorized Traders are additionally required to maintain audit trail information as specified in the Rulebook at Rules 524, which sets forth the Exchange recordkeeping policies for orders entered into the Platform. Pursuant to CFTC Rule §38.553, the Exchange will review applicable Member's audit trails at least annually as outlined in the Compliance Manual provided in Exhibit O. The NFA will also perform a review of Member's audit trail as part of their Regulatory Service Agreement and will report any potential violations to the Exchange. Chapter 7 of the Rulebook details the disciplinary actions available to the Exchange if a Member is found to be in violation.</p> <p>The Exchange will keep records in accordance with CFTC Regulation CFTC Regulation 1.31. Clearing Members are required to keep their records as set forth by Part 16 as set forth by the CFTC. Any IB, FCM or other Participant registered with the NFA will maintain and keep their records as prescribed under NFA Rule 2-10. Procedures relating to SMFE data retention are contained in Exhibit S.</p>

Core Principle 11 — Financial Integrity of Transactions

The board of trade shall establish and enforce:

- (a) Rules and procedures for ensuring the financial integrity of transactions entered into on or through the facilities of the contract market (including the clearance and settlement of the transactions with a derivatives clearing organization); and
- (b) Rules to ensure:
  - (1) The financial integrity of any:
    - (i) Futures commission merchant, and
    - (ii) Introducing broker; and
  - (2) The protection of customer funds.

SMFE is currently in the process of conducting due diligence on 3 prospective Designated Clearing Organizations (“DCO”). The relevant Letters of Intent from these DCOs has been added to Exhibit T. Prior to engaging in any business, a Clearing Services Agreement will be executed with a DCO and provided to the CFTC.

The Rulebook has several chapters which state the rules that were created to ensure the financial integrity of transactions and will grant authority to SMFE to impartially enforce the rules. Chapter 3, 4, 5, and 6 of the Rulebook and Exhibits P, Q and R explains the membership process, obligations of Members and trading conduct. Rule 404 specifically discusses the financial requirements for Clearing Members. Chapters 7 and 8 describe the Exchange’s disciplinary and arbitration procedures. Disciplinary rules are generally accounted for in Chapter 7 of the Rulebook, with Rule 718(a) providing the authority to revoke, suspend, limit, condition, restrict or qualify a Participant’s Trading Privileges and/or ability to access the Platform, if, in the sole discretion of the Exchange, such action is in the best interests of the exchange or the marketplace. These Chapters and Exhibits outline how the Exchange will ensure financial integrity to the marketplace.

The Exchange will have the ability to monitor IBs and FCMs as they are subject CFTC minimum financial and reporting requirements. Clearing Members of the Exchange must also be members with the Exchange’s DCO and meet the requirements set forth by the DCO. The Exchange and the DCO will conduct a routine review of financials and related information from Corporate and Clearing Members in order to ensure they are in capital compliance and protecting customer funds in accordance with CFTC rules, as described in Rule 404. Corporate and Clearing Members are responsible for conducting due diligence on its customers, including any customer for which it authorizes access to the Exchange. Corporate and Clearing Members will conduct an appropriate level of due diligence and screening of their customers as they are financially liable for all Transactions they execute. As stated in Rule 301(a)(x), Clearing Members will guarantee the financial obligations of its customers/authorized traders. A Clearing Firm will conduct an appropriate level of due diligence and screening of its customers as it is financially liable for all trades of any Authorized Participant or Direct Market Access Authorized Participant. In accordance with NFA Rule 2-9, Clearing Members, IBs, FCMs, and other Members registered with the NFA are responsible for supervising customers given access to the Exchange Trading System. Additionally, the Exchange will work with the DCO to

	<p>set appropriate margin requirements for the products. As stated in Rule 211, the Exchange may change this requirement as needed. Generally, Clearing Firms, FCMs, and IBs reserve the right to impose their own margin requirements for clients, as deemed necessary.</p> <p>As part of the Exchange’s Trading System, Clearing Members will be required to set pre-trade risk controls to a level that is appropriate for the Trading Activity of a Member or Participant for which the Clearing Member Firm is the designated Clearing FCM, as discussed in Rule 506. Clearing Members will also be responsible for implementing appropriate risk limits for Members and Participants as detailed in Rule 401.</p> <p>Pursuant to Rule 902, the DCO will work with the Exchange to establish performance bond requirements from time to time as published by the Exchange in a Notice to Members. Clearing Members must call for performance bonds from their Customers and post-performance bonds with the DCO as set forth in the DCO and CFTC Rules. All performance bond collateral must be in a form acceptable to the DCO pursuant to DCO Rules.</p>
<p><b>Core Principle 12: Protection of Markets and Market Participants</b></p>	
<p>The board of trade shall establish and enforce rules:</p> <p>(a) To protect markets and market participants from abusive practices committed by any party, including abusive practices committed by a party acting as an agent for a participant; and</p> <p>(b) To promote fair and equitable trading on the contract market.</p>	<p>Pursuant to Rulebook Chapters 4, 5 and 6 and Exhibits Q and R, the Exchange has established various Rules designed to protect the market and market participants from abusive, disruptive, fraudulent, noncompetitive and unfair conduct and trades practices.</p> <p>As described in Exhibit N, SMFE has engaged NFA Regulatory Services to monitor and provide market surveillance that will assist the Exchange in identifying and prosecuting any abusive trade practices or Rule Violations. Improper conduct and trade practices will be investigated and adjudicated as described in Chapter 7 of the Rulebook and in Exhibit P. The Exchange, through software provided by Eventus and the SMFE ARM, conducts real-time market monitoring as well as trade practice, market and financial monitoring as described in Exhibit O.</p> <p>In additional, Clearing Members are subject to the financial requirements as set by the DCO and its Rules.</p>
<p><b>Core Principle 13: Disciplinary Procedures</b></p>	
<p>The board of trade shall establish and enforce disciplinary procedures that authorize the board of trade to discipline, suspend, or expel members or market</p>	<p>The Exchange has provided Rules for disciplinary procedures set forth in Chapter 7 that allow for SMFE to discipline, suspend, expel or otherwise sanction Members, Participants, Related Parties and Persons that violate SMFE Rules. SMFE has engaged the NFA Regulatory Services to monitor and provide market surveillance and will work together with Exchange staff to</p>

participants that violate the rules of the board of trade, or similar methods for performing the same functions, including delegation of the functions to third parties.

investigate or enforce any potential violations. If a potential violation is found, the NFA will perform an investigation. At the conclusion of the investigation, the NFA will provide its findings to the Exchange and the Exchange will determine whether the facts warrant formal disciplinary charges.

The Exchange's CRO will oversee the Regulatory Department. SMFE's Regulatory Department, pursuant to Rule 702, can initiate and conduct investigations when information obtained indicates a possible Exchange violation may have occurred. The Regulatory Department will determine the nature and scope of its inquiries and investigations and will function independently of any commercial interests of the Exchange. The Regulatory Department also has the authority to: inspect books and records of all Members and Participants and can require such persons to appear before it and answer questions regarding possible violations; prepare investigation reports and make recommendations to the CRO concerning initiating disciplinary proceedings; determine whether a reasonable basis exists for finding a violation, and for authorizing the issuance of Notices of Charges against Respondents alleged to have committed violations if the CRO believes the matter should be adjudicated; prosecute alleged violations within Exchange disciplinary jurisdiction; may delegate its authority under these Rules to initiate and conduct investigations and prosecute violations to a Regulatory Services Provider. SMFE will work with the DCO with respect to a disciplinary matter involving a Clearing Member.

Rule 709 details the functions the SMFE Disciplinary Panel. The Disciplinary Panel will be made up of a Review Panel which will determine if a violation of the SMFE Rules has occurred, and a Hearing Panel which will adjudicate the matter. Rule 709 also specifies the make-up of the individuals on the Disciplinary Panel.

If the CRO determines that a matter should be adjudicated in a formal hearing before the Disciplinary Panel, the Regulatory Department will be instructed to serve a Notice of Charges. A Notice of Charges will be served to the Respondent(s) stating, among other things, the allegation; the Rule the allegation violates; that the Respondent can request a hearing and the time period in which the Respondent needs to request the hearing. Any charge in the Notice of Charges not denied whole or in part shall be deemed as admitted.

As stated in Chapter 7 of the Rulebook, any Member, Related Party or Participant may be represented by counsel during any Disciplinary Action. Within the Notice of Charges, the Respondent will be advised that they have the right to be represented by counsel or any other representative of its choosing in all succeeding stages of the disciplinary process except by any member of the Board or disciplinary panel, any employee of the Exchange, or any Person substantially related to the underlying investigations, such as a material witness or Respondent.

The Notice of Charges delivered to the Respondent will provide a timeline for response to the allegations. As stated in Rule 705, the Respondent will be given not less than twenty (20) business days after service of the Notice of Charges to respond. Rule 708 provides the Respondent with instructions on how to respond to the allegations, including denying the charges and how to request a hearing. Respondent may serve the SMFE Regulatory Department with a written response. At a minimum, the response to the allegation shall specify if the Respondent denies or admits the allegation or if the Respondent does not have enough information to deny or admit the allegation.

In accordance with Rule 713, the hearing will be fair and conducted before the members of the Hearing Panel. The hearing will take place promptly after a reasonable notice to Respondent. The Exchange will be represented by the Regulatory Department which includes the Compliance and Enforcement Staff. The Respondent is entitled to attend the hearing as stated to them in the notice of charges. The hearing will be presented to the Hearing Panel.

The Disciplinary Panel, the Regulatory Department and the Respondent shall be entitled to present evidence, call witnesses and cross-examine witnesses called by other parties. SMFE will make reasonable efforts to secure the presence of all other Persons called as witnesses whose testimony would be relevant. If the Respondent has requested a hearing, a copy of the hearing request shall be made and shall become a part of the record of the proceeding. The record of the hearing shall not be required to be transcribed unless: the transcript is requested by Commission staff or the Respondent, the Decision is appealed pursuant to the Rules, or the Decision is reviewed by the Commission pursuant to Section 8c of the CEA or 17 C.F.R. Part 9. In all other instances, a summary record of a hearing is permitted.

As specified in Rule 712, prior to the commencement of a Hearing, each Respondent will be given the opportunity to review all books, records, documents, papers, transcripts of testimony and other evidence in the possession or under the control of the Exchange that the Regulatory Department will use to support the allegations and proposed sanctions in the Notice of Charges or which the Chair of the Disciplinary Panel deems relevant to the disciplinary proceedings. Notwithstanding the foregoing, no Respondent will have the right to review, and the Exchange will have no obligation to disclose, any information protected by attorney-client privilege. If any books, records, documents, papers, transcripts of testimony, or other evidence contain information that could adversely affect the competitive position of the Person providing the information or if such information might compromise other investigations being conducted by the Regulatory Department, the Regulatory Department may redact, edit or code such information before furnishing it to the Respondent.

The Exchange's will be represented by the Review Panel and/or the Regulatory Department and the hearing will be presented to the Hearing Panel.

As stated in Rule 714, as promptly as is reasonable following a hearing, the Hearing Panel will issue a written order rendering its decision based on the weight of the evidence contained in the record of the disciplinary proceedings. A Decision by a majority of the Hearing Panel will constitute the Decision of the Disciplinary Panel.

The Exchange will serve a copy of the order of the disciplinary proceedings to the Respondent and the Regulatory Department. The order will include: the Notice of Charges or summary of the allegations; the Answer, if any, or a summary of the Answer; a summary of the evidence introduced at the hearing or, where appropriate, incorporation by reference of the investigation report; findings of fact and conclusions concerning each allegation, including a complete explanation of the evidentiary and other basis for such findings and conclusions with respect to each allegation; each specific Rule and/or provision of Applicable Law that the Respondent is found to have violated; the sanctions, if any, imposed including the basis for such sanctions and the effective date of each sanction; and the availability to the Respondent under CFTC Regulation 9.11(b)(6) of review of any disciplinary action or denial of access.

A Respondent found by the Disciplinary Panel to have violated a Rule of the Exchange or a provision of Applicable Law or who is subject to any summary fine imposed pursuant to Rule

717 or any summary action imposed pursuant to Rule 718 may appeal the Decision within twenty (20) Business Days of receiving the order of the disciplinary proceedings or the Notice of Summary Action, as the case may be, by filing a Notice of Appeal with the CRO. The Appeal Panel's decision will be the final action of the Exchange and will not be subject to appeal. If the decision is not appealed, it will become final twenty (20) business days after the order is served by the Hearing Panel.

As outlined in Rule 715, disciplinary sanctions, including sanctions imposed pursuant to an accepted Offer of Settlement, shall take into account the Respondent's disciplinary history. Sanctions shall be commensurate with the violations committed and sufficient to deter recidivism or similar violations by any other Member, Related Party or Participant that directly or indirectly violates an Exchange Rule. In the event of a Violation resulting in demonstrated harm, sanctions shall include full Customer restitution, except where the amount of the restitution or to whom it should be provided cannot be reasonably determined.

SMFE may issue a Warning Letter that will not constitute a finding of a violation or a sanction. No more than one Warning letter for the same potential violation may be issued to the same Member, Related Party or Participant during a rolling twelve (12) month period.

Pursuant to Rule 211, SMFE, the Board, any committee of the Board, or the President has the authority to take emergency action including but not limited to: imposing or modifying position accountability limits; imposing or modifying price limits; imposing or modifying intraday market restrictions; imposing special margin requirements; ordering the liquidation or transfer of open positions in any Contract; ordering the fixing of a settlement price; extending or shortening the expiration date or the Trading Hours; suspending or curtailing trading in any Contract; transferring Contracts and the margin associated therewith as permitted by Applicable Law; altering any Contract's settlement terms or conditions; limiting access to the Trading System by any Member, Participant or ISV; or taking such other actions as may be directed by the CFTC or other regulatory authority.

The Respondent may, at any time, propose an Offer of Settlement to the Disciplinary Panel. If the Offer is accepted, the Disciplinary Panel accepting the Offer of Settlement must issue a written decision specifying the Violations it has reason to believe were committed, including the basis or reasons for the Disciplinary Panel's conclusions, and any sanction to be imposed,

	<p>which must include full Customer restitution where Customer harm is demonstrated. If the Offer of Settlement is rejected by the Disciplinary Panel, the rationale for the rejection will be documented.</p> <p>Pursuant to Rule 306, when the Exchange accepts the withdrawal of a Member, all rights and privileges of such Member terminate (including, without limitation, the Trading Privileges and ability to access the Trading System). The accepted withdrawal of a Member shall not affect the rights of the Exchange under the Rules or relieve the former Member of its Obligations under the Rules, to perform all contracts involving any Contracts entered into by such, or to pay any the Exchange fees, costs, or charges incurred, before the withdrawal, including any obligations by the Member for activity by its Authorized Traders. Notwithstanding the accepted withdrawal of a Member, the withdrawn Member remains subject to the Rules, the Obligations and the jurisdiction of the Exchange for acts done and omissions made while a Member and must cooperate in any Exchange Proceeding as if the withdrawn Member were still a Member.</p> <p>Rule 411 states that when the Trading Privileges of a Member are terminated, all of a Member's rights and Trading Privileges will terminate (including those of any Related Parties), except for the right of the Member in question to assert claims against others, as provided in Exchange Rules. Any such termination will not affect the rights of creditors under the Exchange Rules. A suspended or terminated Member, Related Party or Participant remains subject to Exchange Rules and the jurisdiction of the Exchange for acts and omissions prior to the suspension or termination, and must cooperate in any inquiry, investigation, or disciplinary proceeding, summary suspension or other summary action as if the suspended or terminated Member still had Trading Privileges. The Exchange may discipline a suspended Member or Participant under the Rules for any violation of an Exchange Rule, Obligation, or provision of Applicable Law committed by the Member or Participant before, during or after the suspension.</p>
<p>Core Principle 14: Dispute Resolution</p>	
<p>The board of trade shall establish and enforce rules regarding, and provide facilities for alternative dispute resolution as appropriate for, market participants and any market intermediaries.</p>	<p>Pursuant to Rule 801 any dispute, claim or controversy between Members or Participants for which arbitration is sought may be arbitrated in accordance with and subject to the NFA's Code of Arbitration and subject to the NFA's Member Arbitration Rules which may be found on the NFA website: <a href="https://www.nfa.futures.org/arbitration/member-arbitration/index.html">https://www.nfa.futures.org/arbitration/member-arbitration/index.html</a>.</p>

The Exchange will provide fair and equitable guidance on arbitration and will post this information to its website.

Arbitration proceedings are administered for Members, Related Parties and Participants through NFA pursuant to the NFA member arbitration rules, as if each Member, Related Party or Participant that is party to such arbitration were an NFA Member, and references in such member arbitration rules to the Associates of an NFA Member shall mean and include any Authorized User and any individual who is employed by or is an agent of a Member, Related Party or Participant.

To initiate arbitration, a Person shall notify the NFA, either in writing or orally. The NFA shall maintain a record of the receipt of such notice and shall promptly provide such Person with a copy of the member arbitration rules and an Arbitration Claim. The intent to arbitrate must be received by NFA within two years from the date when the party filing the Arbitration Claim form knew or should have known of the act or transaction that is the subject of the controversy. This is also addressed in Exhibit P.

Pursuant to Rule 306, when the Exchange accepts the withdrawal of a Member, all rights and privileges of such Member terminate (including, without limitation, the Trading Privileges and ability to access the Trading System). The accepted withdrawal of a Member shall not affect the rights of the Exchange under the Rules or relieve the former Member of its Obligations under the Rules, to perform all contracts involving any Contracts entered into by such, or to pay any the Exchange fees, costs, or charges incurred, before the withdrawal, including any obligations by the Member for activity by its Authorized Traders. Notwithstanding the accepted withdrawal of a Member, the withdrawn Member remains subject to the Rules, the Obligations and the jurisdiction of the Exchange for acts done and omissions made while a Member and must cooperate in any Exchange Proceeding as if the withdrawn Member were still a Member.

Rule 411 states that when the Trading Privileges of a Member are terminated, all of a Member's rights and Trading Privileges will terminate (including those of any Related Parties), except for the right of the Member in question to assert claims against others, as provided in Exchange Rules. Any such termination will not affect the rights of creditors under the Exchange Rules. A suspended or terminated Member, Related Party or Participant remains

	<p>subject to Exchange Rules and the jurisdiction of the Exchange for acts and omissions prior to the suspension or termination, and must cooperate in any inquiry, investigation, or disciplinary proceeding, summary suspension or other summary action as if the suspended or terminated Member still had Trading Privileges. The Exchange may discipline a suspended Member or Participant under the Rules for any violation of an Exchange Rule, Obligation, or provision of Applicable Law committed by the Member or Participant before, during or after the suspension.</p>
<p>Core Principle 15: Governance Fitness Standards</p>	
<p>The board of trade shall establish and enforce appropriate fitness standards for directors, members of any disciplinary committee, members of the contract market, and any other person with direct access to the facility (including any party affiliated with any person described in this paragraph).</p>	<p>The Exchange lays out rules which govern the fitness standards for its Board Members and Committee Members in Rule 203 and also Exhibit C-1.</p> <p>Rule 203 further prescribes that no person shall be eligible to serve on the Board or any Committee who: (a) Was found within the prior three years by a final decision of a Self-Regulatory Organization, an administrative law judge, a court of competent jurisdiction or the Commission to have committed a disciplinary offense; (b) Entered into a settlement agreement within the prior three years in which any of the findings or, in the absence of such findings, any of the acts charged included a disciplinary offense; (c) Currently is suspended from trading on any Contract market, is suspended or expelled from membership with any Self-Regulatory Organization, is serving any sentence of probation or owes any portion of a fine imposed pursuant to either: (i) A finding of a disciplinary offense by a final decision of a Self-Regulatory Organization, an administrative law judge, a court of competent jurisdiction or the Commission; or (ii) A settlement agreement in which any of the findings or, in the absence of such findings, any of the acts charged included a disciplinary offense; (d) Currently is subject to an agreement with the Commission or any Self-Regulatory Organization not to apply for registration with the Commission or membership in any Self-Regulatory Organization; (e) Currently is subject to or has been subject within the prior three years a Commission registration revocation or suspension in any capacity for any reason, or has been convicted within the prior three years of any of the felonies listed in section 8a(2)(D) (ii) through (iv) of the Commodity Exchange Act; (f) Currently is subject to a denial, suspension or disqualification from serving on a Committee or governing board of any Self-Regulatory Organization as that term is defined in section 3(a)(26) of the Securities Exchange Act of 1934, as amended.</p> <p>Members of the contract market will be held to standards which are found in Rule 302.</p>
<p>Core Principle 16: Conflicts of Interest</p>	

The board of trade shall establish and enforce rules:

(a) To minimize conflicts of interest in the decision-making process of the contract market; and

(b) To establish a process for resolving conflicts of interest described in paragraph

(a) of this section.

In Chapter 2 of the Rulebook, specifically Rule 202, outlines the Board composition, Committees and qualifications that a director must satisfy in order to serve on the Board or one of the Committees of the SMFE. The Exchange has instituted a Board that will maintain at least 35% public directors which is outlined in Rule 202. The Exchange has also identified three standing committees that are defined in Rules 204-207.

The Rulebook contains rules in Chapter 2 that address conflicts of interest in decision-making, methods to ascertain the presence of conflicts of interest and to make decisions in the event of such a conflict. In addition, Rule 216 contains rules on limitations on the use or disclosure of material non-public information gained through the performance of official duties by Board Members, Committee members and Exchange Personnel gained through the performance of their duties or through an ownership interest in the contract market.

SMFE has a Regulatory Oversight Committee detailed in Rule 207 that is composed of 100% Public Directors. The ROC oversees the Exchange's regulatory program on behalf of the Board. The ROC makes recommendations to the Board that will, in its judgment, be best to promote the interests of the SMFE Futures. The ROC assists the exchange in minimizing actual and potential conflicts of interest.

As discussed in Rule 709, SMFE also maintains a Disciplinary Panel that is subject to certain rules regarding composition as to preclude any group or class of industry participants from dominating or exercising disproportionate influence on the Panels. The Panels will include at least one member who would qualify as a Public Director.

Rulebook Chapter 8 also provides for appeal to a panel appointed by the Board and that appellate body must also include at least one person who would qualify as a Public Director.

As detailed in Rule 210, no member of the Board, any Committee which has authority to take action for and in the name of the Exchange (not including any Committee which is only authorized to make recommendations for action by the Board or some other Committee) or any Disciplinary Panel shall knowingly participate in such body's deliberations or voting in any matter involving a Named Party or has material interest where such member: (i) is a Named Party or has material interest; (ii) is an employer, employee or fellow employee of a Named Party; (iii) is associated with a Named Party through a broker association; (iv) has a Family

	<p>Relationship with a Named Party; or (v) has any other significant, ongoing business relationship with a Named Party, excluding relationships limited to executing Transactions opposite each other.</p>
<p>Core Principle 17: Composition of Governing Boards of Contract Markets</p>	
<p>The governance arrangements of the board of trade shall be designed to permit consideration of the views of market participants.</p>	<p>Exhibit C includes the fitness standards of the Board of Directors and Rule 202 states that the Board shall include at least 35% of the Board Members to be Public Directors.</p> <p>As stated in Rule 204, the Exchange will establish three (3) Standing Committees: the Audit Committee, the Member Committee and the Regulatory Oversight Committee.</p> <p>Pursuant to Rule 207, the Regulatory Oversight Committee will be composed of 100% Public Directors. The ROC oversees SMFE’s regulatory program on behalf of the Board. It makes recommendations to the Board as will, in its judgment, best promote the interests of the exchange. Likewise, the ROC assists SMFE in minimizing actual and potential conflicts of interest.</p> <p>The Audit Committee, defined in Rule 205, will be composed of at least 35% Public Directors. The Audit Committee is responsible for oversight of the Exchange’s financial responsibilities.</p> <p>The Member Committee will be composed of at least 35% Public Directors. The Member Committee is responsible for determining requirements for Member, Participant, and Clearing Firm eligibility, reviewing appeals of denied applications, and approving rules as related to Member access to the Exchange. Additional information on the Membership Committee can be found in Rule 206.</p> <p>SMFE may, from time to time, establish one or more advisory Committees as it may deem necessary or advisable. Each Advisory Committee may consist of Directors, Officers, representatives of Members and other Participants, as determined by the Exchange. Advisory Committees may make recommendations to the Board but will not be authorized to make decisions or act on behalf of the Exchange.</p>
<p>Core Principle 18: Recordkeeping</p>	

<p>The board of trade shall maintain records of all activities relating to the business of the contract market:</p> <p>(a) In a form and manner that is acceptable to the Commission; and</p> <p>(b) For a period of at least 5 years</p>	<p>SMFE’s recordkeeping program satisfies the criteria set forth in § 1.31 of the Commission Regulations. Pursuant to Rule 209, the ROC will oversee all facets of the regulatory program, including compliance with recordkeeping requirements.</p> <p>Exhibit S describes the procedures for maintaining trade data for transactions on the exchange. SMFE also maintains records of Board and committee meetings in accordance with its governance documents.</p> <p>Records will be maintained by the Exchange for a minimum of five years, with two years in a readily accessible place.</p>
<p>Core Principle 19: Antitrust Consideration</p>	
<p>Unless necessary or appropriate to achieve the purposes of this Act, the board of trade shall not:</p> <p>(a) Adopt any rule or taking any action that results in any unreasonable restraint of trade; or</p> <p>(b) Impose any material anticompetitive burden on trading on the contract market.</p>	<p>SMFE’s Rulebook and business have been designed to avoid any unreasonable restraints on trade or the imposition of any material anticompetitive burden on trading.</p> <p>As defined in the responsibilities of the Member Committee in Rule 206, this Committee will ensure that the Exchange does not restrict access or impose burdens on access in a discriminatory manner. Rule 516 and Exhibit Q details the Exchange’s algorithm for order matching.</p> <p>The Exchange will post general information, including its contract specifications and the Rulebook, on its website. A copy of the Rulebook, any rule amendments, and products (including terms and conditions of the contracts) will be made available through the Exchange website. Notice of new product listings, new rules, and rule amendments will be placed on the Exchange website concurrent with the filing of such information or submissions with the Secretary of the Commission. All relevant information as related to the Exchange and its contracts will be made available to Members and Participants so they are able to make their own determination if participation in the Exchange’s market is appropriate considering their experience, objectives, financial resources, and other relevant circumstances.</p>
<p>Core Principle 20: System Safeguard</p>	
<p>Each designated contract market shall:</p> <p>(a) Establish and maintain a program of risk analysis and oversight to identify and minimize sources of operational risk, through the development of appropriate controls and</p>	<p>As detailed in Exhibit V, SMFE has implemented a Risk Management Process and Framework to Identify, Assess, Prioritize, Mitigate and Adapt to evolving risks inherent to operating the Exchange. SMFE’s Enterprise Risk Management Framework will guide the Exchange in completing the assessment of risk and implementation of the risk management process. The analysis and assessment of IT and Cybersecurity risks aligns with the CIS Controls, Policies,</p>

<p>procedures, and the development of automated systems, that are reliable, secure, and have adequate scalable capacity;</p> <p>(b) Establish and maintain emergency procedures, backup facilities, and a plan for disaster recovery that allow for the timely recovery and resumption of operations and the fulfillment of the responsibilities and obligations of the board of trade; and</p> <p>(c) Periodically conduct tests to verify that backup resources are sufficient to ensure continued order processing and trade matching, transmission of matched orders to a designated clearing organization for clearing, price reporting, market surveillance, and maintenance of a comprehensive and accurate audit trail.</p>	<p>Standards and Guidelines in order to adopt industry best practices and guidance. A matrix of risks was generated by the Exchange’s management and tech teams, and each potential risk, including information security, was scored for likelihood and impact and ranked so that priority is assigned to the greatest risks and negative outcomes and their associated mitigation strategies.</p> <p>The Exchange’s Business Continuity Plan (“BCP”) provides procedures that will, in the case of an Emergency, safeguard Participant data and firm property including books and records, assess financial and operational damage or interruptions considering the circumstance surrounding the disaster at hand, facilitate quick recovery and resumption of operations, communicate with critical vendors, regulatory authorities and Members/Participants. This plan also accounts for disaster recovery testing.</p> <p>The Exchange disaster recovery (“DR”) site is located in Equinix NY2, Secaucus, NJ. The site is currently intended to be a warm backup, with replication of transactional data over 10GB cross connection circuits from the primary site at Cyrus One, Aurora, IL. A comprehensive DR and BCP Plan has been developed that includes all steps and procedures required to declare an Emergency, notify market participants and the CFTC, failover to backup facilities, and reopen the market. See Exhibit V for more details.</p> <p>SMFE shall review the viability of backup resources in tandem with resource evaluations and technology refreshes of its production facilities. Along with industry wide testing, the Exchange will conduct quarterly internal testing of its own backup systems, in coordination with all critical regulatory and technology service providers. See Exhibit V for more details.</p> <p>The Exchange will conduct periodic objective testing of the Trading System, and trade environment generally, pursuant to the provisions contemplated in the CFTC Technology Questionnaire. The Exchange will also periodically conduct tests and assessments, including: vulnerability testing, penetration testing, controls testing, security incident response plan testing and enterprise technology risk assessment. As a member of FIA, the Exchange will participate in the FIA’s annual industry wide Disaster Recovery Test.</p> <p>The Exchange has addressed the CFTC’s Technology Questionnaire in Exhibit V which addresses all aspects of Core Principle 20.</p>
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Core Principle 21: Financial Resources	
<p>(a) <i>In general:</i> The board of trade shall have adequate financial, operational, and managerial resources to discharge each responsibility of the board of trade.</p> <p>(b) <i>Determination of adequacy:</i> The financial resources of the board of trade shall be considered to be adequate if the value of the financial resources exceeds the total amount that would enable the contract market to cover the operating costs of the contract market for a 1-year period, as calculated on a rolling basis.</p>	<p>As defined in Chapter 2, the Exchange has a Board of Directors that the Chief Financial Officer will be responsible to report the Exchange's financial status, at a minimum of once a quarter. As detailed in Chapter 2, the Exchange also has an Audit Committee which has several responsibilities including, but not limited to, reviewing financial statements and internal controls.</p> <p>SMFE will maintain adequate financial resources which exceed the amount that is required for the contract market to operate for a one-year period, as calculated on a rolling basis. In Exhibit I, we have defined our operating expenses and have attached a capital computation which is Exhibit I-2. The Exchange has its own capital which has been contributed by two owners and they may contribute more capital if needed in order to maintain capital compliance with CFTC rules. The Exchange's ownership is detailed in Exhibit A.</p> <p>SMFE will submit financial reports to the CFTC as prescribed.</p>
Core Principle 22: Diversity of Board of directors	
<p>The board of trade, if a publicly traded company, shall endeavor to recruit individuals to serve on the board of directors and the other decision-making bodies (as determined by the Commission) of the board of trade from among, and to have the composition of the bodies reflect, a broad and culturally diverse pool of qualified candidates.</p>	<p>SMFE is not a publicly traded company and accordingly falls outside the scope of this Core Principle. SMFE does have a Board of Directors which is covered in Chapter 2.</p> <p>Chapter 2 of the SMFE Rulebook outlines the ownership and governance of the exchange. Specially in Rule 202, 203 and 204 of the SMFE Rulebook it describes the Board/Committees responsibilities and ineligibility to serve on Boards and Committees of the SMFE. Exhibit C also outlines BOD fitness requirements.</p>
Core Principle 23: Securities and Exchange Commission	
<p>The board of trade shall 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 Exchange Commission.</p>	<p>SMFE does not offer any security-based contracts and accordingly falls outside the scope of this Core Principle.</p>