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April 2, 2015

**By CFTC Portal**

Secretary of the Commission  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, N.W.  
Washington, D.C. 20581

Re: *tpSEF Inc. – Regulation 40.6 Rule Certification (tpSEF Submission #15-05R)*

To Whom It May Concern:

Pursuant to Section 5c(c) of the Commodity Exchange Act (the “Act”) and Section 40.6(a) of the regulations of the Commodity Futures Trading Commission (the “Commission”), tpSEF Inc. (“tpSEF”), a temporarily-registered swap execution facility, hereby notifies the Commission that it wishes to amend its Rulebook as provided in Exhibit A. The intended date of implementation of the amended Rulebook is April 24, 2015.

Pursuant to Commission Regulation 40.6, this submission includes:

- (i) A concise explanation and analysis of the amended rules and their compliance with applicable provisions of the Act, attached as Exhibit A;
- (ii) A clean copy of the amended Rulebook, attached as Exhibit B;
- (iii) A copy of the amended Rulebook marked to show changes to the currently effective version dated March 25, 2015, attached as Exhibit C.

tpSEF hereby certifies that the amendments comply with the requirements of the Act and Commission regulations thereunder. tpSEF is not aware of any substantive opposing views expressed with respect to this filing and certifies that, concurrent with this filing, a copy of this submission was posted on tpSEF’s website.

Secretary of the Commission  
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Please contact the undersigned at (201) 984-6956 or by email at [bddonnelly@tullettprebon.com](mailto:bddonnelly@tullettprebon.com) with any questions regarding this matter.

Very truly yours,

tpSEF Inc.

By: 

Name: Mark Campbell

Title: Chief Operating Officer

Enclosures

cc: Division of Market Oversight ([dmosubmissions@cftc.gov](mailto:dmosubmissions@cftc.gov))  
Roger Smith ([rsmith@cftc.gov](mailto:rsmith@cftc.gov))  
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Secretary of the Commission  
April 2, 2015

**EXHIBIT A**

Explanation of Amended Rules

**Summary:** tpSEF wishes to amend its Rulebook as provided below. A clean copy of the amended Rulebook is attached as Exhibit B. A copy marked to show changes to the version effective March 25, 2015 is attached as Exhibit C.

Capitalized terms used but not defined herein have the meanings assigned to them in the Rulebook.

Section	Description of Revision	Reason and/or Supporting Core Principle
Cover Page	Change Rulebook effective date.	Conforming change
Table of Contents	Conform page references.	Conforming change
Rule 4011	Elimination of a Participant's ability to expose one side of a Required Cross for less than 15 seconds.	Clarifying change

Secretary of the Commission  
April 2, 2015

**EXHIBIT B**

Amended tpSEF Inc. Rulebook

**tpSEF Inc.**  
**Rulebook**

*Effective April 24, 2015*

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## SECTION 1 DEFINITIONS

### **Rule 1000**    **Definitions**

Unless otherwise specifically provided in the SEF Rules or the context otherwise requires, the following terms have the meanings specified herein.

“*Account Manager*” means an investment manager or other Person acting in a similar capacity that (i) is not an individual, and (ii) acts as an agent and attorney-in-fact to transact Swaps via the SEF in the name and on behalf of a Client. An Account Manager may be a Participant, a Sponsored Participant or a Customer.

“*Affected Person*” has the meaning specified in Rule 3103.

“*Affiliate*” means with respect to any Person, any Person who, directly or indirectly, controls, is controlled by or is under common control with, such other Person.

“*Appeals Panel*” means a panel appointed by the Chief Compliance Officer pursuant to Rule 6015.

“*Applicable Law*” means, with respect to any Person, any DCO Rule, statute, law, regulation, rule or ordinance of any governmental or self-regulatory authority or any DCO applicable to that Person’s activities on or in respect of the SEF, including (without limitation) these SEF Rules, the CEA and CFTC Regulations.

“*Appropriate Minimum Block Size*” means the minimum notional or principal amount for a category of Swap that qualifies as a block trade pursuant to CFTC Regulation 43.6.

“*Authorized Representative*” means any natural Person who is employed and authorized by a Participant to represent the Participant in SEF matters pursuant to Rule 3113.

“*Authorized Trader*” means a Person who is appointed, employed or authorized by a Participant (or by a Sponsored Participant) and who has been assigned a User ID by the SEF. Each Authorized Trader: (i) must be a natural Person; (ii) must have been granted Trading Privileges with respect to the trading activities of a Participant; and (iii) must satisfy any other requirements as may be prescribed by the SEF from time to time.

“*Block Trade*” means a Swap that: (i) has a notional or principal amount at or above the Appropriate Minimum Block Size applicable to such Swap; and (ii) (x) in the case of a Cleared Block Trade, is executed on a non-Order Book trading system or platform of the SEF, or (y) in the case of an Uncleared Block Trade, occurs away from a SEF trading system or platform and is executed pursuant to the SEF Rules.

“*Board*” means the board of directors of the SEF.

“*Business Day*” means a day on which the SEF is open for trading as provided on the SEF website.

“*By-Laws*” means the by-laws of the SEF.

“*CCO*” means the Chief Compliance Officer of the SEF.

“*CEA*” means the Commodity Exchange Act, as amended.

“*CEO*” means the Chief Executive Officer of the SEF.

“*Chief Executive Officer*” means the chief executive officer of the SEF appointed pursuant to the By-Laws and Rule 2200.

“*CFTC*” means the U.S. Commodity Futures Trading Commission.

“*CFTC Regulations*” means the rules and regulations promulgated by the CFTC, as amended.

“*Cleared Block Trade*” means a Block Trade in a Cleared Swap.

“*Cleared Swap*” means (i) a Swap that is subject to the Clearing Requirement, or (ii) any Swap of a type that is accepted by a DCO for clearing that the parties have elected to submit for clearing, whether or not the particular Swap is accepted or rejected.

“*Clearing Member*” means a member of a DCO.

“*Clearing Requirement*” means the mandatory clearing requirement set forth in Section 2(h)(1) of the CEA.

“*Client*” means a Person that granted in writing to an Account Manager investment discretion on behalf and in the name of such Person.

“*Confirmation*” means a written record of the terms of a Transaction, which terms shall be those required by Applicable Law.

“*CTP*” means customer type identification code.

“*Customer*” means a Person for whom an Introducing Broker, as agent, (i) enters Orders and/or engages in RFQs or Transactions on the SEF, and/or (ii) submits Uncleared Block Trades pursuant to the SEF Rules. A Customer may be a Participant.

“*DCM*” means a designated contract market as defined in CFTC Regulation 1.3(h).

“*DCO*” means a derivatives clearing organization as defined in Section 1a(15) of the CEA, or non-U.S. central clearing counterparty recognized or approved by the CFTC (either through formal CFTC action or through CFTC staff no-action relief), that provides clearing services with respect to any Swaps traded on, or pursuant to the rules of, the SEF.

“*DCO Rules*” means the relevant organizational documents of a DCO and any relevant rule, interpretation, stated policy or instrument corresponding to any of the foregoing, in each case as adopted or amended from time to time by the DCO.

“*Director*” means a Board director.

“*Disciplinary Action*” means any inquiry, investigation, disciplinary proceeding, appeal from a disciplinary proceeding, summary imposition of fines, summary suspension or other summary action.

“*Disciplinary Panel*” means the panel appointed by the Chief Compliance Officer to act in an adjudicative role and fulfill various adjudicative responsibilities and duties described in Section 6 of the SEF Rules.

“*ECP*” means an “eligible contract participant” as defined in Section 1a(18) of the CEA and CFTC Regulations thereunder.

“*Emergency*” means any occurrence or circumstance that, in the opinion of the SEF, requires immediate action and threatens, or may threaten, the fair and orderly trading in, or the clearance, settlement or integrity of, any Swap, including, without limitation, the following:

- (1) any circumstance that may materially affect the performance of the parties to a Swap, including failure of a DCO;
- (2) any action taken by (i) any United States or foreign regulatory, self-regulatory, judicial, arbitral or governmental (whether national, state or municipal) or quasi-governmental authority, or any agency, department, instrumentality or subdivision thereof; (ii) other Person exercising, or entitled to exercise, any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power; or (iii) any other swap execution facility, DCO, DCM, board of trade or other exchange or trade association (foreign or domestic) that may have a direct impact on trading on the SEF or the clearing and settlement of, or the legality or enforceability of, any Swap;
- (3) any actual, attempted or threatened corner, squeeze, congestion, manipulative activity or undue concentration of positions in a Swap or any related asset;
- (4) any circumstance that may have a severe, adverse impact upon the functions and facilities of the SEF, including, but not limited to, acts of God, fire, flood or other natural disasters, bomb threats, acts of terrorism or war, severely inclement weather or failure or malfunction of all or a portion of the SEF, or other system breakdowns or interruptions such as power, computer, communication or transportation systems or the Internet;
- (5) the imposition of any injunction or other restraint by any government agency, court or arbitrator upon a DCO which may affect the ability of a DCO to perform on a Swap;
- (6) any circumstance in which it appears to the Board that a DCO or any other Person:
  - (i) has failed to perform on a Swap;

- (ii) is insolvent; or
  - (iii) is in a financial or operational condition or is conducting business such that the DCO or Person cannot be permitted to continue in business without jeopardizing the safety of Participants, the SEF, any DCO or any other Person;
- (7) any other circumstance that would constitute an “emergency” within the meaning of CFTC Regulation 40.1(h); or
  - (8) any other unusual, unforeseeable or adverse circumstance that may have an effect similar to any of the foregoing as determined by the SEF.

“*Emergency Action*” means any action taken by the SEF in its discretion, in consultation with the CFTC and/or relevant DCO as necessary and practicable, in response to an Emergency, including, without limitation, any of the following actions:

- (1) suspending or curtailing trading or limiting trading (in whole or in part);
- (2) ordering the fixing of a settlement price, or the reduction of positions;
- (3) extending, limiting or changing the Trading Hours;
- (4) temporarily modifying or suspending any provision of the SEF Rules or Obligations;
- (5) imposing or modifying price limits;
- (6) altering any contract’s settlement terms or conditions;
- (7) imposing or modifying position limits; and/or
- (8) ordering any other action or undertaking to address or relieve the Emergency.

“*Emergency Rules*” has the meaning specified in Rule 7000.

“*End-User Exempt Transaction*” shall mean a Transaction exempt from the Clearing Requirement due to an election to use the End-User Clearing Exception.

“*End-User Clearing Exception*” means the exception from the Clearing Requirement set forth in Section 2(h)(7) of the CEA and CFTC Regulation 50.50 or any CFTC No-Action Letter or guidance.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

“*Execution Specialist*” means a SEF employee responsible for assisting Participants and Sponsored Participants (and any of their Supervised Persons) in entering on the SEF Orders, RFQs and Transactions and receiving reports of Uncleared Block Trades.

“*Family Relationship*” means, with respect to any natural person, such natural person’s spouse, former spouse, parent, stepparent, child, stepchild, sibling, stepbrother, stepsister, grandparent, grandchild, uncle, aunt, nephew, niece or in-law.

“*FCM*” means futures commission merchant as defined under Section 1a(28) of the CEA.

“*Government Agency*” means any governmental entity, body or agency of any government (including the United States, a state or foreign government).

“*Interested Person*” has the meaning specified in Rule 2500.

“*Introducing Broker*” is a Person that (i) is a registered or exempt FCM or introducing broker (as defined in Section 1a(31) of the CEA and CFTC Regulation 1.3(mm)), and (ii) enters Orders or engages in RFQs or Transactions on the SEF, and/or submits Uncleared Block Trades pursuant to the SEF Rules, on behalf of one or more Customers.

“*Investigation Report*” means any written report of investigation prepared by the Market Regulation Department.

“*ISDA*” means the International Swaps and Derivatives Association, Inc.

“*ISDA Reporting Counterparty Rules*” means the rules for establishing a Reporting Counterparty under the circumstances where CFTC Regulation 45.8 does not determine a Reporting Counterparty (for example, because both counterparties are Swap Dealers or both counterparties are Major Swap Participants) as published by ISDA on May 30, 2014 under the title “Dodd Frank Act – Swap Transaction Reporting Party Requirements” as such rules may be amended, restated, supplemented or otherwise modified or replaced from time to time.

“*ISV*” means independent software vendor.

“*Legal Entity Identifier*” has the meaning set forth in Part 45 of the CFTC Regulations.

“*Major Swap Participant*” has the meaning set forth in Section 1a(33) of the CEA and CFTC Regulations thereunder.

“*Market Regulation Department*” means the department within the SEF that regulates compliance with the SEF Rules. For purposes of the SEF Rules, Market Regulation Department may, as applicable, also include any Regulatory Services Provider pursuant to a Regulatory Services Agreement.

“*Material Adverse Change*” means a significant event that negatively affects the subject referenced.

“*Material Conflict of Interest*” means a Director, Officer, panel member or other Person:

- (1) being named as a respondent or potential respondent or a witness or potential witness in a Self-Regulatory Action;

- (2) being an employer, employee, fellow employee or an Affiliate of a respondent or potential respondent or a witness or potential witness in the Self-Regulatory Action;
- (3) having any significant, ongoing business relationship with a respondent or potential respondent or a witness or potential witness in the Self-Regulatory Action;
- (4) having a Family Relationship with a respondent or potential respondent or a witness or potential witness in a Self-Regulatory Action (including the individual's spouse, co-habitator, former spouse, parent, stepparent, child, step child, sibling, stepbrother, stepsister, grandparent, grandchild, uncle, aunt, nephew, niece, father-in-law, mother-in-law, brother-in-law or sister-in-law);
- (5) having a direct and substantial financial interest in the result of the deliberations or vote as referenced in CFTC Regulation 1.69, other than a direct or indirect equity or other interest in the SEF's Affiliates, that could reasonably be expected to be affected by the action. A direct and substantial financial interest includes positions in Swaps in accounts of, controlled by, or affiliated with the Director, Officer, panel member or other Person or in any other types of direct and substantial financial positions of the Director, Officer, panel member or other Person that are reasonably expected to be affected by the deliberations or vote; and/or
- (6) any other circumstance that gives rise to a conflict between the Director's, Officer's, panel member's or other Person's exercise of authority concerning any SEF Proceeding and his or her personal interests.

“*Material Relationship*” is one that reasonably could affect the independent judgment or decision making of a Public Director.

“*NFA*” means the National Futures Association.

“*Notice to Participants*” has the meaning specified in Rule 3108.

“*Obligation*” means any and all duties and/or responsibilities arising under each SEF Rule, order or procedure issued by the SEF (including Notices to Participants) and other requirements implemented by the SEF under the SEF Rules, including the terms and conditions of each Swap, as well as any contractual obligations between a Participant and the SEF.

“*Officer*” has the meaning specified in Rule 2200.

“*Order*” means a firm bid or offer for a Swap.

“*Order Book*” means the trading systems operated by the SEF in which Participants have the ability to enter multiple bids and offers, observe or receive bids and offers entered by other Participants, and transact on such bids and offers.

“*Package Transaction*” means a transaction involving two or more instruments: (1) that is executed between two or more counterparties; (2) that is priced or quoted as one economic transaction with simultaneous or near simultaneous execution of all components; (3) that has at least one component that is a swap that is a Required Transaction; and (4) where the execution of each component is contingent upon the execution of all other components.

“*Package Transaction (Order Book/RFQ Exempt)*” is a Package Transaction for which the CFTC has granted currently-effective no-action relief or other exception or exemption from the requirements of Section 2(h)(8) of the CEA and/or CFTC Regulation 37.9.

“*Participant*” means any Person, other than an ISV, that has been granted, and continues to have, Trading Privileges.

“*Participation Criteria*” means the criteria set forth in Rule 3000(a).

“*Permitted Transaction*” shall have the meaning provided in CFTC Regulation 37.9(c)(1).

“*Permitted Cross Transaction*” means a Permitted Transaction submitted by Participants for execution to an Execution Specialist or directly to the SEF that has been negotiated on terms mutually agreed between or among the parties.

“*Person*” means a natural person or an entity.

“*Personal Information*” means personally identifiable information or data concerning or relating to a Person’s employees, customers or prospective customers.

“*Proprietary Data*” means, with respect to any Person, any information that separately discloses business transactions, market positions or trade secrets of such Person.

“*Public Director*” means any Director who qualifies as a “public” director within the meaning of the By-Laws and applicable regulations and interpretations issued by the CFTC for determination qualifications of public directors.

“*Recipient Participant*” means, with respect to any Requester sending any RFQ via the Request for Quote functionality of the SEF, a Participant other than the Requester that (i) is not an Affiliate of or controlled by the Requester, and (ii) is not an Affiliate of or controlled by any other Recipient Participant receiving the same RFQ of the Requester.

“*Regulatory Oversight Committee*” means the committee described in Rule 2401.

“*Regulatory Services Agreement*” means the agreement(s) between the SEF and Regulatory Services Provider(s), under which market surveillance and trade practice surveillance functions are delegated to the Regulatory Services Provider.

“*Regulatory Services Provider*” means the organization, if any, which provides regulatory services to the SEF pursuant to a Regulatory Services Agreement. The SEF’s Regulatory Services Provider is currently the NFA.

“*Related Party*” has the meaning given in Rule 6028.

“*Reporting Counterparty*” has the meaning set forth in Part 45 of the CFTC Regulations.

“*Request for Quote*” means a message disseminated on the SEF for the purposes of soliciting bids or offers for a specific Swap pursuant to Rule 4003.

“*Requester*” has the meaning given in Rule 4003.

“*Requester Reply*” has the meaning given in Rule 4003.

“*Required Number*” means no less than three Recipient Participants.

“*Required Transaction*” shall have the meaning provided in CFTC Regulation 37.9(a)(1), as may be amended from time to time.

“*Required Cross Transaction*” means a Required Transaction (other than a Block Trade or Package Transaction (Order Book/RFQ Exempt)) (x) in which (i) a Participant seeks to execute against its Customer’s Order, or (ii) a Participant seeks to execute two of its Customers’ Orders against each other, and (y) that is submitted for execution on the Order Book, either directly or via an Execution Specialist, following some form of permitted pre-arrangement or pre-negotiation.

“*Response*” means a response to an RFQ from a Recipient Participants.

“*Resting Quote*” means any firm or indicative bid or offer displayed on the Order Book of the SEF.

“*Review Panel*” means a panel responsible for determining whether a reasonable basis exists for finding a violation of the SEF Rules or other provision of Applicable Law for which the SEF has disciplinary jurisdiction, and for authorizing the issuance of notices of charges against Persons alleged to have committed violations if the Review Panel believes that the matter should be adjudicated.

“*RFQ*” means a Request for Quote.

“*ROC*” means the Regulatory Oversight Committee of the SEF.

“*RSA*” means a Regulatory Services Agreement.

“*SEC*” means the U.S. Securities and Exchange Commission.

“*SEF*” means the swap execution facility operated by tpSEF Inc. or any successor thereto.

“*SEF Official*” means any Director or Officer of, or individual employed directly by, the SEF, the Regulatory Services Provider or any individual rendering similar services to the SEF under an administrative or similar agreement.



“*SEF Proceeding*” and “*SEF Proceedings*” means any inquiry, investigation, disciplinary proceeding or any appeal from a disciplinary proceeding, summary suspension or other summary actions.

“*SEF Rules*” means the rules of the SEF as set forth herein, as may be amended from time to time by the SEF.

“*Self-Regulatory Action*” means an Emergency Action or a SEF Proceeding.

“*Self-Regulatory Organization*” means the Financial Industry Regulatory Authority, the NFA or any other self-regulatory organization under the CFTC Regulations or the rules and regulations of the SEC.

“*Sponsored Participant*” means a third-party ECP that is extended Trading Privileges by a Sponsoring Participant pursuant to Rule 3110.

“*Sponsoring Participant*” means a Participant that extends Trading Privileges to a Sponsored Participant pursuant to Rule 3110.

“*Supervised Persons*” means Authorized Traders, directors, officers, employees or agents of any Participant.

“*Swap*” means any “swap” as defined in CEA Section 1a(47) that has been listed for trading on the SEF.

“*Swap Data Repository*” has the meaning set forth in Section 1a(48) of the CEA.

“*Swap Dealer*” has the meaning set forth in Section 1a(49) of the CEA.

“*Swap Specification*” means, with respect to any Swap, the specifications for such Swap as then in effect including any materials incorporated by reference therein.

“*Terms Incorporated by Reference*” has the meaning given in Rule 4012.

“*Trade Communication*” has the meaning given in Rule 4012.

“*Trading Hours*” means, for any Business Day, the hours as may be published by the SEF in a Notice to Participants, posted to the SEF’s website or included in Swap listing filings to the CFTC from time to time.

“*Trading Privileges*” means the right granted to a Participant, acting through one or more Authorized Traders, to use the SEF for execution of Swaps.

“*Transaction*” means any Swap transacted on the SEF in accordance with the SEF Rules.

“*Uncleared Block Trade*” means a Block Trade other than a Cleared Block Trade.

“*Uncleared Swap*” means a Swap other than a Cleared Swap.

“*User ID*” means a unique identifier issued to each Authorized Trader of a Participant that enables the SEF to identify the individual.

“*USI*” means a unique swap identifier created by the SEF pursuant to Part 45 of the CFTC Regulations.

## **SECTION 2 SEF GOVERNANCE**

### **Rule 2000    The SEF**

The SEF is a corporation organized under the laws of the state of Delaware. The By-Laws of the SEF govern the management and operation of the SEF.

## **BOARD**

### **Rule 2100    Board**

- (a) The Officers shall manage the day-to-day business operations of the SEF. The Board has the power and authority to oversee, and to affirm, modify, suspend or overrule, any and all decisions and actions of any committees of the Board or any panel of Officers related to the day-to-day business operations of the SEF.
- (b) The Board will determine which Swaps are available from time to time for trading subject to the SEF Rules, and will approve specifications for such Swaps; provided that the Board may delegate the authority to approve such rules to a SEF committee or to one or more Officers of the SEF; provided, further, that certifications or applications with respect to such rules will be submitted to the CFTC as required by the CEA and any regulations thereunder.
- (c) The Board may act only by the decision of an absolute majority in number of the Directors by vote at a meeting, by unanimous written consent without a meeting, or as otherwise set forth in the By-Laws. In the event of an Emergency, which in the judgment of the CEO (or, in his absence, the most senior Officer present) requires immediate action, a special meeting of the Board may be convened without notice, consisting of those Directors who are immediately available in person or by telephone and can be joined in the meeting in person or by conference telephone. The actions taken at such a meeting shall be effective if at least a quorum of the Directors participates either personally or by conference telephone.
- (d) At all times, at least 35% of the Directors shall be Public Directors. Each Director (including Public Directors) shall be appointed in accordance with the By-Laws and shall serve until his or her successor is duly appointed or until his or her earlier resignation or removal, with or without cause.
- (e) Each Director is entitled to indemnification pursuant to the By-Laws with respect to matters relating to the SEF.
- (f) To qualify as a Public Director, an individual must be found, by action of the Board, to have no Material Relationship with the SEF. The Board must make such finding upon the nomination or appointment of the Director and as often as necessary in light of all circumstances relevant to such Director, but in no case less than annually. In the event of an Emergency, the finding may be made in accordance with the procedures provided for in Rule 2100(c). The limitations applicable to Material Relationships also apply to the

“immediate family” of such director, *i.e.*, spouse, parents, children, and siblings, in each case, whether by blood, marriage, or adoption, or any person residing in the home of the director or that of his or her “immediate family.”

- (g) The members of the Board, including Public Directors, shall be of sufficiently good repute and, where applicable, have prior industry (or related) experience, a strong understanding of swaps and a familiarity with the rules and regulations that pertain to Swaps, and sufficient expertise in financial services.
- (h) Without limitation of any other provisions of this Rule 2100, the provisions of Article III of the By-Laws shall be deemed to be part of the SEF Rules and shall be deemed to be incorporated herein, to the same extent and with the same force and effect as if set forth herein in their entirety.
- (i) A Public Director of the SEF may also serve as a public director of an Affiliate of the SEF provided he or she does not have a Material Relationship with the SEF.

## **OFFICERS**

### **Rule 2200    Officers**

- (a) The Board shall appoint a Chief Executive Officer, a Chief Compliance Officer, and such other officers of the SEF (all of the foregoing, collectively, the “Officers”) as it may deem necessary or appropriate from time to time, in accordance with the By-Laws.
- (b) Any Officer may also be a director, officer, partner or employee of the SEF or any of its Affiliates.
- (c) The Officers shall have such powers and duties in the management of the SEF as the Board may prescribe from time to time.
- (d) Each Officer is entitled to indemnification pursuant to the By-Laws with respect to matters relating to the SEF.

### **Rule 2201    Chief Compliance Officer**

- (a) The Board shall designate an individual to serve as the Chief Compliance Officer and shall approve the compensation of the Chief Compliance Officer.
- (b) The Chief Compliance Officer’s duties shall include, but are not limited to, the following:
  - (1) overseeing and reviewing the SEF’s compliance with Applicable Law, including, without limitation, Section 5h of the CEA and related CFTC Regulations;
  - (2) in consultation with the CEO and such others, including, without limitation, the Board and/or the Regulatory Oversight Committee, as deemed appropriate and necessary, resolving any conflicts of interest that may arise, including: (i) conflicts between business considerations and compliance requirements; (ii)

conflicts between business considerations and the requirement that the SEF provide fair, open and impartial access as set forth in the CFTC Regulations; and (iii) conflicts between the SEF's management and members of the Board;

- (3) establishing and administering written policies and procedures reasonably designed to prevent violations of the CEA and CFTC Regulations;
  - (4) taking reasonable steps to ensure compliance with the CEA and CFTC Regulations;
  - (5) establishing procedures for the remediation of noncompliance issues identified by the Chief Compliance Officer through compliance office reviews, look-backs, internal or external audit findings, self-reported errors or validated complaints;
  - (6) establishing and following appropriate procedures for the handling, management response, remediation, retesting and closing of noncompliance issues;
  - (7) establishing and administering a compliance manual designed to promote compliance with Applicable Law and a written code of ethics designed to prevent ethical violations and to promote honesty and ethical conduct;
  - (8) supervising the SEF's self-regulatory program with respect to trade practice surveillance, market surveillance, real-time market monitoring, compliance with audit trail requirements, enforcement and disciplinary proceedings, audits, examinations and other regulatory responsibilities with respect to Participants, Customers, Clients, Authorized Traders and other market participants (including seeking to ensure compliance with, if applicable, financial integrity, financial reporting, sales practice, recordkeeping and other requirements);
  - (9) supervising the effectiveness and sufficiency of any regulatory services provided to the SEF by a Regulatory Services Provider; and
  - (10) preparing and filing the annual compliance report as required under the CEA and applicable CFTC Regulations.
- (c) The Chief Compliance Officer shall have available to him or her at all times the authority and the resources of the Market Regulation Department and such other resources as may be necessary to develop and enforce policies and procedures necessary to fulfill the duties set forth for chief compliance officers of swap execution facilities in the CEA and the CFTC Regulations. The Chief Compliance Officer shall have supervisory authority over all staff of the Market Regulation Department and all other compliance staff.
- (d) The Chief Compliance Officer shall report to the Chief Executive Officer. The Chief Compliance Officer shall have the authority to inspect the books and records of all Participants and the authority to require any Participant to appear before him or her and produce its books and records and answer questions regarding alleged violations of the SEF Rules or other provision of Applicable Law for which the SEF has disciplinary jurisdiction, at the time, place and in the manner it designates. The Chief Compliance

Officer may also delegate such authority to staff of the Market Regulation Department and/or the Regulatory Services Provider.

## QUALIFICATIONS

### **Rule 2300 Qualification of Chief Compliance Officer**

- (a) The Chief Compliance Officer shall have the background and skills appropriate for fulfilling the responsibilities of the position.
- (b) The Chief Compliance Officer may not be disqualified from registration pursuant to Section 8a(2) or (3) of the CEA.

### **Rule 2301 Qualifications of Directors, Panel Members, Committee Members and Officers**

- (a) A Director or Officer must meet the qualifications set forth from time to time in the By-Laws.
- (b) An individual may not serve as a Director or an Officer, hold a 10% or more ownership interest in the SEF, or serve on a committee established by the Board or a Disciplinary Panel or an Appeals Panel if the individual:
  - (1) within the prior three (3) years has been found, by a final decision in any action or proceeding brought in a court of competent jurisdiction, a Government Agency or any Self-Regulatory Organization, to have committed a disciplinary offense;
  - (2) within the prior three (3) years has entered into 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;
  - (3) is currently suspended from trading on a DCM, is suspended or expelled from membership in a Self-Regulatory Organization, is serving any sentence or probation, or owes any portion of a fine or penalty related to either:
    - (i) a finding of a disciplinary offense by a final decision in any action or proceeding brought in a court of competent jurisdiction, a Government Agency or any Self-Regulatory Organization; 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;
  - (4) is currently subject to an agreement with a Government Agency or Self-Regulatory Organization not to apply for registration with the Government Agency or for membership in the Self-Regulatory Organization;
  - (5) is currently, or within the past three (3) years has been, subject to a revocation or suspension of registration by the CFTC or other Government Agency;

- (6) has been convicted of a felony listed in Section 8a(2)(D)(ii) through (iv) of the CEA; or
  - (7) is currently subject to a denial, suspension or disqualification from serving on a disciplinary committee, arbitration panel or governing board of any self-regulatory organization as that term is defined in Section 3(a)(26) of the Exchange Act.
- (c) Any Director, Officer, member of a committee established by the Board, any panel member, any individual nominated to serve in any such role, or any individual authorized by the Regulatory Oversight Committee to take summary action shall immediately notify the Chief Executive Officer or the Chief Compliance Officer if such individual meets one or more of the criteria in Rule 2301(b).
- (d) For purposes of Rule 2301(b), the terms “disciplinary offense,” “final decision,” and “settlement agreement” have the meanings set forth in CFTC Regulation 1.63(a).

## **BOARD COMMITTEES**

### **Rule 2400 [Reserved]**

### **Rule 2401 Regulatory Oversight Committee**

- (a) The Regulatory Oversight Committee of the Board shall be composed entirely of Public Directors appointed by the Board.
- (b) Each member of the Regulatory Oversight Committee shall serve for a term of two (2) calendar years from the date of his or her appointment or until such person ceases to be Public Director or until removed from the ROC by the Board. A member of the Regulatory Oversight Committee may serve for multiple terms.
- (c) The Regulatory Oversight Committee shall oversee the SEF’s regulatory program on behalf of the Board. The Board shall delegate sufficient authority, dedicate sufficient resources, and allow sufficient time for the Regulatory Oversight Committee to fulfill its mandate. It shall make such recommendations to the Board that, in its judgment, will best promote the interests of the SEF. The Regulatory Oversight Committee shall also have such other powers and perform such other duties as set forth in the SEF Rules and as the Board may delegate to it from time to time.
- (d) Without limiting the generality of the foregoing, the Regulatory Oversight Committee shall have authority to:
- (1) monitor the regulatory program of the SEF for sufficiency, effectiveness, and independence;

- (2) oversee all facets of the regulatory program, including:
  - (i) trade practice and market surveillance; audits, examinations, and other regulatory responsibilities with respect to Participants (including compliance with, if applicable, financial integrity, financial reporting, sales practice, recordkeeping, and other requirements); and the conduct of investigations;
  - (ii) reviewing the size and allocation of the regulatory budget and resources, and the number, hiring, termination and compensation of regulatory personnel;
  - (iii) reviewing the performance of the Chief Compliance Officer of the SEF and making recommendations regarding such performance to the CEO;
  - (iv) recommending changes that would ensure fair, vigorous, and effective regulation; and
  - (v) reviewing all regulatory proposals prior to implementation and advising the Board as to whether and how such changes may impact regulation.
- (e) The Regulatory Oversight Committee reports to the Board.

## **CONFLICTS OF INTEREST**

### **Rule 2500 Conflicts of Interest and Misuse of Material, Non-Public Information**

- (a) A Director, Officer, panel member or other Person authorized to exercise the SEF's authority concerning a Self-Regulatory Action who knowingly has a Material Conflict of Interest between (i) his or her position as a Director, Officer or panel member, or the exercise of authority concerning a Self-Regulatory Action, and (ii) his or her personal interests (each, an "Interested Person") may not participate in any deliberations or vote of the Board (which includes for purposes hereof a Board committee) or panel, or exercise any authority with respect to the Self-Regulatory Action, involving his or her personal interest, except as described below.
- (b) Before considering any Self-Regulatory Action, an Interested Person must disclose in writing to the Board the material facts concerning his or her relationship or interest in the matter.
- (c) Any Interested Person who would be required otherwise to abstain from deliberations and voting or the exercise of authority pursuant to paragraph (a) above as a result of having Material Conflict of Interest may participate in deliberations, prior to a vote on the matter, if:
  - (1) the material facts about the Interested Person's interest in the matter are disclosed or known to the Board or panel;



- (2) the Board determines that the participation by the Interested Person would be consistent with the public interest; and
  - (3) a majority of the Directors (excluding any Interested Persons) vote to allow the Interested Person to participate in deliberations on the matter.
- (d) If a determination is made pursuant to paragraph (c) that an Interested Person may participate in deliberations prior to a vote, then the minutes of the meeting of the Board or committee thereof will reflect the determination and the reasons for the determination.
- (e) If a determination is made that all Directors are Interested Persons with respect to a matter subject to a vote by the Board, the Chief Executive Officer will appoint a panel of individuals who are not Interested Persons with respect to such matter, which will have the same authority and powers over such matter that the Board would have if the Directors were not Interested Persons with respect to such matter.
- (f) No Director, Officer or member of any committee or panel established by the Board shall use or disclose, either during his or her association with the SEF or thereafter, for any purpose other than the performance of his or her official duties and responsibilities as a Director, Officer or committee or panel member any confidential information, including any material, non-public information obtained as a result of the individual's duties and responsibilities as a Director, Officer or committee or panel member. Each Director, Officer or committee or panel member in possession of confidential information shall take all appropriate steps to safeguard the information and to protect it against disclosure, misuse, espionage, loss and theft.
- (g) Notwithstanding paragraph (f) above, a Director, Officer or member of any committee or panel established by the Board may disclose confidential information in the course of his or her official duties or disclosures made to the CFTC, any Self-Regulatory Organization, a court of competent jurisdiction or any Government Agency or pursuant to Applicable Law.
- (h) No Director, Officer, or member of any committee or panel established by the Board, no employee of the SEF and no consultant to the SEF shall:
  - (1) trade for such Person's own account, or for or on behalf of any other account, on the basis of any material, non-public information obtained through the performance of such Person's official duties; or
  - (2) use or disclose, for any purpose other than the performance of such Person's official duties, any material, non-public information obtained by such Person as a result of such Person's official duties; *provided, however*, that this Rule shall not prohibit disclosures made by such Person in the course of his or her official duties or disclosures made to the CFTC, any Self-Regulatory Organization, a court of competent jurisdiction or any Government Agency or pursuant to Applicable Law.

## SERVICE AGREEMENTS

### **Rule 2600 Services Agreement with a Regulatory Services Provider**

- (a) The SEF may enter into a Regulatory Services Agreement with a Regulatory Services Provider to perform certain surveillance, investigative, and regulatory functions under the SEF Rules and the SEF may provide information to the Regulatory Services Provider in connection with the performance of those functions.
- (b) The SEF shall retain ultimate decision-making authority with respect to any functions that are contracted to a Regulatory Services Provider and shall remain responsible for the performance of any Regulatory Services received.

### **Rule 2601 Services Agreement with Other Service Providers**

The SEF, in its discretion, may enter into services agreements with service providers of its choosing to perform functions under the SEF Rules, and may provide information to such service providers in connection with the performance of those functions.

### **Rule 2602 Prohibited Use of Data Collected for Regulatory Purposes**

The SEF will not use for business or marketing purposes any Proprietary Data or Personal Information it collects or receives, from or on behalf of any Person, for the purpose of fulfilling its regulatory obligations; *provided, however*, the SEF may use such data or information for business or marketing purposes if the Person from whom it collects or receives such data or information clearly consents to the SEF's use of such data or information in such manner. The SEF will not condition access to its market(s) or market services on a Person's consent to the SEF's use of Proprietary Data or Personal Information for business or marketing purposes. The SEF, where necessary for regulatory purposes and as permitted by Applicable Law, may share such data or information with one or more DCOs, swap execution facilities or DCMs registered with the CFTC. In such an event, the SEF will request the DCO, swap execution facility or DCM to maintain the confidentiality of any such information in the same manner as the DCO, swap execution facility or DCM would protect its own proprietary data.

**SECTION 3**  
**PARTICIPANT ACCESS RULES**  
**QUALIFICATIONS**

**Rule 3000    Qualifications**

- (a) To be eligible for admission as a Participant, an applicant must demonstrate to the satisfaction of the SEF that it:
- (1) is an ECP;
  - (2) is of good reputation and business integrity;
  - (3) maintains adequate financial resources and credit;
  - (4) if it is an entity, is validly organized, in good standing, and authorized by its governing body and, if relevant, documents of organization, to trade Swaps;
  - (5) has not filed for bankruptcy;
  - (6) is not prohibited from using the services of the SEF for any reason whatsoever;
  - (7) holds all registrations required under Applicable Law, including, without limitation, any introducing broker, FCM, and/or Swap Dealer registration (each as defined in the CEA and CFTC Regulations);
  - (8) is not subject to statutory disqualification under Section 8a(2) of the CEA; and
  - (9) satisfies any other criteria that the SEF may require from a Participant to perform its responsibilities as a Self-Regulatory Organization, comply with Applicable Law or provide services, provided such criteria are impartial, transparent and applied in a fair and nondiscriminatory manner.

Once admitted, a Participant shall continue at all times to satisfy all such Participation Criteria and all other applicable eligibility criteria. Admission as a Participant only entitles the Participant to Trading Privileges and does not confer any right of ownership in the SEF, or right to attend or vote at meetings of the SEF, or right to share in the profits of the SEF.

- (b) Each Participant that is an Account Manager must cause its Client(s) on behalf of which it places any Order or RFQ or Transaction on the SEF or for which it enters into an Uncleared Block Trade pursuant to the SEF's rules, to be subject to the SEF Rules. In addition, each Participant that is an Account Manager must provide the SEF, upon the SEF's request, with written proof of authority to transact on the SEF or pursuant to the SEF Rules on behalf or in the name of each Client.

- (c) Each Participant intending to trade Cleared Swaps for its own account must either be a Clearing Member of a DCO where the Cleared Swaps it will trade are cleared or have a clearing account with a Clearing Member with respect to such Cleared Swaps under arrangements satisfactory to the SEF, and upon request provide the SEF with evidence of such relationship and any related agreements.
- (d) Each Participant that is an Account Manager, Introducing Broker or Sponsoring Participant must ensure that each of its Clients, Customers and Sponsored Participants intending to trade Cleared Swaps meets the requirements of subsection (c) above.
- (e) Participants that do not have, or whose Clients, Customers or Sponsored Participants do not have, a relationship with a Clearing Member as set forth in subsection (c) or (d) of this Rule 3000 are prohibited from entering Orders, RFQs or Transactions on the SEF.
- (f) The SEF shall monitor its Participants to ensure that they continue to qualify as ECPs.
- (g) Upon request of the SEF or its Regulatory Services Provider, each Participant (and each Authorized Trader) shall promptly provide to the Market Regulation Department or the Regulatory Services Provider (i) the names of its Customers, Client or Sponsored Participants (if applicable) and (ii) such information about Authorized Traders as the SEF requests.
- (h) The SEF may from time to time establish different categories of Participants receiving access to the SEF. Participants receiving comparable access to, or services from, the SEF will be subject to comparable fee structures.
- (i) Consistent with Applicable Law, the SEF will provide access to its trading platform on a fair and nondiscriminatory basis to any ECP that complies with the SEF's documentation and eligibility requirements as set forth in the SEF Rules.

## **PARTICIPANT APPLICATION AND ONGOING PARTICIPANT MATTERS**

### **Rule 3100 Application Requirements**

A Person that wishes to become a Participant of the SEF must:

- (a) file with the SEF an accurate and complete application and any applicable agreement as may be required by the SEF from time to time;
- (b) if it is an entity, provide a copy of all formation documents including any amendments thereto if requested by the SEF;
- (c) if it is an applicant organized or located outside of the United States, enter into a written agreement acceptable to the SEF appointing a third party as its U.S. agent for service of process for purposes of CFTC Regulation 15.05, and shall provide the SEF with a copy of the agreement;
- (d) provide such other information as may be requested by the SEF; and

- (e) provide written or electronic confirmation of its status as an ECP.

**Rule 3101 Review of Application**

- (a) The SEF in its discretion may conduct an investigation of any applicant that the SEF believes is appropriate.
- (b) The SEF shall review a prospective Participant's application and may ask for and review any additional information it deems relevant.

**Rule 3102 Acceptance as a SEF Participant**

If the SEF decides to admit an applicant as a Participant, it shall notify the applicant and state in such notice the date on which the applicant shall become a Participant.

**Rule 3103 Conditions for Denial**

- (a) The SEF may deny, condition or terminate Participant status of any Person:
  - (1) if such Person is unable to satisfactorily demonstrate its ability to satisfy the eligibility criteria to become or remain a Participant;
  - (2) if such Person is unable to satisfactorily demonstrate its capacity to adhere to all applicable SEF Rules;
  - (3) if such Person would bring the SEF into disrepute as determined by the SEF in its sole discretion; or
  - (4) for such other cause as the SEF may reasonably determine.
- (b) If the SEF decides to deny or condition an application for admission as a Participant, or terminate a Person's status as a Participant, the SEF shall promptly notify such Person (the "Affected Person") thereof in a writing sent to the address in the SEF application form or maintained in the SEF's records. Such Affected Person may, within seven (7) calendar days of receipt of such notification, request in writing that the SEF reconsider its determination.
- (c) Within thirty (30) calendar days of receiving the request for reconsideration, the SEF shall either confirm, reverse or modify the denial, conditioning or termination of the Affected Person as a Participant, and shall promptly notify the Affected Person accordingly in a writing sent to the address in the SEF application form or maintained in the SEF's records.
- (d) Any denials, conditionings or terminations implemented by the SEF pursuant to this Rule 3103 will be impartially enforced.

#### **Rule 3104 Duty to Keep Current**

If any material information in the Participant's application becomes outdated or otherwise is inaccurate or incomplete for any reason, the Participant must promptly update the application. Within thirty (30) calendar days following the end of each calendar year, Participants shall review and revise, as necessary, all information provided in their applications and provide such revisions to the SEF.

#### **Rule 3105 Withdrawal of Participant**

To withdraw from the SEF, a Participant must notify the SEF of its withdrawal. Such withdrawal shall be accepted and effective immediately upon receipt of such notice by the SEF.

Upon the effectiveness of the withdrawal of a Participant, all rights and privileges of such Participant terminate (including, without limitation, Trading Privileges). Notwithstanding the accepted withdrawal of a Participant, the withdrawn Participant remains subject to the SEF Rules and the jurisdiction of the SEF for acts done and omissions made while a Participant, and must cooperate in any SEF Proceeding as if the withdrawn Participant were still a Participant.

#### **Rule 3106 Dissolution of Participants**

All rights and privileges of a Participant terminate upon, and all obligations of a Participant shall survive, the dissolution of the Participant.

#### **Rule 3107 Application of SEF Rules and Jurisdiction**

- (a) Each Participant and its related Supervised Persons, Sponsored Participants, Clients and Customers, and any other Person accessing the SEF, directly or indirectly, agrees:
  - (1) to be bound by, and comply with, the SEF Rules and all Obligations, the DCO Rules and Applicable Law, in each case to the extent applicable to it;
  - (2) to become subject to the jurisdiction of the SEF with respect to any and all matters arising from, related to, or in connection with, the status, actions or omissions of such Person; and
  - (3) to assist the SEF in complying with its legal and regulatory obligations, cooperate with the SEF, its Regulatory Services Provider(s) and the CFTC in any inquiry, investigation, audit, examination or proceeding, and authorizes the SEF to provide information regarding it to any Regulatory Services Provider, the CFTC or any Self-Regulatory Organization.
- (b) Any Participant whose Trading Privileges and/or ability to otherwise access the SEF are revoked or terminated shall remain bound by the SEF Rules (in addition to any other Applicable Law) and subject to the jurisdiction of the SEF with respect to any and all matters arising from, related to or in connection with, the status, actions or omissions of such Participant prior to such revocation or termination.

- (c) An Authorized Trader who is suspended for any period remains subject to the SEF Rules, the Obligations and the SEF's jurisdiction throughout the period of suspension. After revocation or termination of the designation of an Authorized Trader, the Authorized Trader remains subject to the SEF Rules, the Obligations and the jurisdiction of the SEF for acts done and omissions made while an Authorized Trader. Any SEF Proceeding relating to an Authorized Trader shall occur as if the Authorized Trader were still registered as such.

**Rule 3108 Notices to Participants**

- (a) The SEF shall publish a notice with respect to each addition to, modification or clarification of the SEF Rules or of any action to implement any SEF Rules on the SEF's website or via an electronic mail distribution to enable each Participant to become aware of and familiar with, and to implement any necessary preparatory measures to be taken by it with respect to, such addition or modification, prior to the effective date thereof (each a "Notice to Participants"). The SEF shall use good faith efforts to provide Notices to Participants to each Participant via electronic mail. For purposes of publication in accordance with the first sentence of this Rule 3108, it shall be sufficient (without limiting the discretion of the SEF as to any other reasonable means of communication) if a Notice to Participants is published on the SEF's website.
- (b) Any Notice to Participants shall also be deemed to have been made to all Supervised Persons.

**Rule 3109 Authorized Traders**

- (a) Each Participant shall designate one or more Authorized Trader(s) which, in the case of a Sponsoring Participant, may include any Person appointed, employed or authorized by a Sponsored Participant as provided in Rule 3110.
- (b) By agreeing to become an Authorized Trader, an individual agrees to be bound by the duties and responsibilities of an Authorized Trader and to be subject to, and comply with, the SEF Rules and Obligations. Among other duties and responsibilities that the SEF may impose, an Authorized Trader must:
  - (1) have the authority, at the SEF's request, to adjust or withdraw any Order, RFQ or Transaction submitted under any User ID assigned to him or her;
  - (2) conduct activity under any User ID assigned to him or her in compliance with all SEF Rules and Obligations; and
  - (3) ensure he or she has been assigned its own User ID.
- (c) To designate an Authorized Trader, a Participant must follow the procedures established by the SEF. The SEF may establish criteria that individuals must fulfill to become an Authorized Trader.
- (d) The SEF will maintain a list of all designated Authorized Traders for each Participant.

- (e) The SEF may, in its sole discretion refuse to approve an Authorized Trader or revoke or suspend the designation of an individual as Authorized Trader to protect other Participants and the integrity of the SEF and shall promptly notify the related Participant of such action.
- (f) To request the termination of the designation of an individual as Authorized Trader, the Participant must follow the procedures established by the SEF.
- (g) Each Authorized Trader shall be identified to the SEF in the manner prescribed by the SEF and shall be subject to the SEF Rules. It is the duty of the Participant to ensure that each Authorized Trader registration is current and accurate at all times.
- (h) Without limiting the foregoing, prior to accessing the SEF each Authorized Trader consents to abide by the SEF Rules and Applicable Law and each Participant will ensure on an ongoing basis that: (i) none of its Authorized Traders is subject to a disqualification pursuant to any Applicable Law (unless an appropriate exemption has been obtained with respect thereto); (ii) each of its Authorized Traders will be technically proficient; (iii) each of its Authorized Traders will conduct its business in a fair and equitable manner; and (iv) each of its Authorized Traders will comply with the SEF Rules and Obligations and conduct its business in accordance with Applicable Law.

#### **Rule 3110    Sponsored Access**

- (a) A Sponsoring Participant may grant permission to one or more Sponsored Participants to access the SEF including, without limitation, to enter Orders, RFQs or Transactions on, or enter into Uncleared Block Trades pursuant to the rules of, the SEF. If the Sponsoring Participant is not the Sponsored Participant's clearing FCM, the Sponsoring Participant will provide all relevant clearing information to the SEF on behalf of the Sponsored Participant. Each Sponsored Participant shall designate one or more Authorized Traders to transact on the SEF.
- (b) The Sponsoring Participant is responsible for all Orders, RFQs and Transactions placed by any Person acting on behalf of or in the name of the Sponsored Participant on the SEF as if such Orders, RFQs or Transactions were placed by the Sponsoring Participant (whether or not the Sponsoring Participant was aware of and/or had approved the placing of such Orders, RFQs or Transactions). Any execution occurring as a result of an Order, RFQ or Transaction entered by a Sponsored Participant shall be binding in all respects on the Sponsoring Participant.
- (c) The Sponsoring Participant must monitor the Sponsored Participant's access to the SEF and activity on the SEF, including, but not limited to, the entry, cancellation or other processing of Orders, risk management, trade reporting, clearing and settlement of Transactions.
- (d) The Sponsored Participant is not a Participant of the SEF. The SEF has no liability to, and the SEF owes no duties or obligations to, nor has any responsibility for, the Sponsored Participant. Notwithstanding anything herein to the contrary, the Sponsored Participant and any other Person using a User ID or login credentials linked to a



Participant will be subject to, and must comply with, the SEF Rules, and may be subject to Disciplinary Action by the SEF for any violation or attempted violation of the SEF Rules or provisions of Applicable Law for which the SEF has disciplinary jurisdiction. The Sponsored Participant will be deemed to have represented and warranted that it is an ECP and that it has all registrations, licenses and consents required under Applicable Law. The Sponsoring Participant further agrees to cooperate with the SEF, or any other regulator, in connection with any inquiry regarding the Sponsored Participant's access and activities relating to the SEF and, in connection with such inquiry, the Sponsoring Participant shall ensure the cooperation of the Sponsored Participant and procure that the Sponsored Participant is contractually bound to cooperate with the SEF or any other regulator.

- (e) The Sponsoring Participant shall ensure that:
  - (1) the Sponsored Participant, its directors, members, officers, employees and agents comply with Applicable Law and the policies and procedures issued or approved by the SEF and with all of the duties and/or obligations imposed on Participants under the SEF Rules as if the Sponsored Participant were a Participant for such purposes, except with respect to any such duties and/or obligations which manifestly only relate to the Sponsoring Participant;
  - (2) the Sponsored Participant takes reasonable security precautions to prevent unauthorized access to and use of the SEF, including unauthorized entry of information on the SEF and unauthorized use of information and data made available by the SEF; and
  - (3) the Sponsored Participant uses any market data for its own internal purposes only and only in accordance with the SEF Rules.
- (f) The SEF will promptly notify a Sponsoring Participant in writing of its approval, or refusal to approve, the designation of a Sponsored Participant. The SEF may, in its sole discretion, revoke, limit, restrict or suspend the designation of a Sponsored Participant, and shall notify the Participant of such action in accordance with SEF procedures.
- (g) A Sponsoring Participant that seeks to terminate the designation of a Sponsored Participant shall notify the SEF in writing, providing such information as the SEF may require. The SEF shall terminate the Sponsored Participant's access to the SEF in accordance with procedures established by the SEF.

**Rule 3111 [Reserved]**

**Rule 3112 Introducing Brokers**

- (a) An Introducing Broker will be permitted to introduce trades on the SEF on behalf of a Customer (which may include another Participant or an Account Manager acting on behalf of a Client) where such Customer has so authorized the Introducing Broker and notified the SEF in the form and manner specified by the SEF from time to time.

- (b) If authorized, an Introducing Broker may enter any Order, engage in any RFQ, submit a Block Trade, or execute any Transaction otherwise permissible under the Rules on behalf of such Customer.

**Rule 3113 Authorized Representatives**

- (a) Each Participant shall designate an Authorized Representative(s) who will represent the Participant before the SEF and its committees and receive notices on behalf of the Participant.
- (b) The Authorized Representative shall be empowered by the Participant to act on its behalf and the SEF shall be entitled to rely on the actions of the Authorized Representative as binding on the Participant and each of its Authorized Traders.
- (c) Each Participant must provide the SEF with current contact and other requested information for each of its Authorized Representatives so that the SEF is able to immediately contact the Authorized Representatives.

**Rule 3114 Communications between the SEF and Participants**

- (a) Each Participant must provide the SEF with its current electronic mail address and telephone number and the electronic mail address and telephone number of each of its Authorized Traders and immediately (and in any event within 24 hours) update this information whenever it changes.
- (b) All communications between the SEF and the Participant will be transmitted by electronic mail and/or posted on the SEF's website, except as otherwise specified by the SEF.
- (c) The Participant shall be responsible for conveying such communications to all Supervised Persons.
- (d) Each Participant will be responsible for promptly reviewing and, if necessary, responding to all electronic communications from the SEF to the Participant or any of its Supervised Persons.
- (e) All communications made to Participants shall also be deemed to have been made to all Supervised Persons.

**Rule 3115 Recording of Communications**

The Market Regulation Department and/or Regulatory Services Provider(s) may record conversations and retain copies of electronic communications between the SEF, on one hand, and Participants, Sponsored Participants, Clients or Customers or any of their Supervised Persons or other agents, on the other hand. Any such recordings may be retained by the SEF or the Regulatory Services Provider in such manner and for such periods of time as the SEF may deem necessary or appropriate and in accordance with Applicable Law. The SEF or Regulatory Services Provider will retain such recording in compliance with CFTC Regulations.

## **MATERIAL CHANGES**

### **Rule 3200 Change of Control; Non-Assignment**

- (a) A Participant must provide written notice to the SEF of any of the following changes to its ownership, control or business operations no later than 48 hours after any such changes take effect:
  - (1) a merger of the Participant with another Person;
  - (2) a direct or indirect acquisition by the Participant of another Participant; or
  - (3) direct or indirect acquisitions or transfers of 50% or more in the aggregate of a Participant's assets or any asset, business or line of operation that generates revenues comprising 50% or more in the aggregate of the Participant's earnings measured on a rolling 36-month basis, or a change in ownership that results in one person owning 50% or more of a Participant's voting equity.
- (b) A Participant may not assign its rights as a Participant without the written consent of the SEF, which consent shall not be unreasonably withheld.

## **FEES**

### **Rule 3300 Fees**

- (a) The SEF shall set the times and amounts of any assessments or fees to be paid by Participants.
- (b) Dues and other amounts owed to the SEF are payable upon receipt of the invoice.
- (c) Participants in arrears sixty (60) days after the invoice date will forfeit all participation privileges, including the privilege of accessing the SEF.
- (d) The SEF shall use reasonable efforts to notify the Participant before any privileges are forfeited.

## **INDEPENDENT SOFTWARE VENDORS**

### **Rule 3400 ISVs**

- (a) Consistent with Applicable Law, the SEF will provide access to its trading platform and data on a fair and nondiscriminatory basis to any ISV that complies with the SEF's documentation and eligibility requirements for ISVs as set forth in the SEF Rules.
- (b) An ISV that wishes to access the SEF must:
  - (1) execute an ISV participation agreement in the form supplied by the SEF;

- (2) pay the monthly access fees that may be established by the SEF from time to time, which fees will be comparable for ISVs receiving comparable access to, or services from, the SEF;
  - (3) comply with the applicable technical access standards, system compatibility requirements, security protocols and technical specifications for connection to the SEF as may be specified by the SEF from time to time;
  - (4) ensure that each person that uses the ISV to access the SEF is either a Participant or a Client or Customer of a Participant;
  - (5) in the case of any Order, RFQ or Transaction submitted to the SEF through the ISV, provide sufficient detail to identify the Participant (and, if applicable, the Participant's Client or Customer) as required by the SEF; and
  - (6) satisfy any other criteria that the SEF may require to perform its responsibilities as a Self-Regulatory Organization, comply with Applicable Law or provide services, provided such criteria are impartial, transparent and applied in a fair and nondiscriminatory manner.
- (c) An ISV may provide data obtained from the SEF solely to Participants and/or Clients or Customers of a Participant in connection with such Participants' and/or Clients' or Customers' actual and proposed trading activity on the SEF, and will not provide such data to any other swap execution facility, security-based swap execution facility, DCM, national securities exchange or other trading facility or system without the prior written consent of the SEF.

## **BUSINESS CONDUCT REQUIREMENTS**

### **Rule 3500 Customers, Clients and Sponsored Participants**

No Participant shall enter an Order or RFQ or enter into a Transaction in the name of a Customer or Client, or permit a Sponsored Participant to enter an Order, RFQ or enter into a Transaction in the name of such Participant unless the Participant has entered into a written agreement with the Customer, Client or Sponsored Participant containing such terms as may from time to time be prescribed by Applicable Law.

### **Rule 3501 Disclosure Requirements; Know Your Counterparty Requirements**

- (a) Participants that are Swap Dealers or Major Swap Participants shall verify through representations or otherwise the status of each Swap counterparty as an ECP as provided in CFTC Regulations applicable to business conduct standards for Swap Dealers and Major Swap Participants in their dealing with counterparties.
- (b) Participants that are Introducing Brokers must verify the status of each of their Customers as an ECP.

- (c) Participants that are Account Managers must verify the status of each of their Clients as an ECP.
- (d) Participants that are Sponsoring Participants must verify the status of each of their Sponsored Participants as an ECP.
- (e) Each Participant and Supervised Person, Client, Customer or Sponsored Participant of a Participant must comply with all disclosure requirements set forth in under Applicable Law including any additional disclosure requirements imposed by the SEF Rules.

## **SECTION 4 TRANSACTION EXECUTION**

This Section 4 prescribes Rules concerning trade practices and business conduct on the SEF and applies to all Orders, RFQs and Transactions.

### **Rule 4000 Products and Trading Hours**

Except with respect to Emergencies, the SEF shall determine and publish the Business Days of the SEF and the Trading Hours for each Swap. Participants are prohibited from sending any RFQ or Order or entering into any Transaction or using any other facility of the SEF outside of the designated Trading Hours for the relevant Swap.

### **Rule 4001 Procedures**

- (a) With respect to trading on or through the SEF or subject to the SEF Rules, the SEF may adopt, without limitation, procedures relating to Transactions in Swaps and trading on the SEF or subject to the SEF Rules, including procedures to:
  - (1) disseminate the prices of bids and offers on, and Transactions in, Swaps;
  - (2) record, and account for, Swaps and SEF activity and regulate administrative matters affecting Swaps and SEF activity;
  - (3) establish daily limits (or such other frequency as may be determined from time to time by the SEF) on the notional amount and/or risk of RFQs, Orders or Transactions that may be submitted by a Participant through the SEF or subject to the SEF Rules;
  - (4) establish limits on Swaps that may be held by a Participant;
  - (5) establish a limit on the maximum daily price fluctuations for any Swap and provide for any related restriction or suspension of trading in the Swap;
  - (6) establish minimum price quoting increments for each Swap; and
  - (7) require a suspended or expelled Participant, or a Participant with restricted trading rights, to have Swaps executed for the Participant to reduce or eliminate any open position or exposure to future price changes for the Participant in any Swap.
- (b) The SEF may, in its discretion and at any time, amend any procedures adopted pursuant to Rule 4001(a), and will publish the amendments in a Notice to Participants or in any other manner determined appropriate by the SEF.

### **Rule 4002 Required Identifications**

- (a) Each Participant and all related Authorized Traders (including those of its Sponsored Participants) must have a User ID assigned in accordance with the procedure adopted by

the SEF from time to time in order to access the SEF. The User ID assigned to a Authorized Trader may not be reassigned to another Authorized Trader.

- (b) Orders entered on the SEF must include the User ID assigned to the Authorized Trader. An Authorized Trader is prohibited from allowing any other Person to use such unique identification to enter Orders on the SEF. No Person may enter Orders on the SEF using a User ID that has not been assigned to such Person.
- (c) Each Participant shall be responsible for all Orders, RFQs or Transactions placed using any of the User IDs assigned to its Authorized Traders or those of any of its Sponsored Participants.
- (d) Participants must terminate an Authorized Trader's access to the SEF upon termination of the Authorized Trader's employment at, or authorization or appointment by, the Participant or Sponsored Participant (as applicable).

#### **Rule 4003 Execution of Required Transactions**

- (a) No Participant shall execute a Required Transaction other than via a Request for Quote or the Order Book unless such Transaction is a Block Trade, Package Transaction (Order Book/RFQ Exempt) or an End-User Exempt Transaction. No Participant shall enter into an End-User Exempt Transaction unless it (or, if applicable, its Customer, Client or Sponsored Participant) or the counterparty to the Swap is eligible for and elects to rely on the End-User Clearing Exception. Upon request of SEF, a Participant shall submit to the SEF all documentation supporting its (or, if applicable, its Customer, Client or Sponsored Participant's) eligibility for the End-User Clearing Exception.
- (b) Request for Quote.
  - (1) The Request for Quote functionality allows a Participant (the "Requester") to communicate an RFQ to enter into a Swap to at least the Required Number of Recipient Participants, to which all such Recipient Participants may respond. A Requester is prohibited from sending an RFQ to less than the Required Number of Recipient Participants.
  - (2) The Requester will contact the SEF by phone, email or instant message, and will provide the SEF with the details of its desired Transaction, including the instrument type, quantity and direction, and response time instructions, which may include:
    - (i) cancel if no response in a timeframe specified by the Requester;
    - (ii) good-till-cancelled; or
    - (iii) day.

Regardless of the expiry time indicated, all RFQs will expire at the close of the trading session on the day submitted to the SEF.

Upon consent of the Requester, the SEF will also provide the identity of the Requester to the Recipient Participants.

- (3) The Requester may, but need not, designate some or all of the Recipient Participants. To the extent the Requester specifies one or more Recipient Participants, the Requester will be deemed to represent that: (i) it is not affiliated with any such Recipient Participants, and (ii) it does not have actual knowledge that any such Recipient Participants are affiliated with each other.

If the Requester does not specify the identities of at least the Required Number of Recipient Participants, the SEF, in its discretion and with the consent of the Requester, will select additional Recipient Participants in accordance with SEF procedures such that the Required Number is met. The SEF will inform the Requester of the identity of the proposed additional Recipient Participants.

By agreeing the RFQ may be sent to the Recipient Participants identified by the SEF, the Requester will be deemed to represent that: (i) it is not affiliated with any such the Recipient Participants, and (ii) it does not have actual knowledge that any such Recipient Participants are affiliated with each other.

- (4) As a condition to participation as a Recipient Participant, each Recipient Participant will be obligated to provide the SEF with a list of its affiliates that are also Participants and shall be deemed to represent that this list is accurate and complete to the best of its actual knowledge.
- (5) If the Requester's identity has been disclosed to the Recipient Participants, each Recipient Participant: (i) must promptly notify the SEF if it receives an RFQ from an affiliated Requester, and (ii) is deemed to represent that any RFQ to which it responds is not from an affiliated Requester.
- (6) If one or more Recipient Participants is affiliated with another Recipient Participant, additional Recipient Participants will be selected as described in (3) above, until the Required Number is achieved with only non-affiliated Recipient Participants being counted toward the Required Number.
- (7) Once all Recipient Participants have been identified, the SEF will communicate the Requester's RFQ to the Recipient Participants contemporaneously.
- (8) Responses to a Requester's RFQ will be communicated to the Requester in the order in which they are received. At the time the SEF provides the Requester with the earliest-to-arrive Response(s), the SEF will communicate to a Requester any firm Resting Quotes for the Swap indicated in the RFQ that is posted on the Order Book. The SEF will permit the Requester to execute against such firm Resting Quotes in accordance with SEF Rules along with any Responses from a Recipient Participant that is at the same or better price as the price of offers received from the Requester.



- (9) Permissible Responses to an RFQ may include:
- (i) acceptance of the RFQ terms (if RFQ provides price and size);
  - (ii) reject;
  - (iii) no response; and
  - (iv) price and/or size (including price or size different from any specified in the RFQ).
- (10) Each Response to an RFQ will also specify a time for the Requester to reply (“Requester Reply”) to the Response. Upon expiration of the designated timeframe, the Recipient Participant may instruct the SEF to cancel the Order upon expiration of the designated time limit or request the SEF to move the Response to the Order Book.
- (11) Similar to the Response, a Requester Reply may include, as applicable:
- (i) acceptance of Response terms;
  - (ii) reject;
  - (iii) no reply; and
  - (iv) price and/or size different from Response.
- (12) If the Requester accepts the terms of the Response, the Transaction will be executed on the SEF. If a Recipient Participant accepts the terms of a Requester Reply that includes price and/or size different from Response, the Transaction will be executed on the SEF.
- (13) If multiple Responses are accepted, the SEF will execute the Transactions in order of price and time. If two or more Responses are accepted at the same price and time and are for Cleared Swaps, each Response will be allocated its pro rata share. If two or more Responses are accepted at the same price and time and are not for Cleared Swaps, each Response will be allocated the share specified by the Requester.
- (14) Participants may modify or cancel an RFQ, Response or Requester Reply at any time unless the Requester or Responder, as the case may be, has accepted the RFQ, Response, or Requester Reply.
- (15) An RFQ for a specific Swap will be sent to at least the Required Number of Recipient Participants. A Participant is prohibited from sending an RFQ to less than the Required Number of Recipient Participants.

(16) RFQs and Responses are only good for the Business Day and applicable Trading Hours in which they are entered.

(c) Order Book.

(1) All Orders posted to the Order Book are firm.

(2) An acceptable Order must include a specific price and size.

(3) Orders entered on the Order Book will be executed using price and time priority.

(4) An acceptable Order will also indicate the time in force which may include the following:

(i) “*Day*” Orders are only good for the Business Day and applicable Trading Hours in which they are entered.

(ii) “*Fill-or-Kill*” Orders must be immediately executed for the entire size of the Order or are cancelled automatically.

(iii) “*Immediate or Cancel*” (“*Fill-and-Kill*”) Orders must be executed fully or partially and, if partially, the remaining quantity is cancelled automatically.

(iv) “*Good ‘til Time*” Orders are cancelled after a specified time if no matching Order is placed.

(v) “*Good ‘til Price*” Orders will be cancelled if the reference price of the specified instrument is moved up or down (depending upon whether the Order is a bid or offer).

(vi) “*One Cancels Other*” Orders are paired Orders stipulating that if one of the Orders is executed, the other is automatically cancelled.

Good ‘til Time, Good ‘til Price and One Cancels Other Orders are all also “*Day*” Orders, in that they are only good for the Business Day and applicable Trading Hours in which they are entered, even if the time, price or execution conditions are not otherwise met.

Not all types of Orders are available for all Swaps.

(5) An Order placed on the Order Book may be canceled provided such Order has not been executed. The price or size of an Order placed on the SEF that has not fully traded may be revised. If the size is reduced, the time priority originally assigned to the Order does not change. Revising the price or increasing the size will reset the Order’s time priority in the queue to the time the SEF receives the revision.

- (6) When an Authorized Trader logs off, all of its Orders on the Order Book are terminated provided that the Authorized Trader is the owner of the Order and has not entered the Order on behalf of a Customer. If for any reason the connection to the SEF is lost, all Orders entered from that location on the SEF are deactivated.

#### **Rule 4004 Permitted Transactions**

- (a) Permitted Transactions may be executed through the SEF's Order Book or via an RFQ as described in Rule 4003; provided, however, that for RFQs in Permitted Transactions, the requirements specified in Rule 4003 relating to the Required Number of Recipient Participants will not apply.
- (b) Permitted Cross Transactions may be submitted to an Execution Specialist for execution on a non-Order Book trading system or platform of the SEF. The Participant submitting a Permitted Cross Transaction to an Execution Specialist must provide the information required by Rule 8001.
- (c) Any Package Transaction (Order Book/RFQ Exempt) may be executed in the same manner as any Permitted Cross Transaction as described in Rule 4004(b), and any Package Transaction (Order Book/RFQ Exempt) for which an Order Book is available may be executed in the same manner as any Permitted Transaction as described in Rule 4004(a).

#### **Rule 4005 Mishandling of Orders**

Any Participant that mishandles any Order is responsible for all remedial actions with respect to such Order.

#### **Rule 4006 Trading Halts**

The SEF, in its sole discretion, may declare a trading halt at any time.

#### **Rule 4007 Termination of the SEF Connection**

The SEF, at its sole discretion, shall have the right to summarily terminate the connection of any Participant to the SEF. Additionally, the SEF, at its sole discretion, shall have the right to direct a Participant to immediately terminate the access to the SEF of any Sponsored Participant and to terminate the connection to the SEF on behalf of any Customer or Client.

#### **Rule 4008 Risk Controls**

- (a) The SEF may, in its sole discretion, to protect other Participants and the integrity of the SEF, reject any Order, RFQ or Transaction placed or reported on the SEF.
- (b) The SEF shall have the right to take any action to reduce the potential of market disruption, including, but not limited to, market restrictions that pause or halt trading if such action is in the best interest of the swap markets and/or the SEF.

#### **Rule 4009 Priority of Execution for Orders Received by a Participant**

Orders received by a Participant must be entered on to the SEF in the sequence received, subject to the following sentence. Participants shall not enter an Order into the SEF for his own account, an account in which he has a direct or indirect financial interest or an account over which he has discretionary trading authority, including, without limitation, an Order allowing discretion as to time and price, when such Person is in possession of any Order for another Person that the SEF is capable of accepting.

#### **Rule 4010 Trading Against Customers' Orders Prohibited; Withholding Orders Prohibited**

- (a) No Participant in possession of a Customer's Order shall knowingly take, directly or indirectly, the opposite side of such Order for its own account, an account in which it has a direct or indirect financial interest or an account over which it has discretionary trading authority.
- (b) The foregoing restriction shall not apply to the following:
  - (1) Block Trades; and
  - (2) Transactions where the Customer has consented to the extent required by Applicable Law.
- (c) Except as otherwise explicitly permitted under the SEF Rules, no Person shall disclose another Person's Order to buy or sell except to a designated SEF Official or the CFTC, and no Person shall solicit or induce another Person to disclose Order information. No Person shall take action or direct another to take action based on non-public Order information, however acquired. The mere statement of opinions or indications of the price at which a market may open or resume trading does not constitute a violation of this Rule.
- (d) Any Participant entering Orders on, or communicating RFQs to, the SEF for its Customer or Client shall not withhold or withdraw from the market any Order or RFQ, or any part of an Order or RFQ, for the benefit of any Person other than such Customer or Client.
- (e) A Participant must immediately enter into the SEF all Orders or communicate to the SEF all RFQs received from its Customers that are executable immediately. If a Participant cannot immediately enter into the SEF an Order or communicate to the SEF an RFQ received from its Customer, the Participant must enter the Order into or communicate the RFQ to the SEF as soon as practicable, and must immediately create an electronic record as provided in Rule 8002.

#### **Rule 4011 Simultaneous Buy and Sell Orders For Different Beneficial Owners**

With respect to Required Cross Transactions, the following conditions must be satisfied:

- (a) in the case of an execution by a Participant as principal against a Customer Order, enter the Customer Order into the Order Book as a firm quote at least 15 seconds before entering its Order into the Order Book; or
- (b) in the case of an execution of two Customers' Orders against each other, enter one Order into the Order Book as a firm quote at least 15 seconds before entering the other Order into the Order Book.

#### **Rule 4012    Confirmations**

- (a) The SEF will provide a Confirmation to each counterparty to a Transaction. The Confirmation (including, with respect to Uncleared Swaps, the Terms Incorporated by Reference as defined in Rule 4012(d)(1)) shall legally supersede any previous agreement and shall constitute a confirmation as defined in CFTC Regulation 45.1. The Confirmation shall contain, among other things:
  - (1) the USI for the Transaction; and
  - (2) the identity of the Swap Data Repository to which the Transaction is being reported.
- (b) With respect to certain products, Transactions and counterparties, a Confirmation may be provided on the SEF's behalf by MarkitSERV's Organized Trading Venue (OTV) Confirmation Service or other similar confirmation service.
- (c) Regardless of the means of delivery, pursuant to these rules, each Participant, Sponsored Participant, Customer and Client agrees that the Confirmation represents legally binding documentation memorializing the agreement of the parties to all the terms of the Transaction.
- (d) Confirmations for Uncleared Swaps.
  - (1) The economic terms specific to an Uncleared Swap agreed by Participants shall be reflected by the SEF in a written communication (the "Trade Communication") sent to the applicable Participants. The Trade Communication, together with the documents and agreements (including, without limitation, ISDA master agreements, other master agreements, terms supplements, master confirmation agreements and incorporated industry definitions) governing such Transaction existing at the time of such commitment to which the Participants are party (the "Terms Incorporated by Reference") shall, taken together, for purposes of CFTC Regulation 37.6(b) comprise all of the terms of such Transaction and serve as a confirmation of such Transaction.
  - (2) In satisfaction of the obligations imposed on the SEF under CFTC Regulation 37.6(b), (i) each Trade Communication is deemed to incorporate the Terms Incorporated by Reference, and (ii) the Participants hereby agree that the provisions of Rule 4012(d)(3) shall govern any conflicting terms.

- (3) In the event of any conflict between (i) the Trade Communication and (ii) the Terms Incorporated by Reference, the Trade Communication shall prevail to the extent of any inconsistency.
- (4) For each Uncleared Swap executed on or pursuant to the rules of the SEF, each previously-negotiated freestanding agreement of the counterparties included in the Terms Incorporated by Reference must be available to the SEF and/or the CFTC staff upon request within a reasonable period of time.

#### **Rule 4013 Clearing and Other Arrangements**

- (a) Each Cleared Swap shall be cleared through the DCO indicated in the Swap Specification or agreed by the parties in accordance with the Applicable Law.
- (b) For each Cleared Swap a Participant expects to enter into via the SEF or subject to the SEF Rules, the Participant or a Participant's Client or Customer, as applicable, must establish a clearing account with the relevant DCO or with a Clearing Member of such DCO.
- (c) Promptly upon the execution of each Transaction in a Cleared Swap, the SEF shall submit the Transaction (which may include submission through a middleware provider) to the relevant DCO. A Transaction will be deemed to have been accepted for, or rejected from, clearing upon receipt of appropriate notice, in accordance with Applicable Law, from the DCO or from a third party acting on behalf of the DCO as authorized by the DCO for such purpose. The acceptance of a Transaction for clearing shall not relieve any Participant, Client or Customer of the duty to act in good faith and with reasonable care and diligence.
- (d) If a Transaction in a Cleared Swap (including a Transaction that is a component leg of a Package Transaction) is rejected by the DCO or a third party acting on behalf of the DCO, such Transaction is void *ab initio* and shall be canceled by the SEF. The SEF Rules do not permit trades that are rejected from clearing to be held in a suspended state and then re-submitted.
- (e) The SEF shall have the right to (i) suspend Trading Privileges of the Participant(s) that executed one or more rejected Transactions or prohibit further trading on behalf of the Client(s) or Customer(s) on whose behalf any rejected Transaction(s) were executed, or (ii) take any other action permitted by the SEF Rules. The liability for any losses arising out of or in connection with a rejected Transaction will be determined by the parties to the Transaction. For the avoidance of doubt, the SEF will have no liability for any such losses.
- (f) It shall not be a condition for access to the SEF that any Participant be subject to a breakage agreement. This includes breakage agreements in respect of Package Transactions.
- (g) Each Participant or Customer of a Participant that is registered, or required to be registered, with the CFTC as a Swap Dealer or Major Swap Participant is responsible for

compliance with the mandatory trading requirement under Section 2(h)(8) of the CEA when such Participant or Customer enters into, or facilitates entry into, a Swap that is subject to the Clearing Requirement.

- (h) A Participant may enter into an Uncleared Swap only with a counterparty with which such Participant has swap trading relationship documentation that meets the requirements of Applicable Law. A Participant may enter into an Uncleared Swap on behalf of a Customer or Client only if such Customer or Client has swap trading relationship documentation with the relevant counterparty that meets the requirements of Applicable Law. The Participant and/or Customer or Client shall provide any information requested by the SEF in the processing and settlement of such Uncleared Swaps.

#### **Rule 4014 Information Regarding Orders**

The SEF may make information regarding Orders (including prices and amounts), Transactions and any other matters it may deem appropriate available to Participants and other Persons at such times and in such manner (whether through the SEF, a ticker, financial information services or otherwise) as it may consider necessary from time to time. In accordance with Rule 5702, each Participant or other Person receiving any such information through the SEF may redistribute such information only to such extent and in such manner as may be permitted by the SEF from time to time.

#### **Rule 4015 Enforceability**

A Transaction entered into on or pursuant to the Rules shall not be void, voidable, subject to rescission or otherwise invalidated or rendered unenforceable as a result of (a) a violation by the SEF of the provisions of Section 5h of the CEA or Part 37 of the CFTC Regulations or (b) any CFTC proceeding to alter or supplement a rule, term or condition under Section 8a(7) of the CEA, to declare an emergency under Section 8a(9) of the CEA, or any other proceeding the effect of which is to alter, supplement or otherwise require the SEF to adopt a specific term or condition, trading rule or procedure or to take or refrain from taking a specific action.

Without limiting the generality of the foregoing, failure of the SEF to broadcast any message in respect of a Transaction made on the SEF shall not invalidate any Transaction recorded by the SEF.

#### **Rule 4016 Block Trades**

The following shall govern all Block Trades in Swaps:

- (a) All Block Trades, unless otherwise exempted by a SEF Rule, must comply with the requirements set forth in Rule 8003.
- (b) Each buy or sell Order underlying a Block Trade must (1) state explicitly that it is to be, or may be, executed by means of a Block Trade, and (2) comply with any other applicable CFTC Regulations governing Block Trades.

- (c) Package Transactions may be executed as Block Trades, provided that each component is for a quantity that is equal to or in excess the Appropriate Minimum Block Size.
- (d) A Participant transacting a Block Trade on behalf of a Client or Customer must receive prior written instruction or consent from the Client or Customer to do so.
- (e) Except as may be permitted by CFTC Regulation 43.6(h)(6) or as otherwise permitted by Applicable Law, the aggregation of Orders across multiple Customers or Clients in order to meet the Appropriate Minimum Block Size is prohibited.
- (f) Each party to a Block Trade shall comply with all applicable SEF Rules other than those which by their terms only apply to trading through the Order Book and RFQ.
- (g) Block Trades must be submitted to the SEF in a manner prescribed from time to time by the SEF, and such submissions must include all of the data required by Parts 43 and 45 of the CFTC Regulations. Persons entering into a Block Trade must agree upon which party shall be responsible for reporting all terms of the Block Trade to the SEF. All Block Trades must be reported to the SEF by that party as soon as technologically practicable after execution, but no later than 10 minutes after execution.
- (h) The SEF will review the information submitted by the Participant(s) for the Block Trade, and, if the details are complete and accurate in accordance with this Rule 4016, will report the Block Trade as required by Parts 43 and 45 of the CFTC Regulations as soon as technologically practicable after execution, including simultaneously notifying the Swap Data Repository of the block trade election pursuant to CFTC Regulation 43.6(g)(1)(ii).
- (i) Any Block Trade in violation of these requirements may constitute conduct which is inconsistent with just and equitable principles of trade.
- (j) Upon request by the SEF, each party to a Block Trade shall produce satisfactory evidence that the Block Trade meets the requirements set forth in the SEF Rules.
- (k) Pursuant to NAL 14-118, expiring December 15, 2015, Cleared Block Trades may be executed on a non-Order Book trading system or platform of the SEF. All such Block Trades must comply with the pre-execution credit check requirements set forth in Rule 4017.

#### **Rule 4017 Pre-Execution Credit Checks**

At the time of submitting an Order or RFQ for any Cleared Swap or any Cleared Block Trade, a Participant must designate a Clearing Member with regard to the Transaction (which may be the Participant if it is a Clearing Member). Prior to the execution of any Order or RFQ for a Cleared Swap or any Cleared Block Trade, the SEF will facilitate pre-execution credit screening by or on behalf of the designated Clearing Member. Upon receiving confirmation that the Order, RFQ or Cleared Block Trade satisfies the Clearing Member's pre-execution limits, the SEF will accept the Order, RFQ or Cleared Block Trade for execution. If the SEF does not promptly receive confirmation or receives confirmation that the Order, RFQ or Cleared Block Trade does not



satisfy the Clearing Member's pre-execution limits, the SEF will cancel the Order, RFQ or Cleared Block Trade.

#### **Rule 4018 Risk Mitigation Sessions**

The SEF may conduct periodic risk mitigation sessions in accordance applicable CFTC guidance and no-action positions and procedures established by the SEF. Information on upcoming risk mitigations sessions will be made available by the SEF on its website.

### **POSITION LIMITS AND POSITION ACCOUNTABILITY LEVELS**

#### **Rule 4100 SEF Rules Do Not Limit Emergency Powers**

Nothing contained in the SEF Rules relating to position limits shall in any way be construed to limit the ability of the SEF to take an Emergency Action as enumerated in the SEF Rules, and, unless the Board in taking an Emergency Action shall state otherwise, any such Emergency Action shall be effective with respect to all Participants, regardless of whether an exemption from the position limits has previously been granted pursuant to these SEF Rules.

#### **Rule 4101 Position Limits**

- (a) The SEF shall adopt for each of the Swaps traded on the SEF, as is necessary and appropriate, position limits.
- (b) Except as otherwise provided by the SEF Rules, no Person, including a Participant, may hold or control a position in excess of such position limits and a Participant may not maintain a position in excess of such position limits for a Client or Customer if such Participant knows, or with reasonable care should know, that such position will cause such Client or Customer to exceed the applicable position limits.
- (c) Position limits shall apply to (i) all positions in accounts for which any Person, by power of attorney or otherwise, directly or indirectly holds positions or controls trading, and (ii) positions held by two or more Persons acting pursuant to an expressed or implied agreement or understanding, as if the positions were held by, or the trading of the positions were done by, a single Person.

#### **Rule 4102 Exemptions from Position Limits**

Any Person seeking an exemption from the position limits referred to in Rule 4100 and 4101 must file an application with the SEF in the manner and within the time limits prescribed by the SEF. The SEF shall notify the applicant whether the exemption has been approved and whether the SEF has imposed any limitations or conditions on the exemption. The decision of the SEF shall be final.

#### **Rule 4103 Position Accountability**

- (a) The SEF may establish a position accountability level for any Swap. Any Person, including a Participant, who owns or controls Swaps in excess of the applicable position

accountability level shall provide the SEF, at its request, any information regarding the nature of the position, trading strategy or hedging activities, if applicable, and if ordered by the SEF, shall not increase the size of any such position.

- (b) For purposes of this Rule, all positions in accounts for which a Person, by power of attorney or otherwise, directly or indirectly controls trading shall be included with the positions held by such Person. The provisions of this Rule shall apply to positions held by two or more Persons acting pursuant to an expressed or implied agreement or understanding, as if the positions were held by a single Person.

#### **Rule 4104 Enforcement**

- (a) No Participant may for itself or any Customer or Client maintain a combination of Swaps which is, or which when aggregated in accordance with this Rule is, in excess of the limits established by this Rule.
- (b) In the event the SEF learns that a Participant, Customer or Client maintains positions in accounts with more than one (1) Participant such that the aggregate position in all such accounts exceeds the position limits and position accountability levels established by this Rule, the SEF may notify all Participants maintaining or carrying such accounts of the total positions of such accounts. Such notice may also instruct each such Participant to reduce the positions in such accounts immediately after receipt of the notice, proportionately or otherwise so that the aggregate positions of such accounts at all such Participants does not exceed the position limits and position accountability levels established by Rules 4102 and 4103, unless as provided by paragraph (c) below, a request for an exemption is made and granted by the SEF pursuant to this Rule. Any Participant receiving such notice shall immediately take such steps as may be necessary to liquidate such number of contracts as shall be determined by the SEF in order to cause the aggregate positions of such accounts at such Participants to comply with the position limits and position accountability levels established by Rules 4102 and 4103. Notwithstanding the foregoing, the Participants may reduce the positions of such accounts by a different amounts so long as after all reductions have been accomplished at all Participants carrying such accounts, the positions at all such Participants complies with the position limits and position accountability levels established by Rules 4102 and 4103.
- (c) In the event a Participant, Customer or Client exceeds its position limit due to sudden unforeseen increases in its bona fide hedging needs, such Participant, Customer or Client shall not be considered in violation of the SEF Rules provided that such Person requests a hedge exemption to carry such increased position within five (5) Business Days following the day on which the Participant's, Customer's or Client's position limit was exceeded and provided that such exemption is granted by the SEF.
- (d) Subject to the foregoing provisions of this Rule, in the event that a Participant's position (whether for his own account or for the account of a Customer or Client) exceeds the position limits established by this Rule or ordered by the SEF such Participant shall liquidate such amount of Swaps as the SEF shall direct in order to eliminate the excess

within such time as the SEF may prescribe and shall report to the SEF when such liquidations have been completed. If a Participant fails so to liquidate contracts within the time prescribed by the SEF, then, in addition to any other actions the SEF may take, the SEF may take such steps as it may deem necessary or appropriate to liquidate such contracts on behalf and at the expense of such Participant to the extent necessary to eliminate such excess. Without limiting the generality of the foregoing, if such Participant is a Clearing Participant, the SEF may request the DCO to effect such liquidation in accordance with rules of the DCO. In addition, the SEF in its discretion may require any Participant carrying an account for such Participant, Customer or Client to obtain and hold additional original margin from such Participant, Customer or Client in such amount and form and by such time as the SEF shall specify until such excess has been eliminated.

**SECTION 5**  
**PARTICIPANT CONDUCT**  
**DUTIES AND OBLIGATIONS**

**Rule 5000 Duties and Responsibilities of Participants**

Each Participant shall (and shall cause all of its Supervised Persons to):

- (a) use the SEF and effect Transactions in a responsible manner and not for any improper purpose;
- (b) use the SEF only to conduct permitted activity as determined by the SEF;
- (c) comply with the SEF Rules and conduct all such activity in a manner consistent with the SEF Rules and Obligations;
- (d) comply with Applicable Law;
- (e) observe high standards of integrity, market conduct, commercial honor, fair dealing, and just and equitable principles of trade while conducting or attempting to conduct any activity on or through the SEF, or any aspect of any business connected with or concerning the SEF;
- (f) not knowingly mislead or conceal any material fact or matter in any dealings or filings with the SEF or in response to any SEF Proceeding;
- (g) keep any User IDs, account numbers and passwords related to the SEF confidential;
- (h) employ practices to monitor and enforce compliance with risk limits established in conformance with Applicable Law; and
- (i) keep, or cause to be kept, complete and accurate books and records in accordance with Rule 8002.

**Rule 5001 Required Disclosures to the SEF**

- (a) Each Participant shall immediately notify the Market Regulation Department in writing at such time as it becomes aware of the occurrence of any of the following events:
  - (1) any damage to, or failure or inadequacy of, the systems, facilities or equipment of the Participant to effect Transactions pursuant to the SEF Rules or to timely perform the Participant's financial obligations under or in connection with Swaps of such Participant or any Customer, Client or Sponsored Participant of such Participant;
  - (2) any violation of Applicable Law in connection with the Participant's access or activities on the SEF, including the requirements of the CFTC and, if applicable, NFA;

- (3) a Material Adverse Change in the Participant's financial condition or that of a Participant's Affiliate if such change materially impacts the Participant's ability to satisfy its obligations under the SEF Rules;
- (4) any refusal of admission to any other swap execution facility, commodity or securities exchange, DCM, DCO, Self-Regulatory Organization or other business or professional association, or withdrawal of any application for participation or membership in any swap execution facility, commodity or securities exchange, DCM, DCO, Self-Regulatory Organization or other business or professional association by the Participant;
- (5) the indictment or conviction of, or any confession of guilt or plea of guilty or *nolo contendere* by, the Participant or any of its Supervised Persons with access to the SEF for any felony of any nature or misdemeanor involving, arising from, or related to, the purchase or sale of any Swap or other financial instrument, or involving or arising from moral turpitude, misrepresentation, fraud, deceit, theft, embezzlement, gambling, conversion or abuse of a fiduciary relationship;
- (6) the issuance of a formal order of investigation (or its equivalent), or the commencement, by the issuance or service of a written complaint (or its equivalent), of any judicial, administrative or self-regulatory proceeding, as the case may be, against the Participant or any of its Supervised Persons, by the CFTC, the SEC, the securities commission or equivalent authority of any state, territory, the District of Columbia or foreign country, or any swap execution facility, commodity or securities exchange or related clearing organization, DCM, DCO, any Self-Regulatory Organization or other business or professional association;
- (7) the bankruptcy or insolvency of the Participant or any of its Affiliates; or
- (8) any suspension, expulsion, bar, fine, censure, cease and desist order, temporary or permanent injunction, denial of trading privileges, or any other sanction or discipline imposed on the Participant or any of its Supervised Persons, whether through an adverse determination, voluntary settlement or otherwise, by:
  - (i) a swap execution facility, commodity or securities exchange, DCM, DCO, Self-Regulatory Organization or other business or professional association;
  - (ii) the SEC, the CFTC or the securities commission or equivalent authority of any state, territory, the District of Columbia or foreign country; or
  - (iii) any federal court, state court, Government Agency not mentioned above or quasi-governmental body.

- (b) Each Participant shall notify the Market Regulation Department in writing within 10 days of becoming aware of the occurrence of any of the following events:
  - (1) any denial or withdrawal of any application for any registration or license with respect to the Participant or any of its Supervised Persons by or from the SEC, the CFTC or the securities commission or equivalent authority of any state, territory, the District of Columbia or foreign country; or
  - (2) the issuance of a bar by any agency of the United States from contracting with the United States.

## **TRADING CONDUCT**

### **Rule 5100 Abusive Trading Practices Prohibited**

- (a) No Participant or any of its Supervised Persons shall engage in any fraudulent act or engage in any scheme to defraud, deceive, trick or mislead in connection with or related to any SEF activity including, without limitation, any of the following trading practices except as otherwise authorized under these SEF Rules:
  - (1) front-running;
  - (2) wash trading;
  - (3) pre-arranged trading (it being understood that pre-arranged trading does not include Transactions resulting from pre-execution communications to the extent permitted by Rule 5203(b));
  - (4) fraudulent trading;
  - (5) money passes;
  - (6) fictitious transactions;
  - (7) non-competitive transactions (unless otherwise exempt or excluded pursuant to the SEF Rules);
  - (8) accommodation trading; or
  - (9) any other trading practices that the SEF deems to be abusive.

Additionally, no Participant or any of its Supervised Persons shall knowingly execute or accommodate the execution of any such activity by direct or indirect means.

- (b) No Participant shall trade any Swap that is not authorized to trade on the SEF.

### **Rule 5101 Good Faith Bids and Offers**

A Participant shall not knowingly enter, or cause to be entered, bids or offers into the SEF (whether Orders or RFQs) other than in good faith for the purpose of executing *bona fide* Transactions.

### **Rule 5102 Invalid Transactions**

- (a) A Transaction made or purported to be made on or pursuant to the rules of the SEF may be declared invalid by the SEF in the following circumstances:
- (1) *Unrepresentative Price.* If, taking into consideration current market conditions, the SEF determines that a Transaction has taken place at an unrepresentative price, the SEF, at its absolute discretion, may declare such Transaction invalid. The SEF may take into account such information as it deems appropriate when determining whether to invalidate a Transaction, including, without limitation, the following:
    - (i) price movement of other swap contracts with similar terms;
    - (ii) current market conditions, including levels of activity and volatility;
    - (iii) time period between different quotes and between quoted and traded prices;
    - (iv) market or other information regarding price movement in related swap contracts; or
    - (v) manifest error.
  - (2) *Breach of Applicable Law.* If the SEF determines that a Transaction has been made in breach of Applicable Law, the SEF may declare the Transaction invalid.
- (b) When a Transaction is declared invalid by the SEF, the parties to the Transaction will be notified by the SEF of that fact and a message will be broadcast through the SEF announcing the Swap contract and price level of the invalid Transaction, and the invalid Transaction may be displayed on the SEF as a cancelled Transaction.

### **Rule 5103 Errors**

- (a) If an Order or RFQ was incorrectly executed or rejected by the SEF, a Participant may, within fifteen (15) minutes thereafter, request review of the Order by providing the confirmation number for the Order or RFQ and stating the grounds for the disagreement.
- (b) Upon timely receipt by the SEF of a request for review of an Order or RFQ and the accompanying confirmation number, the SEF will review its electronic audit trail to determine if the SEF correctly executed the Order or RFQ. If the request for review is not timely, the SEF may, in its sole discretion, perform a review of the Order or RFQ. Such

review will be completed (i) on the same Business Day if the SEF received such request for review prior to two and a half hours prior to the end of Trading Hours for the Swap on any Business Day, or (ii) by the end of the following Business Day if such request was received (x) on or after such time on any Business Day or (y) on any day that is not a Business Day.

- (c) If the review described in this Rule reveals that the Order was incorrectly executed, then the Order or RFQ in question shall be cancelled as to all affected parties.
- (d) If the review described in this Rule reveals that the Order or RFQ was correctly executed by the SEF, then no adjustment shall be made.
- (e) Notwithstanding anything to the contrary in this Rule, if the SEF determines in its sole discretion that the execution of any Transaction was the result of Orders or RFQs being incorrectly processed by the SEF, or any other cause beyond the control of any Participant, then the SEF may cancel such Transactions of all affected Participants. The SEF may also cancel, or adjust the terms of, any Transaction executed on or pursuant to the SEF Rules: (i) when the SEF determines, in its sole discretion, such action is necessary, for example, to mitigate market disrupting events caused by malfunctions in the SEF's trading systems or platforms or by errors in any Order(s) submitted, or (ii) at any time the SEF determines, in its sole discretion, that allowing a Transaction to stand as executed may have a material adverse effect on the integrity of the market.
- (f) If a Participant incorrectly enters a Transaction and requires the SEF to submit a correction of the Transaction to the Swap Data Repository, the Participant must inform the SEF of any such correction within two (2) Business Days of the Transaction's trade date. Such Participant must obtain the counterparty's (if applicable) consent to any such correction and retain evidence of such consent in accordance with the SEF's recordkeeping rules.

#### **Rule 5104 Misuse of the SEF**

Misuse of the SEF is strictly prohibited. It shall be a violation of the SEF Rules for any Person to willfully or negligently engage in unauthorized access to the SEF, to assist any Person in obtaining unauthorized access to the SEF, to trade on the SEF without the authorization of a Participant, to alter the equipment associated with the SEF, to interfere with the operation of the SEF, to use or configure a component of the SEF in a manner that does not conform to the SEF Rules, to intercept or interfere with information provided on or through the SEF, or in any way to use the SEF in a manner contrary to the SEF Rules.

### **VIOLATIONS**

#### **Rule 5200 Rule Violations**

- (a) It shall be a violation for a Participant, Sponsored Participant, Customer or Client or any Supervised Person to violate any Rule regulating the conduct or business of a Participant, to breach any agreement made with the SEF, to violate Applicable Law, or to engage in



fraud, dishonorable conduct, or in conduct which is inconsistent with just and equitable principles of trade.

- (b) Participants, Sponsored Participants, Customers and Clients and Supervised Persons shall assist the SEF in any investigation into potential violations of Applicable Law. Such assistance must be timely and may include, but not be limited to, requiring any Participant, Sponsored Participant, Client, Customer or Supervised Person to produce documents, to answer questions from the SEF or its designee, and/or to appear in connection with an investigation.
- (c) If a Participant, Sponsored Participant, Customers or Client has actual or constructive notice of a violation in connection with the use of the SEF by a Participant, Sponsored Participant, Client, Customer or Supervised Person such Person fails to notify the Market Regulation Department within a reasonable time, such Person may be found to have committed an act detrimental to the interest or welfare of the SEF.

**Rule 5201 Fraudulent Acts Prohibited**

No Participant, Sponsored Participant, Customer or Client (or any Supervised Persons) shall engage in any fraudulent act or engage in any scheme to defraud, deceive, trick or mislead in connection with or related to any SEF activity.

**Rule 5202 [Reserved]**

**Rule 5203 Fictitious or Wash Transactions; Permitted Pre-Execution Communications**

- (a) No Participant, Sponsored Participant, Customer or Client (or any Supervised Persons) shall create fictitious transactions or wash transactions. No Person shall place or accept Orders in the same Swap where the Person knows or reasonably should know that the purpose of the Orders is to avoid taking a bona fide market position exposed to market risk (transactions commonly known or referred to as wash sales). Orders for different accounts with common beneficial ownership that are entered with the intent to negate market risk or price competition shall also be deemed to violate the prohibition on wash trades. Additionally, no Person shall knowingly execute or accommodate the execution of such Orders by direct or indirect means.
- (b) Participants, Sponsored Participants, Customers and Clients (and any of their Supervised Persons) may engage in pre-execution communications with regard to:
  - (1) Permitted Cross Transactions;
  - (2) Block Trades executed pursuant to Rule 4016;
  - (3) Package Transactions (Order Book/RFQ Exempt); and

- (4) Required Cross Transactions, provided that:
- (i) the parties to the pre-execution communications do not disclose or use the information obtained from such pre-execution communications in a manner contrary to Applicable Law; and
  - (ii) the requirements of Rule 4011 are satisfied to the extent applicable.

**Rule 5204 Market Disruptions Prohibited**

Orders entered into the SEF for the purpose of upsetting the equilibrium of the market in any Swap or creating a condition in which prices do not or will not reflect fair market values are prohibited, and any Participant, Sponsored Participant, Customers or Client (or any of its Supervised Persons) who makes or assists in entering any such Order with knowledge of the purpose thereof or who, with such knowledge, in any way assists in carrying out any plan or scheme for the entering of any such Order, will be deemed to have engaged in an act detrimental to the SEF in violation of this Rule 5204.

**Rule 5205 Market Manipulation Prohibited**

No Participant, Sponsored Participant, Customer or Client (or any of their respective Supervised Persons) shall attempt to manipulate or manipulate the market in any Swap including, without limitation, “front-running”, “money passes”, trading ahead or against customer Orders, combination or improper cross trading involving, for example and without limitation, a short term riskless transaction taking advantage of an incoming Order or the offset of a prior position to avoid an adverse market move.

**Rule 5206 Disruptive Trading Practices Prohibited**

No Participant, Sponsored Participant, Customer or Client (or any of their respective Supervised Persons) shall engage in any trading, practice, or conduct that constitutes a “disruptive trading practice,” as such term is defined by the CEA or CFTC Regulations.

**Rule 5207 Prohibition of Misstatements**

No Participant, Sponsored Participant, Customer or Client (or any of their respective Supervised Persons) shall make any knowing misstatement of a material fact to the SEF, any SEF Official, any Board committee or SEF panel, any agent of the SEF (including the Regulatory Services Provider) or any Participant, Sponsored Participant, Customer, Client or Supervised Person.

**Rule 5208 Acts Detrimental to Welfare of SEF Prohibited**

No Participant, Sponsored Participant, Customer or Client (or any of their respective Supervised Persons) shall engage in any act that is detrimental to the SEF.

**Rule 5209 Adherence to Law**

No Participant, Sponsored Participant, Customer or Client (or any of their respective Supervised Persons) shall engage in conduct that is a violation of the Applicable Law.

**Rule 5210 Communications with the Public and Promotional Material**

Promotional material and similar information issued by Participants shall comply with Applicable Law.

**SUPERVISION**

**Rule 5300 Duty to Supervise**

Each Participant shall establish, maintain and administer reasonable supervisory procedures to monitor the compliance of Supervised Persons with the SEF's Rules and any applicable provisions of the CEA or CFTC Regulations and such Participant may be held accountable for the actions of such Supervised Persons.

**INSPECTIONS**

**Rule 5400 Inspections by the SEF**

- (a) The SEF and the Regulatory Services Provider (and their respective authorized representatives), shall have the right, in connection with determining whether all Obligations are being, will be, or have been complied with by a Participant, Sponsored Participant, Customer or Client, in accordance with Applicable Law:
  - (1) inspect books and records, systems, equipment and software operated by such Person in connection with any SEF activity, wherever located;
  - (2) access the systems, equipment, software and the premises on which the systems, equipment and software are located and any data stored in any of the systems or equipment, during the regular business hours and the Trading Hours of the SEF without prior notice to such Person; and/or
  - (3) remove, copy or reproduce any data to which the SEF has access under the SEF Rules.
- (b) Each such Person shall provide the Regulatory Services Provider with the same access to its books and records and offices as it is required to provide the SEF under the SEF Rules and Applicable Law.
- (c) The Market Regulation Department may require a Participant to furnish (periodically or on a particular occasion) information concerning the Participant's activity on the SEF. For a Participant, such information includes but is not limited to, the Participant's open trading positions or Swaps to which the Participant is a party.

- (d) The SEF shall provide prior notice to a Person in the event of an inspection that has been prescheduled by the SEF.

## **INFORMATION SHARING**

### **Rule 5500 Information-Sharing**

- (a) The SEF may enter into information-sharing agreements or other arrangements or procedures to establish and enforce rules that will allow the SEF to obtain any necessary information to perform any monitoring of trading and trade processing, provide information to the CFTC upon request and that allow the SEF to carry out such international information-sharing agreements as the CFTC may require. As part of any information-sharing agreements or other arrangements or procedures adopted pursuant to this Rule, the SEF may:
  - (1) provide market surveillance reports to other markets;
  - (2) share information and documents concerning current and former Participants with other markets;
  - (3) share information and documents concerning ongoing and completed investigations with other markets; and/or
  - (4) require its current or former Participants, or their Sponsored Participants, Customers or Clients, to provide information and documents to the SEF at the request of other markets with which the SEF has an information-sharing agreement or other arrangements or procedures.
- (b) The SEF may enter into any arrangement with any Person or body (including, without limitation, the CFTC, the NFA, any Self-Regulatory Organization, any exchange, market, Swap Data Repository, reporting services or clearing organization or foreign regulatory authority) if the SEF considers such arrangement to be in furtherance of the SEF's purpose or duties under Applicable Law.
- (c) The SEF may disclose to any Person or entity information concerning or associated with a Participant or other Person where the SEF believes such disclosure is reasonably necessary and appropriate in exercising a legal or regulatory function.
- (d) Participants, Sponsored Participants, Customers and Clients shall provide the SEF any requested information pursuant to the SEF Rules or Applicable Law as necessary for the SEF to perform any of the functions described in these SEF Rules.

## **FINANCIAL REQUIREMENTS**

### **Rule 5600 Minimum Financial and Related Reporting Requirements**

- (a) Each Participant that is registered with any Government Agency, including the CFTC and the SEC, or a Self-Regulatory Organization shall comply with the provisions of

Applicable Law, including, but not limited to, the rules and regulations such Government Agency or Self-Regulatory Organization imposes on a Participant relating to minimum financial and related reporting and recordkeeping requirements.

- (b) Each Participant shall qualify as an ECP and undertake to timely update any change to the Participant's status as an ECP.
- (c) A copy of any notice or written report that a Participant is required to file with the CFTC pursuant to CFTC Regulation 1.12 shall be concurrently provided to the SEF.
- (d) A Participant who is subject to and violates CFTC Regulations 1.10, 1.12, 1.17 or 1.18 shall be deemed to have violated this Rule 5600.

#### **Rule 5601 Confidentiality of Financial and Other Information**

All information and data obtained or received by the Market Regulation Department from inspections of accounting and other records, quarterly balance sheets and declarations or reports on financial condition will be treated as confidential by the SEF; however, this Rule does not supplant Rule 5500 and the SEF Rules in Section 7, Applicable Law, or any other requirement of legal process or law.

#### **Rule 5602 Authority to Impose Restrictions**

Whenever a Participant is subject to the early warning requirements set forth in CFTC Regulation 1.12, the SEF may impose such conditions or restrictions on the business and operations of such Participant as the SEF may deem necessary or appropriate for the protection of customers, other Participants, or the SEF.

#### **Rule 5603 Additional Disclosure Requirements**

Each Participant must comply with all disclosure requirements set forth in applicable CFTC and Self-Regulatory Organization rules and regulations. Any such disclosure may be combined with a disclosure regarding the existence of financial interests held by the Participant in the SEF or any other exchange.

### **MISCELLANEOUS**

#### **Rule 5700 Gifts and Gratuities**

Participants shall maintain and enforce gifts policies and procedures to prevent gifts in excess of one hundred dollars (\$100) to Directors, Officers and SEF employees.

#### **Rule 5701 Anti-Money Laundering and Anti-Terrorism**

It is SEF policy: (1) not to engage in or knowingly assist any money laundering or other illicit business, and (2) not to engage in or knowingly assist, or be a conduit for, terrorist financing. Participants will be required to provide sufficient information for Participants and their Customers or Clients, if applicable, for SEF to conduct restricted list searches, including, but not

limited to, searches against the Specially Designated Nationals and Blocked Persons list maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury.

**Rule 5702 Market Data**

- (a) All Participants, Sponsored Participants, Customers and Clients and all Supervised Persons, agents, vendors, and other Persons affiliated with the foregoing understand and acknowledge that the SEF has a proprietary interest in:
  - (1) the price and quantity data from each and every Transaction executed on the SEF or subject to the SEF Rules, including the time at which the Transaction was executed on, or submitted to, the SEF;
  - (2) the price and quantity data for each and every Order, RFQ or Block Transaction submitted to the SEF, including the time at which the Order or RFQ was entered;
  - (3) the yield curves and reference prices prepared by the SEF;
  - (4) any data and information derived from (1), (2) and (3) and the format and presentation thereof (except a Participant's confidential information or data); and
  - (5) the transmissions and dissemination of the data and information to Participants, any publisher of the data or information with whom the SEF has a written agreement, and any other Persons.
- (b) Except with respect to such Person's confidential information or data, Participants, Sponsored Participants, Customers and Clients and Supervised Persons may not distribute, sell or retransmit any other information displayed on the SEF to any third party without the express written consent of the SEF.
- (c) The SEF may at any time restrict or establish utilization fees in respect of data described in Rule 5702(a) with respect to all or any Participants, Sponsored Participants, Customers or Clients in order to safeguard the security or operations of the SEF or to preserve market integrity, fair and orderly trading, or if otherwise in the public interest, *provided, however*, that view-only access is provided free-of-charge.

**Rule 5703 Extension or Waiver of SEF Rules**

If necessary and expedient, the SEF may, in its sole discretion, waive, or extend the time period for performing, any act or acts designated by the SEF Rules, but only to the extent such waiver or extension is not inconsistent with the CEA or the CFTC Regulations.

**SECTION 6**  
**ENFORCEMENT OF RULES AND**  
**DISCIPLINARY PROCEEDINGS**

**Rule 6000     General**

- (a) All Participants, Sponsored Participants, Account Managers, Authorized Traders, Clients, Customers, Supervised Persons and any other Person using a User ID of a Participant or login credentials linked to a Participant or User ID shall be subject to the SEF's jurisdiction. Any Participant, Sponsored Participant, Account Manager, Authorized Trader, Client, Customer, Supervised Person or other Person using a User ID of a Participant or login credentials linked to a Participant or User ID is subject to this Section 6 if such person is alleged to have violated, to have aided and abetted a violation, to be violating, or to be about to violate, any SEF Rule or any other provision of Applicable Law for which the SEF has disciplinary jurisdiction.
- (b) The SEF, through its Market Regulation Department, Review Panels, Disciplinary Panels and Appeals Panels will conduct inquiries, investigations, disciplinary proceedings and appeals from disciplinary proceedings, summary impositions of fines, summary suspensions or other summary actions in accordance with this Section 6.
- (c) The SEF and its Regulatory Services Provider are parties to a Regulatory Service Agreement as referenced in Rule 2600, pursuant to which the Regulatory Services Provider has agreed to perform certain regulatory services described in this Section 6 on behalf of SEF. The SEF Rules that refer to the SEF, SEF staff, the Market Regulation Department and other SEF departments should be understood as also referring to the Regulatory Services Provider, the Regulatory Services Provider staff and the Regulatory Services Provider departments acting on behalf of SEF pursuant to the Regulatory Services Agreement. Notwithstanding the fact that the SEF has entered into the Regulatory Services Agreement with its Regulatory Services Provider to perform some of the SEF's functions, the SEF shall retain ultimate legal responsibility for, and control of, such functions.
- (d) No SEF Official will interfere with or attempt to influence the process or resolution of a Disciplinary Action except to the extent provided under the SEF Rules with respect to a proceeding in which the SEF Official is a member of the relevant panel.
- (e) Any Participant, Sponsored Participant, Account Manager, Authorized Trader, Client, Customer or Supervised Person may be represented by counsel during any Disciplinary Action pursuant to this Section 6.
- (f) The SEF may hold a Participant liable for, and impose sanctions against such Participant, for such Participant's own acts and omissions that constitute a violation as well as for the acts and omissions of each (A) Authorized Trader of such Participant, (B) other Supervised Person of such Participant, (C) other Person using a User ID of such Participant or login credentials linked to the Participant or User ID, (D) agent or representative of such Participant, in each case, that constitute a violation as if such

violation were that of the Participant, or (E) Sponsored Participant, Client or Customer of such Participant.

- (g) The SEF may hold an Authorized Trader liable for, and impose sanctions against such Authorized Trader for, such Authorized Trader's own acts and omissions that constitute a violation as well as or for the acts and omissions of any agent or representative of such Authorized Trader that constitute a violation as if such violation were that of the Authorized Trader.

#### **Rule 6001     Inquiries and Investigations**

- (a) The SEF, through its Market Regulation Department, will investigate any matter within the SEF's jurisdiction of which it becomes aware. The Market Regulation Department will commence an investigation upon the receipt of a request from CFTC staff or upon the discovery or receipt of information by the SEF, or its trading or market surveillance or review of other information or other SEF data, that, in the judgment of the Market Regulation Department, indicates a possible basis for finding that a violation has occurred or will occur. The Market Regulation Department will determine the nature and scope of its inquiries and investigations in its sole discretion. The Market Regulation Department shall inform the Chief Compliance Officer of all inquiries.
- (b) The Market Regulation Department may:
  - (1) initiate and conduct inquiries and investigations;
  - (2) prepare Investigation Reports and make recommendations concerning initiating disciplinary proceedings;
  - (3) prosecute alleged violations within the SEF's disciplinary jurisdiction; and
  - (4) represent the SEF on summary imposition of fines, summary suspension or other summary action.
- (c) Each Participant, Sponsored Participant, Account Manager, Authorized Trader, Customer, Client and Supervised Person and any other Person that is subject to the SEF Rules:
  - (1) is obligated to appear and testify and respond in writing to interrogatories within the time period required by the SEF in connection with:
    - (i) any SEF Rule or any other provision of Applicable Law for which the SEF has disciplinary jurisdiction;
    - (ii) any Disciplinary Action; or
    - (iii) any preparation for and presentation during a Disciplinary Action;



- (2) is obligated to produce books, records, papers, documents or other tangible evidence in its, his or her possession, custody or control within the time period required by the SEF in connection with:
  - (i) any SEF Rule or any other provision of Applicable Law for which the SEF has disciplinary jurisdiction;
  - (ii) any Disciplinary Action;
  - (iii) any preparation for and presentation during a Disciplinary Action; and
- (3) may not impede or delay any Disciplinary Action.
- (d) Each investigation will be completed in a timely manner. Absent mitigating factors, a timely manner is no later than twelve (12) months after the date that an investigation is opened. Mitigating factors that may reasonably justify an investigation taking longer than twelve (12) months to complete include the complexity of the investigation, the number of firms or individuals involved as potential wrongdoers, the number of potential violations to be investigated, and the volume of documents and data to be examined and analyzed by the Market Regulation Department.

#### **Rule 6002     Reports of Investigations**

- (a) The Market Regulation Department will maintain a log of all investigations and their disposition. The Market Regulation Department will prepare an Investigation Report, regardless of whether the evidence gathered during any inquiry or investigation forms a reasonable basis to believe that a violation within the SEF's jurisdiction has occurred or is about to occur or whether the evidence gathered results in closing the matter without further action or through summary action.
- (b) The Investigation Report will include the reasons for initiating the investigation (including a summary of the complaint, if any), all relevant facts and evidence gathered, Market Regulation Department's analysis and conclusions, the potential respondent's disciplinary history at the SEF, and the recommendation of the Market Regulation Department. For each potential respondent, the Market Regulation Department will recommend:
  - (1) closing the investigation without further action;
  - (2) settlement;
  - (3) summary action;
  - (4) initiating disciplinary proceeding; or
  - (5) resolving the investigation through an informal disposition, including the issuance of a warning letter. An informal disposition (including the issuance of a warning letter) will not constitute a finding of a violation or a sanction.

- (c) The Market Regulation Department will submit the Investigation Report to the Chief Compliance Officer for review. After reviewing the Investigation Report, the Chief Compliance Officer will:
  - (1) proceed with the Market Regulation Department's recommendation; or
  - (2) forward the Investigation Report to a Review Panel as discussed in Rule 6004.

**Rule 6003 Opportunity to Respond**

- (a) If the Review Panel authorizes disciplinary proceedings or the Chief Compliance Officer determines to proceed with the Market Regulation Department's recommendation to initiate disciplinary proceedings, the Market Regulation Department will notify each potential respondent that the Market Regulation Department or Review Panel has recommended formal disciplinary charges against the potential respondent.
- (b) The SEF may allow a potential respondent to propose a settlement of the matter or to submit a written statement explaining why a disciplinary proceeding should not be instituted or one or more of the potential charges should not be brought. The potential respondent shall submit such written statement within the time limit established by the Market Regulation Department.

**Rule 6004 Review of Investigation Reports**

- (a) The Chief Compliance Officer may, in his/her discretion, convene a Review Panel to review the Investigation Report.
- (b) The Review Panel shall be comprised of three individuals, at least one of whom will be a Public Director. No member of the Review Panel may be involved in the adjudication of any other stage of the same proceeding. If a vacancy occurs on a Review Panel after it has begun a proceeding, the remaining members of the panel shall complete consideration and disposition of the matter. Once the Review Panel has provided its decision, it shall be dissolved automatically.
- (c) The Review Panel will review the Investigation Report and, within 30 days of receiving the Investigation Report, will take one (1) of the following actions:
  - (1) If the Review Panel determines that additional investigation or evidence is needed, it will promptly direct the Market Regulation Department to conduct further investigation or obtain additional evidence.
  - (2) If the Review Panel determines that no reasonable basis exists for finding a violation of the SEF Rules or any other provision of Applicable Law for which the SEF has disciplinary jurisdiction has occurred or is about to occur or that adjudication is otherwise unwarranted, it may direct that no further action be taken. Such determination will be in writing, and will include the reason the investigation was initiated, a summary of the complaint, a written statement setting forth the facts and analysis supporting the decision and, if applicable, any

recommendations. The Review Panel shall also provide the written statement to any applicable Regulatory Services Provider.

- (3) If the Review Panel determines that a reasonable basis exists for finding a violation of the SEF Rules or any other provision of Applicable Law for which the SEF has disciplinary jurisdiction has occurred or is about to occur and adjudication is warranted, the Review Panel will determine for each potential respondent whether to authorize:
  - (i) the informal disposition of the investigation (by issuing a warning letter or otherwise) because disciplinary proceedings are unwarranted, in which case the Review Panel shall provide a written explanation to any Regulatory Services Provider;
  - (ii) the closing of the investigation without any action because no reasonable basis exists to believe that a violation within the SEF's jurisdiction has occurred or is about to occur in which case the Review Panel shall provide a written explanation to any Regulatory Services Provider; or,
  - (iii) the commencement of disciplinary proceedings because a reasonable basis exists to believe that a violation within the SEF's jurisdiction has occurred or is about to occur.

#### **Rule 6005 Notice of Charges**

- (a) If the Review Panel authorizes disciplinary proceedings or the Chief Compliance Officer elects to follow the recommendation of the Market Regulation Department to commence a disciplinary proceeding, the Chief Compliance Officer will appoint a Disciplinary Panel as provided in this Section. In addition, the Market Regulation Department will prepare, and serve in accordance with Rule 6007, a notice of charges.
- (b) A notice of charges will:
  - (1) state the acts, practices or conduct that the respondent is alleged to have engaged in;
  - (2) state the SEF Rule or other provision of Applicable Law alleged to have been violated or about to be violated;
  - (3) state the proposed sanctions;
  - (4) advise the respondent of its right to a hearing;
  - (5) advise the respondent of its right to be represented by legal counsel of its choosing in all succeeding stages of the disciplinary process

- (6) state the period of time within which the respondent can request a hearing on the notice of charges, which will not be less than 20 days after service of the notice of charges;
- (7) advise the respondent that any failure to request a hearing within the period stated, except for good cause, will be deemed to constitute a waiver of the right to a hearing; and
- (8) advise the respondent that any allegation in the notice of charges that is not expressly denied or answered will be deemed to be admitted.

**Rule 6006 Answer to Notice of Charges**

- (a) If the respondent determines to answer a notice of charges, the respondent must file answers within 20 days after being served with such notice, or within such longer time period determined by the Disciplinary Panel in accordance with Rule 6012.
- (b) To answer a notice of charges, the respondent must in writing:
  - (1) specify the allegations that the respondent denies or admits;
  - (2) specify the allegations that the respondent does not have sufficient information to either deny or admit;
  - (3) specify any specific facts that contradict the notice of charges;
  - (4) specify any affirmative defenses to the notice of charges; and
  - (5) sign and serve the answer on the Disciplinary Panel.
- (c) Any failure by the respondent to timely serve an answer to a notice of charges will be deemed to be an admission to the allegations in such notice. Any failure by the respondent to answer one or more allegations in a notice of charges will be deemed to be an admission of that allegation or those allegations. Any allegation in a notice of charges that the respondent fails to expressly deny will be deemed to be admitted. A general denial by the respondent, without more, will not satisfy the foregoing requirements.

**Rule 6007 Service of Notice of Charges**

- (a) Any notice of charges or other documents to be served pursuant to this Section 6 may be served upon the respondent, and service shall be deemed complete either personally or by leaving the same at his or her place of business; by deposit in the United States mail, addressed to respondent at the address as it appears on the books and records of the SEF.
- (b) Any notice of charges or other documents contemplated to be served pursuant to this Section 6 may also be served upon the respondent and service shall be deemed complete via electronic mail to the electronic mail address as it appears on the books and records of the SEF.

## **Rule 6008     Settlements**

- (a) A respondent or potential respondent may at any time propose in writing an offer of settlement related to anticipated or instituted disciplinary proceedings.
- (b) Any offer of settlement should contain proposed findings and sanctions and be signed by the respondent or potential respondent and submitted to the Market Regulation Department.
- (c) A respondent or potential respondent may offer to settle disciplinary proceedings without admitting or denying the findings contained in the order of the disciplinary proceedings but must accept the jurisdiction of the SEF over it and over the subject matter of the proceedings and consent to the entry of the findings and sanctions imposed.
- (d) If a respondent or potential respondent submits an offer of settlement in accordance with paragraph (a) above, the Market Regulation Department will forward the offer to the Chief Compliance Officer with a recommendation on whether to accept or reject the offer. Any preliminary determination by the Chief Compliance Officer to accept the offer shall be submitted for review by the Disciplinary Panel. If the Disciplinary Panel agrees, then the Chief Compliance Officer shall conditionally accept an offer of settlement, and the settlement will become final upon the expiration of 20 days after an order of the disciplinary proceedings consistent with the terms of the offer of settlement is served on the respondent.
- (e) If an offer of settlement is accepted, the Disciplinary Panel will issue a written decision specifying the rule violations it has reason to believe were committed, including the basis or reasons for the panel's conclusions, and any sanction to be imposed, which must include full customer restitution where customer harm is demonstrated. If an offer of settlement is accepted without the agreement of the Market Regulation Department or Chief Compliance Officer, the decision must adequately support the Disciplinary Panel's acceptance of the settlement. If applicable, the decision must also include a statement that the respondent has accepted the sanctions imposed without either admitting or denying the rule violations.
- (f) If an offer of settlement is accepted and the related order of disciplinary proceedings becomes final, the respondent's submission of the offer will be deemed to constitute a waiver of the right to notice, opportunity for a hearing and review and appeal under the SEF Rules.
- (g) The respondent may withdraw his or her offer of settlement at any time before final acceptance by the Disciplinary Panel. If an offer is withdrawn after submission, or is rejected by the Disciplinary Panel, the respondent must not be deemed to have made any admissions by reason of the offer of settlement and must not be otherwise prejudiced by having submitted the offer of settlement.
- (h) If the offer of settlement of a respondent or potential respondent is not accepted by agreement between the Chief Compliance Officer and the Disciplinary Panel, fails to become final, or is withdrawn by the respondent or potential respondent, the matter will

proceed as if the offer had not been made and the offer and all documents relating to it will not become part of the record. Neither a respondent or potential respondent nor the Market Regulation Department may use an unaccepted offer of settlement as an admission or in any other manner at a hearing of disciplinary proceedings.

#### **Rule 6009     Disciplinary Panel**

- (a) The Chief Compliance Officer will appoint a Disciplinary Panel to conduct hearings in connection with any disciplinary proceedings authorized by the Chief Compliance Officer or a Review Panel to make findings and impose sanctions. The Disciplinary Panel will be comprised of three individuals, at least one of whom will be a Public Director. The Chief Compliance Officer shall draw panel members from the individuals appointed by the Board as potential members of Disciplinary Panels. The chairman of the Disciplinary Panel shall be appointed by the Chief Compliance Officer. A Disciplinary Panel may not include any person involved in adjudicating any other stage of the same proceeding. If a vacancy shall occur on a Disciplinary Panel after it has begun its proceedings, the remaining members shall complete consideration and disposition of the matter. Once a Disciplinary Panel has made its decision and notified all relevant parties, it shall be dissolved automatically.
- (b) Within ten (10) days of being notified of the appointment of the Disciplinary Panel, a respondent may seek to disqualify any individual named to the Disciplinary Panel for the reasons identified in the SEF Rules or for any other reasonable grounds by serving written notice on the Chief Compliance Officer. By not timely filing a request for disqualification, the respondent will be deemed to have waived any objection to the composition of a Disciplinary Panel. The Chief Compliance Officer, in consultation with the General Counsel, of the SEF will decide the merits of any request for disqualification within his or her sole discretion. Any such decision will be final and not subject to appeal.
- (c) No Person shall serve on a Disciplinary Panel unless that Person has agreed in writing that he or she will not publish, divulge, or make known in any manner, any facts or information regarding the business of any Person or any other information which may come to his attention in his official capacity as a member of the Disciplinary Panel, except when reporting to the Board or to a committee concerned with such information or to the Market Regulation Department, when requested by the CFTC or other governmental agency or when compelled to testify in any judicial or administrative proceeding.
- (d) All information, records, materials and documents provided to the Disciplinary Panel and all deliberations, testimony, information, records, materials and documents related thereto shall be treated as non-public and confidential and shall not be disclosed, except as necessary to further a SEF investigation or as required by law.

## **Rule 6010 Convening Hearings of Disciplinary Proceedings**

- (a) A hearing will be conducted privately and confidentially. Notwithstanding the confidentiality of hearings, the Disciplinary Panel may appoint an expert to attend any hearing and assist in deliberations if such expert agrees to be subject to an appropriate confidentiality agreement.
- (b) After reasonable notice to each respondent, the Disciplinary Panel will promptly convene a hearing to conduct the disciplinary proceedings with respect to such respondent. Parties to a disciplinary proceeding include each respondent and the Market Regulation Department.
- (c) The chair of the Disciplinary Panel may continue, adjourn or otherwise conduct the hearing, as he or she may deem appropriate. The chair of the Disciplinary Panel will determine all procedural and evidentiary matters, including the admissibility and relevance of any evidence proffered.
- (d) In determining procedural and evidentiary matters, the chair of the Disciplinary Panel will not be bound by any evidentiary or procedural rules or law. Once admitted during the hearing, the Disciplinary Panel may consider, and attach the weight it believes appropriate to, evidence or other materials. The General Counsel of the SEF, or his or her designee, may provide guidance to the chair of the Disciplinary Panel on the conduct of the hearing.
- (e) Except for procedural and evidentiary matters decided by the chair of the Disciplinary Panel pursuant to paragraph (c) above and Rule 6012, unless each respondent otherwise consents, the entire Disciplinary Panel must be present during the entire hearing and any related deliberations.

## **Rule 6011 Respondent Review of Evidence**

- (a) 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 tangible evidence in the possession or under the control of the SEF that the Market Regulation 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 SEF will have no obligation to disclose, any information protected by work product or attorney-client privilege.
- (b) If any books, records, documents, papers, transcripts of testimony, or other tangible 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 Market Regulation Department, the Market Regulation Department may redact, edit or code such information before furnishing it to the respondent.

- (c) Notwithstanding anything in paragraph (b) above to the contrary, the Market Regulation Department:
  - (1) will not redact, edit or code competitive or investigative information contained in documents in a manner that would impair the respondent's ability to defend against the allegations or proposed sanctions in the notices of charges, and
  - (2) will provide the respondent with access to the information and portions of the documents that the Market Regulation Department intends to rely on to support the allegations or proposed sanctions in the notice of charges.
- (d) For purposes of this Rule 6011, information that could adversely affect competitive positions may include positions in Swaps or other positions currently held, trading strategies employed in establishing or liquidating positions, the identity of any Customer, Client, Sponsored Participant, Participant or Authorized Trader and the personal finances of the Person providing the information.

**Rule 6012 Conducting Hearings of Disciplinary Proceedings**

- (a) At a hearing conducted in connection with any disciplinary proceedings, the Market Regulation Department will present its case supporting the allegations and proposed sanctions in the notice of charges to the Disciplinary Panel. The respondent is entitled to attend and participate in the hearing.
- (b) At a hearing conducted in connection with any disciplinary proceedings, the Disciplinary Panel or the Market Regulation Department and each respondent may:
  - (1) present evidence and facts determined relevant and admissible by the chair of the Disciplinary Panel;
  - (2) call and examine witnesses; and
  - (3) cross-examine witnesses called by other parties.
- (c) If the respondent fails to file an answer, has filed a general denial, or if any or all of the allegations in the notice of charges are not expressly denied in the respondent's answer, the chair of the Disciplinary Panel may limit evidence concerning any allegations not expressly denied in determining the sanctions to impose. If a respondent fails to file an answer but appears at the hearing, the respondent may not participate in the hearing (by calling or cross-examining witnesses, testifying in defense, presenting evidence concerning the notice of charges, or otherwise) unless the Disciplinary Panel determines that the respondent had a compelling reason for failing to timely file an answer. If the Disciplinary Panel determines that the respondent had a compelling reason for failing to timely file an answer, the Disciplinary Panel will adjourn the hearing and direct the respondent to promptly file a written answer in accordance with Rule 6006.
- (d) If the respondent has requested a hearing on a charge that the respondent denies, or on a sanction set by the Disciplinary Panel under Rule 6014, the respondent will be given an



opportunity for a hearing in accordance with the SEF Rules. Except for good cause, such hearing will be limited to addressing those charges denied by the respondent and/or sanctions set by the Disciplinary Panel under Rule 6014 for which a hearing has been requested.

- (e) Any Person entitled, or required or called upon, to attend a hearing before a Disciplinary Panel pursuant to paragraph (b)(2) above will be given reasonable notice, confirmed in writing, specifying the date, time and place of the hearing, and the caption of the disciplinary proceedings. All Participants (that are individuals) and Supervised Persons that are called as witnesses are required to appear at the hearing and, where applicable, produce evidence. The SEF will make reasonable efforts to secure the presence of all other Persons called as witnesses whose testimony would be relevant.
- (f) If during any disciplinary proceedings the Disciplinary Panel determines that a reasonable basis exists to believe that the respondent violated or is about to violate a Rule of the SEF or any other provision of Applicable Law for which the SEF has disciplinary jurisdiction other than the violations alleged in the notice of charges, the Disciplinary Panel may consider those apparent violations after providing the respondent with an opportunity to answer the additional allegations in accordance with Rule 6006. In connection with considering apparent violations pursuant to this paragraph (f), the Disciplinary Panel may request that the Market Regulation Department provide the Disciplinary Panel with any additional information related to the violations at issue.
- (g) The Disciplinary Panel may provide that a sanction be summarily imposed upon any Person within its jurisdiction whose actions impede the progress of a hearing.
- (h) If the respondent has requested the hearing, a copy of the hearing must be made and must become a part of the record of the proceedings. The SEF will arrange for any hearing conducted in connection with disciplinary proceedings to be recorded verbatim, or substantially verbatim, in a manner capable of accurate transcription. If the respondent requests a copy of all or portions of the recording of a hearing, the chair of the Disciplinary Panel may within his or her sole discretion require the respondent to pay the costs for transcribing the recording of the hearing.
- (i) No interlocutory appeals of rulings of any Disciplinary Panel or chair of the Disciplinary Panel are permitted.

### **Rule 6013    Decision of Disciplinary Panel**

- (a) Promptly following a hearing, the Disciplinary 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 Disciplinary Panel will constitute the decision of the Disciplinary Panel.
- (b) The Disciplinary Panel will serve a copy of the order of the disciplinary proceedings on the respondent and the Market Regulation Department. The order will include:
  - (1) the notice of charges or summary of the charges;

- (2) the answer, if any, or a summary of the answer;
  - (3) a summary of the evidence produced at the hearing or, where appropriate, incorporation by reference of the Investigation Report;
  - (4) a statement of findings of fact and conclusions with respect to each charge, including a complete explanation of the evidentiary and other basis for such findings and conclusions with respect to each charge;
  - (5) each specific SEF Rule and/or other provision of Applicable Law that the respondent was found to have violated; and
  - (6) a declaration of all sanctions imposed against the respondent, if any, including the basis for such sanctions and the effective date of each sanction.
- (c) The order of the disciplinary proceedings will become final upon the expiration of twenty (20) days after the order is served on the respondent and provided to the Market Regulation Department.

#### **Rule 6014 Sanctions**

- (a) After notice and opportunity for hearing in accordance with the SEF Rules, the SEF will impose sanctions if any Customer, Client, Sponsored Participant, Participant, Account Manager, Authorized Trader, Supervised Person or other Person using a Participant's User ID or login credentials linked to a Participant or User ID is found to have violated or to have attempted to violate a SEF Rule or other provision of Applicable Law for which the SEF has disciplinary jurisdiction. All sanctions must take into account the respondent's disciplinary history. In the event of demonstrated customer harm, any sanction must also include full customer restitution.

The SEF may impose one or more of the following sanctions or remedies:

- (1) censure;
  - (2) limitation on Trading Privileges, ability to otherwise access the SEF, and/or other activities, functions or operations;
  - (3) suspension of Trading Privileges and/or ability to otherwise access the SEF;
  - (4) fine (subject to paragraph (b) below);
  - (5) restitution and/or disgorgement;
  - (6) termination of Trading Privileges and/or ability to otherwise access the SEF; or
  - (7) any other sanction or remedy deemed to be appropriate.
- (b) The SEF may impose a fine of up to \$100,000, unless aggravating or mitigating circumstances otherwise warrant as determined by the SEF, for each violation of the SEF

Rules or other provision of Applicable Law for which the SEF has disciplinary jurisdiction. The minimum fine for any one violation is \$1,000. If a fine or other amount is not paid within 30 days of the date that it becomes payable, then interest will accrue on the sum from the date that it became payable at the quoted prime rate plus three percent. The SEF has sole discretion to select the bank on whose quotations it will base the prime rate. Participant will be responsible for paying any fine or other amount imposed on, but not paid by, any of its Supervised Persons.

**Rule 6015 Right to Appeal from Disciplinary Panel Decision, Summary Impositions of Fines and Other Summary Actions**

- (a) Each respondent found by the Disciplinary Panel to have violated the SEF Rules or other provision of Applicable Law for which the SEF has disciplinary jurisdiction or who is subject to any summary fine imposed pursuant to Rule 6016 or any other summary action may appeal the decision within 20 days of receiving the order of the Disciplinary Panel or the notice of summary action, as the case may be, by filing a notice of appeal with the Chief Compliance Officer.
- (b) The SEF may appeal all or any part of a decision of the Disciplinary Panel, including any sanctions that may or may not have been imposed by the Disciplinary Panel, within 20 days of receiving the order of the Disciplinary Panel, by filing a notice of appeal with the Chief Compliance Officer.
- (c) While an appeal is pending, the effect of the order of the Disciplinary Panel or the summary action (including any sanctions, remedies or costs imposed thereby) shall be suspended.
- (d) The notice of appeal must state in writing the grounds for appeal, including the findings of fact, conclusions or sanctions to which the appellant objects. An appellant may appeal the order of the Disciplinary Panel or any summary action on the grounds that:
  - (1) the order or summary action was arbitrary, capricious, an abuse of discretion or not in accordance with the SEF Rules;
  - (2) the order or summary action exceeded the authority or jurisdiction of the Disciplinary Panel, the Chief Compliance Officer or the SEF;
  - (3) the order or summary action failed to observe required procedures;
  - (4) the order or summary action was unsupported by the facts or evidence; or
  - (5) the sanctions, remedies or costs imposed were inappropriate or unsupported by the record.
- (e) The Chief Compliance Officer will forward copies of any notice of appeal received by him or her to all parties to the disciplinary proceeding or summary action, as the case may be, except the appellant. On or before the 20th day after filing a notice of appeal, the appellant must file with the Chief Compliance Officer and serve on the appellee a brief

supporting the notice of appeal and documents supporting the brief. On or before the 20th day after the date on which the appellant serves its supporting brief, the appellee must file and serve its brief in opposition on the Chief Compliance Officer and the appellant. On or before the 10th day after the date on which the appellee serves its brief in opposition, the appellant may file and serve on the SEF a brief in reply.

- (f) In connection with any appeal, the SEF will furnish to the Chief Compliance Officer and to the appellant and appellee a transcript of the hearing and any exhibits introduced at the hearing.
- (g) No later than 30 days after the last submission filed pursuant to paragraph (e) of this Rule 6015, the Chief Compliance Officer will appoint an Appeals Panel to consider and determine the appeal. An Appeals Panel shall be comprised of three individuals, none of whom shall be a member of the Market Regulation Department or have been a member of the Disciplinary Panel involved in the matters on appeal. The chairperson of the Appeals Panel shall be an individual who would not be disqualified from serving as a Public Director.
- (h) Within 10 days of being notified of the appointment of the Appeals Panel, an appellant or appellee may seek to disqualify any individual named to the Appeals Panel or any person designated as chairperson thereof for the reasons identified in Rule 2500 or in the definition of Public Director (as the case may be) or on other reasonable grounds, by serving written notice on the Chief Compliance Officer. By not timely filing a request for disqualification, the appellant or appellee will be deemed to have waived any objection to the composition of the Appeals Panel and appointment of its chairperson. The Chief Compliance Officer will decide the merits of any request for disqualification within his or her sole discretion. Any such decision will be final and not subject to appeal.
- (i) The Appeals Panel may hold a hearing to allow parties to present oral arguments. Any hearing will be conducted privately and confidentially. Notwithstanding the confidentiality of hearings, the Appeals Panel may appoint an expert to attend any hearing and assist in the deliberations if such individual(s) agree to be subject to appropriate confidentiality agreements. In determining procedural and evidentiary matters, the Appeals Panel will not be bound by evidentiary or procedural rules or law.
- (j) The Appeals Panel will only consider on appeal the record before the Disciplinary Panel or, in the case of a summary action, the record considered by the Chief Compliance Officer, the notice of appeal, the briefs filed in support and opposition of the appeal, and any oral arguments of the parties. The Appeals Panel may only consider new evidence when the Appeals Panel is satisfied that good cause exists for why the evidence was not introduced during the disciplinary proceeding or when imposing the summary action.
- (k) After completing its review, the Appeals Panel may affirm, modify or reverse any order of the Disciplinary Panel or summary action under appeal, in whole or in part, including increasing, decreasing or eliminating any sanction or remedy imposed, imposing any other sanction or remedy authorized by the SEF Rules, or remanding the matter to the same or a different Disciplinary Panel for further disciplinary proceedings or for

reconsideration by the Chief Compliance Officer in the case of summary action. The Appeals Panel may order a new hearing for good cause or if the Appeals Panel deems it appropriate.

- (l) As promptly as reasonably possible following its review, the Appeals Panel will issue a written decision on appeal rendering its decision based on the preponderance of the evidence before the Appeals Panel and will provide a copy to the Chief Compliance Officer, the appellant and the appellee. The decision of the Appeals Panel will include a statement of findings of fact and conclusions for each finding, sanction, remedy and cost reviewed on appeal, including each specific SEF Rule and other provision of Applicable Law for which the SEF has disciplinary jurisdiction that the respondent is found to have violated, if any, and the imposition of sanctions, remedies and costs, if any, and the effective date of each sanction, remedy or cost.
- (m) The Appeals Panel's written order on appeal (including findings of fact and conclusions and the imposition of sanctions, remedies and costs, and the effective date of any sanction, remedy cost) will be the final action of the SEF and will not be subject to appeal within the SEF.

#### **Rule 6016 Summary Imposition of Fines**

- (a) The Chief Compliance Officer may summarily impose a fine against a Participant (or any of its Supervised Persons or other Persons using any of the Participant's User IDs or login credentials linked to the Participant or its User IDs) for failing:
  - (1) to make timely and accurate submissions to the SEF of notices, reports or other information required by the SEF Rules;
  - (2) to make timely payments of fees, cost, charges or fines to the SEF; or
  - (3) to keep any books and records required by the SEF Rules.
- (b) The Market Regulation Department, acting on behalf of the Chief Compliance Officer, will give notice of any fine imposed pursuant to this Rule to each Participant or Supervised Person subject thereto. The notice will specify:
  - (1) the violations of the SEF Rules for which the fine is being imposed;
  - (2) the date of the violation for which the fine is being imposed; and
  - (3) the amount of the fine.
- (c) Within 20 days of serving the notice of fine, the Participant or Authorized Trader, as the case may be, must either pay or cause the payment of the fine. If a fine or other amount is not paid within 20 days of the date that it becomes payable, then interest will accrue on the sum from the date that it became payable at the quoted prime rate plus three percent. The SEF has sole discretion to select the bank on whose quotations it will base the prime

rate. The Participant will be responsible for paying any fine or other amount imposed on, but not paid by, any of its Supervised Persons.

- (d) The SEF will set the amount of any fines imposed pursuant to this Rule 6016 at no less than \$1,000 per violation, with the maximum fine for each violation not to exceed \$5,000. Recurring violations will be subject to progressively larger fines. Summary imposition of fines pursuant to this Rule 6016 will not preclude the SEF from bringing any other action against the Participant (or any of its Supervised Persons).

#### **Rule 6017 Warning Letters**

The SEF authorizes the Market Regulation Department to issue a warning letter to a Person or entity under investigation or to recommend that a Disciplinary Panel take such an action. A warning letter issued in accordance with this Rule is not a penalty or an indication that a finding of a violation has been made. A copy of a warning letter issued by the Market Regulation Department will be included in the Investigation Report. No more than one warning letter for the same potential violation may be issued to the same Person or entity during a rolling 12-month period.

#### **Rule 6018 Summary Access Denial Actions**

- (a) The Chief Compliance Officer, upon a good faith determination that there is a reasonable belief that such immediate action is necessary to protect the best interests of the SEF, may summarily suspend, revoke, limit, condition, restrict or qualify the Trading Privileges of a Participant or any Supervised Person, including denial of access to the SEF.
- (b) Non-Participants may be denied access to the SEF by the Chief Compliance Officer upon a good faith determination that there are substantial reasons to believe that such immediate action is necessary to protect the best interests of the SEF.
- (c) If practicable, a respondent must be served with a notice before the action is taken or otherwise at the earliest possible opportunity. The notice must state the action taken, the reasons for the action, and the effective date, time and the duration of the action taken. The party shall be advised of his right to a hearing, as soon as reasonably practicable, before a Disciplinary Panel by filing notice of intent with the Market Regulation Department within ten (10) Business Days of the notice date.

#### **Rule 6019 Rights and Responsibilities after Suspension or Termination**

- (a) When a Person's Trading Privileges and/or ability to otherwise access the SEF are suspended for a period of 12 months or less, none of its rights (including the right to hold oneself out to the public as a Participant or Authorized Trader, enter Orders or RFQs into the SEF, submit Block Trades to the SEF, and receive Participant rates for fees, costs, and charges) will apply during the period of the suspension, except for the right of the Person in question to assert claims against others as provided in the SEF Rules. Any such suspension will not affect the rights of creditors under the SEF Rules or relieve the Person in question of its, his or her obligations under the SEF Rules to perform any

Swaps entered into before the suspension, or for any SEF fees, costs, or charges incurred during the suspension. The SEF may discipline a suspended Person under this Section 6 for any violation of a Rule of the SEF or other provision of Applicable Law committed by such Person before, during or after the suspension.

- (b) When a Person's Trading Privileges and/or ability to otherwise access the SEF are terminated, all of its related rights will terminate, except for the right of the Person in question to assert claims against others, as provided in the SEF Rules. Any such termination will not affect the rights of creditors under the SEF Rules.
- (c) The SEF will not consider the application of a terminated Participant or Authorized Trader if such Participant or Authorized Trader, as the case may be, continues to fail to appear at disciplinary proceedings without good cause or continues to impede the progress of disciplinary proceedings.
- (d) A suspended or terminated Person remains subject to the SEF Rules and the jurisdiction of the SEF for acts and omissions prior to the suspension of termination, and must cooperate in any inquiry, investigation, disciplinary proceeding, appeal of disciplinary proceedings, summary suspension or other summary action as if the suspended or Person still had Trading Privileges or ability to otherwise access the SEF.

#### **Rule 6020 Notice to the Respondent, the Regulatory Services Provider and the Public**

The SEF will provide written notice of disciplinary proceedings to the parties and the Regulatory Services Provider consistent with applicable CFTC Regulations. Whenever the SEF suspends, expels, fines or otherwise disciplines, or denies any Person access to the SEF, the SEF will make the public disclosures required by CFTC Regulations.

#### **Rule 6021 Costs**

- (a) Regardless of the outcome of any disciplinary proceeding, the Disciplinary Panel may order a respondent to pay some or all of the costs associated with the disciplinary proceedings if the Disciplinary Panel concludes that the respondent has behaved in a manifestly unreasonable manner. Costs may include costs associated with the inquiry or investigation, the prosecution by the Market Regulation Department, legal and professional assistance, the hearing and administrative and other expenses incurred by the Disciplinary Panel.
- (b) The Disciplinary Panel may only award costs against the SEF if the panel concludes that the SEF has behaved in a manifestly unreasonable manner in the commencement or conduct of the disciplinary proceedings in question. The Disciplinary Panel must limit any award of costs against the SEF to an amount that the panel concludes is reasonable and appropriate, but does not exceed the respondent's costs for external legal or other external professional assistance.
- (c) The Disciplinary Panel may determine the amounts and allocation of costs in any manner it may deem appropriate. The SEF or the respondent will pay any costs ordered to be paid by it by the Disciplinary Panel within 30 days of written notice of the amount imposed by

the Disciplinary Panel. If costs are not paid within 20 days of the date that it becomes payable, then interest will accrue on the sum from the date that it became payable at the quoted prime rate plus three percent. The SEF has sole discretion to select the bank on whose quotations it will base the prime rate. Participant will be responsible for paying any costs imposed on, but not paid by, any of its Supervised Persons.

**Rule 6022    *Ex Parte* Communications**

- (a) A Person subject to a disciplinary proceeding or an appeal from a disciplinary proceeding (and any counsel or representative of such Person) and the Market Regulation Department (and any counsel or representative of the Market Regulation Department) shall not knowingly make or cause to be made an *ex parte* communication relevant to the merits of a disciplinary proceeding or an appeal from a disciplinary proceeding to any member of the Disciplinary Panel or Appeals Panel hearing such proceeding.
- (b) Members of a Disciplinary Panel or an Appeals Panel shall not knowingly make or cause to be made an *ex parte* communication relevant to the merits of a disciplinary proceeding or an appeal from a disciplinary proceeding to any Person subject to such proceeding (and any counsel or representative of such Person) or the Market Regulation Department (and any counsel or representative of the Market Regulation Department).
- (c) Any Person who receives, makes or learns of any communication that is prohibited by this Rule 6022 shall promptly give notice of such communication and any response thereto to the Market Regulation Department and all parties to the proceeding to which the communication relates.
- (d) A Person shall not be deemed to have violated this rule if the Person refuses an attempted communication concerning the merits of a proceeding as soon as it becomes apparent the communication concerns the merits.

**Rule 6023    [Reserved]**

**Rule 6024    Extension or Waiver of the SEF Rules**

If necessary and expedient, the Chief Compliance Officer may, in his or her sole discretion, waive, or extend the time period for performing, any act or acts designated by the SEF Rules, but only to the extent such waiver or extension is not inconsistent with the CEA, CFTC Regulations or other applicable regulations.

**Rule 6025    Effect of Amendment, Repeal or New Rule**

- (a) If an amendment or repeal of a Rule or adoption of a new Rule does not materially change the terms or conditions of a Swap and does not affect the value of open Swaps, then the effective date of any amendment or repeal of a Rule or adoption of a new Rule relating to Swaps is binding on all Swaps entered into before and after the effective date of such amendment, repeal or adoption.



- (b) If an amendment or repeal of a Rule or adoption of a new Rule materially changes the terms or conditions of a Swap or affects the value of open Swaps, then the amendment, repeal or new Rule is binding only on Swaps listed for trading after the effective date of such amendment, repeal or adoption, and Swaps listed as of the effective date of such amendment, repeal or adoption with no open positions then in existence, unless otherwise specifically provided by the Board.

#### **Rule 6026 Swap Contract Specifications**

- (a) Notwithstanding any provision of the SEF Rules to the contrary, the Swap Specification with respect to a particular Swap shall govern the applicability of the SEF Rules to trading in such Swap and, in the event of any conflict between the SEF Rules and the Swap Specification, the Swap Specification shall govern with respect to trading in the relevant Swap.
- (b) The Swap Specification for each individual Swap may specify:
  - (1) different classes of Participants eligible to trade such Swaps. Each such class of Participants shall have the rights and obligations specified by the Swap Specification for each such Swap;
  - (2) whether such Swap may be settled via cash settlement, physical delivery of the underlying commodity, or by any other means, as applicable; and
  - (3) the method for determining settlement prices.
- (c) Each Swap Specification will be published by the SEF on its website.
- (d) The SEF shall permit trading only in Swaps that are not readily susceptible to manipulation.

#### **Rule 6027 Governing Law, Jurisdiction and Dispute Resolution**

- (a) The law of the State of New York governs the SEF Rules regardless of the laws that would otherwise apply under applicable choice-of-law principles.
- (b) Any dispute between the SEF and a Person arising from or in connection with the SEF Rules or use of the SEF must be brought to arbitration pursuant to subsection (c) of this Rule 6027 within two (2) years from the occurrence of the event giving rise to the dispute. This Rule 6027 shall in no way create a cause of action nor authorize an action that would otherwise be prohibited by the SEF Rules.
- (c) Any dispute between the SEF and a Person arising from or in connection with the SEF Rules will be settled by arbitration administered in New York County, New York by the American Arbitration Association (the "AAA") under its Commercial Arbitration Rules. The dispute will be submitted to one arbitrator who will be appointed by the AAA. Any arbitrator appointed for purposes of this Rule 6027 will have experience with and knowledge of commodities, derivatives and Swaps as listed on the National Roster of

Arbitrators kept in the AAA's records. Judgment on the award rendered by the arbitrator will be binding on the parties and may be entered in any state or federal court sitting in New York County, New York, and the SEF and each Person shall be deemed to have consented to the personal jurisdiction of any such court. Each party to the dispute will bear its own costs and expenses in connection with any arbitration hereunder, as well as an equal share of the administrative fees and the fees of the arbitrator; *provided, however*, that the arbitrator will be entitled to include in any award a full reimbursement for the prevailing party's costs and expenses, such party's share of the administrative fees and the fees of the arbitrator, or any combination of any or all of the above. In the event that this Rule 6027 is held to be unenforceable in connection with any dispute or a claim is deemed by a court of competent jurisdiction to be not arbitrable, (i) exclusive jurisdiction for any such dispute will reside in any state or federal court sitting in New York County, New York, (ii) the SEF and the Person involved in the dispute will be presumed to have submitted to the personal jurisdiction of any such court, and (iii) an action to enforce any judgment or decision of such court may be brought in the same court or in any other court with jurisdiction or venue. Finally, all Persons unconditionally and irrevocably waive any and all right to trial by jury in connection with any such dispute.

**Rule 6028      Limitation of Liability, Indemnity**

- (a) UNLESS ARISING OUT OF THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF THE SEF, THE SEF, ITS SUBSIDIARIES AND AFFILIATES AND THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, AND AGENTS (EACH A "RELATED PARTY" AND COLLECTIVELY "RELATED PARTIES") HAVE NO LIABILITY, CONTINGENT OR OTHERWISE, TO PARTICIPANTS OR TO THIRD PARTIES, FOR THE CORRECTNESS, QUALITY, ACCURACY, SECURITY, COMPLETENESS, RELIABILITY, PERFORMANCE, TIMELINESS, PRICING OR CONTINUED AVAILABILITY OF THE SEF SERVICES OR FOR DELAYS OR OMISSIONS OF THE SEF SERVICES, OR FOR THE FAILURE OF ANY CONNECTION OR COMMUNICATION SERVICE TO PROVIDE OR MAINTAIN PARTICIPANT ACCESS TO THE SEF SERVICES, OR FOR ANY INTERRUPTION IN OR DISRUPTION OF A PARTICIPANT'S ACCESS OR ANY ERRONEOUS COMMUNICATIONS BETWEEN THE SEF AND A PARTICIPANT. THE SEF AND ITS RELATED PARTIES ARE NOT LIABLE FOR ANY SPECIAL, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES WHICH A PARTICIPANT OR ANY THIRD PARTY MAY INCUR OR EXPERIENCE BECAUSE THE PARTICIPANT ENTERED INTO THESE TERMS OR RELIED ON THE SEF SERVICES, EVEN IF THE SEF KNOWS OF THE POSSIBILITY OF THOSE DAMAGES. THE SEF AND ITS RELATED PARTIES ARE NOT RESPONSIBLE FOR INFORMING A PARTICIPANT OF ANY DIFFICULTIES THE SEF OR OTHER THIRD PARTIES EXPERIENCE CONCERNING USE OF THE SEF SERVICES OR TO TAKE ANY ACTION IN CONNECTION WITH THOSE DIFFICULTIES. THE SEF AND ITS RELATED PARTIES ALSO HAVE NO DUTY OR OBLIGATION TO VERIFY, CORRECT, COMPLETE OR UPDATE ANY INFORMATION DISPLAYED IN THE SEF SERVICES. EACH PARTICIPANT IS SOLELY RESPONSIBLE FOR ANY LOSSES, DAMAGES OR COSTS RESULTING FROM THE PARTICIPANT'S RELIANCE ON ANY DATA OR INFORMATION

THAT THE SEF MAY PROVIDE IN CONNECTION WITH A PARTICIPANT'S USE OF THE SEF SERVICES.

- (b) THE SEF DOES NOT MAKE ANY RECOMMENDATION AS TO THE SUITABILITY OF ANY INVESTMENT OR PROPOSED TRANSACTION. EACH PARTICIPANT ACKNOWLEDGES THAT THE SEF WILL NOT, AND ARE UNDER NO DUTY TO, PROVIDE ADVICE IN RELATION TO ANY SUCH TRANSACTION OR PROPOSED TRANSACTION THROUGH ANY SEF SERVICE. EACH PARTICIPANT AGREES THAT (I) THE SEF SERVICES ARE NOT AND WILL NOT BE THE BASIS FOR ANY OF INVESTMENT DECISIONS BY A PARTICIPANT AND (II) PARTICIPANTS ARE SOLELY RESPONSIBLE FOR (A) ANY INVESTMENT OR TRADING DECISIONS THAT THE PARTICIPANT MAKES WITH RESPECT TO THE PRODUCTS AVAILABLE VIA ANY SEF SERVICE AND (B) DETERMINING WHETHER ANY TRANSACTION IS SUITABLE, APPROPRIATE OR ADVISABLE FOR THE PARTICIPANT OR SPONSORED PARTICIPANT OR CLIENTS OR CUSTOMERS. PROVISION OF THE SEF SERVICES DOES NOT MAKE THE SEF AN ADVISOR OR FIDUCIARY FOR A PARTICIPANT, SPONSORED PARTICIPANT, CLIENT OR CUSTOMER. THESE TERMS DO NOT CONSTITUTE AN OFFER TO SELL OR SOLICITATION OF AN OFFER TO BUY SECURITIES OR OTHER INSTRUMENTS. IN ADDITION, THE SEF SERVICES DO NOT INCLUDE ANY INVESTMENT, FINANCIAL, LEGAL OR TAX ADVICE WHICH PARTICIPANT MAY DESIRE OR NEED IN CONNECTION WITH ANY TRANSACTION. PARTICIPANTS ARE RESPONSIBLE FOR OBTAINING ANY LEGAL OR TAX ADVICE.
- (c) IF A THIRD PARTY CLAIMS THAT THE SEF SERVICES INFRINGE UPON ITS PATENT COPYRIGHT, OR TRADE SECRET, OR ANY SIMILAR INTELLECTUAL PROPERTY RIGHT, THE SEF WILL DEFEND THE PARTICIPANT AGAINST THAT CLAIM AT THE SEF'S EXPENSE AND PAY ALL DAMAGES THAT A COURT FINALLY AWARDS, PROVIDED THAT THE PARTICIPANT PROMPTLY NOTIFY THE SEF IN WRITING OF THE CLAIM AND COOPERATE WITH THE SEF IN THE DEFENSE OR ANY RELATED SETTLEMENT NEGOTIATIONS. THE SEF SHALL HAVE SOLE CONTROL OVER THE DEFENSE AND ANY NEGOTIATION FOR ITS SETTLEMENT OR COMPROMISE. IF SUCH A CLAIM IS MADE OR IS LIKELY TO BE MADE, THE SEF SHALL, AT THE SEF'S SOLE OPTION, HAVE THE RIGHT TO TAKE ONE OR MORE OF THE FOLLOWING ACTIONS AT NO ADDITIONAL COST TO THE PARTICIPANT: (I) PROCURE THE RIGHT FOR THE PARTICIPANT TO CONTINUE THE USE OF THE SEF SERVICES; (II) REPLACE THE SEF SERVICES WITH NON-INFRINGEMENT SOFTWARE; OR (III) MODIFY THE SEF SERVICES SO AS TO BE NON-INFRINGEMENT. IF THE SEF DETERMINE THAT NONE OF THESE ALTERNATIVES IS REASONABLY AVAILABLE, THE PARTICIPANT AGREES TO IMMEDIATELY TERMINATE ITS USE OF THE SEF SERVICES ON THE SEF'S WRITTEN REQUEST. HOWEVER, THE SEF HAS NO OBLIGATION FOR ANY CLAIM BASED ON THE SEF'S USE OF THE SEF SERVICES IN ANY MANNER INCONSISTENT WITH THESE TERMS, PARTICIPANT'S MODIFICATION OF THE SEF SERVICES OR PARTICIPANT'S COMBINATION, OPERATION, OR USE

OF THE SEF SERVICES WITH ANY PRODUCT, DATA, OR APPARATUS NOT SPECIFIED OR PROVIDED BY THE SEF, PROVIDED THAT SUCH CLAIM SOLELY AND NECESSARILY IS BASED ON SUCH COMBINATION, OPERATION OR USE, OR FOR CONTINUED ALLEGEDLY INFRINGING ACTIVITY BY THE PARTICIPANT AFTER THE PARTICIPANT HAVE BEEN NOTIFIED OF POSSIBLE INFRINGEMENT, UNLESS APPROVED IN ADVANCE BY THE SEF. THE FOREGOING REPRESENTS THE SOLE AND EXCLUSIVE REMEDY FOR PARTICIPANTS WITH REGARD TO ANY OF THE ABOVE INFRINGEMENTS OR ALLEGED INFRINGEMENTS.

- (d) WITH THE EXCEPTION OF THE PROVISIONS OF RULE 6028(c), THE SEF'S LIABILITY AND THE COLLECTIVE LIABILITY OF THE SEF'S RELATED PARTIES AND THE THIRD PARTY SERVICE PROVIDERS SELECTED BY THE SEF, IF ANY, ARISING OUT OF ANY KIND OF LEGAL CLAIM (WHETHER IN CONTRACT, TORT, OR OTHERWISE) OR IN ANY WAY CONNECTED TO A PARTICIPANT'S USE OF THE SEF SERVICES WILL NOT EXCEED \$500,000 UNLESS CAUSED DIRECTLY BY THE SEF'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.
- (e) NONE OF THE ABOVE WILL LIMIT PARTICIPANT'S RIGHTS AND REMEDIES UNDER THE STATE OR FEDERAL SECURITIES LAWS.

## SECTION 7 EMERGENCIES

### **Rule 7000    Emergency Actions**

- (a) During an Emergency, the Board and/or the CEO (or, in his absence, the most senior Officer present), in consultation with the CFTC, as necessary, may implement temporary emergency procedures and rules (“Emergency Rules”), subject to the applicable provisions of the CEA and CFTC Regulations. Emergency Rules may require or authorize the SEF, the Board, any committee of the Board, the CEO, or any other Officer to take Emergency Action necessary or appropriate to respond to the Emergency. If applicable, the SEF may provide for the carrying out of Emergency Actions through its agreements with its Regulatory Services Provider.
- (b) Before any Emergency Rule may be adopted and enforced, a required vote of the Board must approve the enforcement of such Emergency Rule at a duly convened meeting. Directors may attend such a meeting by teleconference and such meeting may, if necessary, be conducted pursuant to Rule 2100(c). Notwithstanding, if the CEO (or, in his absence, the most senior Officer present) determines that Emergency Rules must be implemented with respect to an Emergency before a meeting of the Board can reasonably be convened, then the CEO (or such seniormost Officer) shall have the authority, without Board action, to implement any Emergency Rules with respect to such Emergency that he or she deems necessary or appropriate to respond to such Emergency. In such circumstances, the CEO (or such seniormost Officer) must convene a meeting of the Board (which may, if necessary, be conducted pursuant to Rule 2100(c)) as soon as practicable thereafter. Notwithstanding that the Board does not ratify or approve extending or making permanent any Emergency Rules implemented by the CEO or seniormost Officer pending convening of the Board meeting, all actions previously taken in accordance with such Emergency Rules shall remain binding and valid.
- (c) Whenever the SEF, the Board, any committee of the Board, the CEO or any other Officer takes actions necessary or appropriate to respond to an Emergency, a duly authorized representative of the SEF, where possible, will post an announcement in a Notice to Participants. When the Board, any committee of the Board or the CEO (or, in his absence, the most senior Officer present) determines that the Emergency has been reduced sufficiently to allow the SEF to resume normal functioning, any such actions responding to an Emergency will be terminated.
- (d) The SEF will use reasonable efforts to notify the CFTC prior to implementing, modifying or terminating an Emergency Rule. If such prior notification is not possible or practicable, the SEF will notify the CFTC as soon as possible or reasonably practicable but in all circumstances within twenty-four (24) hours of the implementation, modification or termination of such Emergency Rule.
- (e) Upon taking any action in response to an Emergency, the SEF will document the decision-making process related to such action. Such documentation will be kept for at

least five (5) years following the date on which the Emergency ceases to exist or to affect the SEF, and all such documentation will be provided to the CFTC upon request.

**SECTION 8**  
**RECORDKEEPING AND REPORTING**

**Rule 8000     Maintenance of Books and Records by the SEF**

- (a) The SEF shall keep, or cause to be kept, complete and accurate books and records of all activities relating to its business, including complete audit trails for all Swaps executed on or otherwise subject to the rules of the SEF, investigatory files, disciplinary files and all books and records required to be maintained pursuant to the CEA and CFTC Regulations.
- (b) The SEF shall retain all such books and records for a period of at least five (5) years, and shall make such books and records readily accessible via real-time electronic access for inspection by the CFTC and other regulators during the first two (2) years of this five-year period. The SEF shall retain all books and records related to a Swap executed on, or pursuant to the rules of, the SEF throughout the life of the Swap and for a period of at least five (5) years following the final termination of the Swap.

**Rule 8001     Order Information**

- (a) Each Authorized Trader entering an Order with respect to any Swap traded on the SEF must include with the Order, all data required to enable the SEF to meet its reporting obligations under Parts 43 and 45 of the CFTC Regulations, including without limitation:
  - (1) the User ID;
  - (2) the Participant ID;
  - (3) the price or yield, quantity, maturity or expiration date;
  - (4) the price and quantity;
  - (5) side of the Order;
  - (6) the CTI code;
  - (7) [Reserved];
  - (8) the Legal Entity Identifier of the Participant, Customer or Client with respect to the Swap for which the Order is placed;
  - (9) a yes/no indication of whether the Participant, Customer or Client is a Swap Dealer;
  - (10) a yes/no indication of whether the Participant, Customer or Client is a Major Swap Participant;
  - (11) a yes/no indication of whether the Participant, Customer or Client is a Financial Entity;

- (12) a yes/no indication of whether the Participant, Customer or Client is a U.S. person;
  - (13) an indication that a Swap is an inter-affiliate Swap that should not be subject to the real-time reporting requirements;
  - (14) if the Swap will be allocated:
    - (i) an indication that the Swap will be allocated;
    - (ii) the Legal Entity Identifier of the Account Manager acting as agent;
    - (iii) a yes/no indication of whether the Account Manager acting as agent is a U.S. person;
    - (iv) an indication of whether the Swap is a post-allocation Swap;
    - (v) if the Swap is a post-allocation Swap, the account and Legal Entity Identifier for each Client that received allocations; and
    - (vi) if the Swap is a post-allocation Swap, the USI of the original Transaction between the Reporting Counterparty and the Account Manager acting as agent;
  - (15) if applicable, an indication that the Participant, Customer or Client will elect the End-User Clearing Exception for any Swap resulting from the Order;
  - (16) a yes/no indication of whether the Order is part of a Package Transaction; and
  - (17) if the Order is part of a Package Transaction, a description of the Transaction.
- (b) Participants and ISVs that operate systems that route orders to the SEF are responsible for maintaining or causing to be maintained a routing/front-end audit trail for all Orders, which shall include Order entry, modification and cancellation and any SEF responses to such messages. For executed Orders, such audit trail must record the execution time of the Transaction, along with all fill information. Participants and ISVs shall maintain audit trail information as required by Applicable Law and must have the ability to produce audit trail data in a reasonably usable format upon request of the SEF.

**Rule 8002 Books and Records**

- (a) All Participants, Sponsored Participants, Customers and Clients must prepare and keep, or cause to be kept, all books, ledgers and other records relating to its activity on the SEF required to be kept by it pursuant to Applicable Law, and must prepare and keep such other books and records relating to its SEF activity as the SEF may from time to time prescribe. Such books and records must include, without limitation, records of such Person's trading, including records of the Person's activity in the index or instrument used as a reference price, the underlying commodity and related derivatives markets. All



Participants, Sponsored Participants, Customers and Clients shall make such books and records available for inspection by a representative of the SEF or the Regulatory Service Provider and as otherwise required by Applicable Law.

- (b) In addition to the information required by subsection (a) of this Rule 8002, each Participant must comply with all applicable requirements of CFTC Regulation 1.35.
- (c) If a Participant cannot enter an Order or Request for Quote received from its Customer into the SEF, either directly or indirectly through an Execution Specialist, the Participant must immediately create an electronic record that includes the account identifier that relates to the Customer, time of receipt and terms of the Order or Request for Quote.
- (d) Each Participant shall keep all books and records in accordance with the SEF Rules for a period of five (5) years from the date on which they are first prepared unless otherwise provided in these Rules or other Applicable Law. Such books and records shall be readily accessible during the first two (2) years of such five-year period, unless otherwise provided in the SEF Rules or other Applicable Law. Each Participant, Sponsored Participant, Customer or Client which is a counterparty to a Swap on, or pursuant to the rules of, the SEF shall retain all books and records related to such Swap for the life of the Swap and for a period of at least five (5) years following the final termination of the Swap. Each Participant, Sponsored Participant, Customer or Client that is a counterparty to an Uncleared Swap on, or pursuant to the rules of, the SEF shall notify the SEF of any extension of the final termination of the Swap beyond the original stated maturity in order to enable the SEF to comply with Rule 8000(b) and the SEF's obligations under Applicable Law.
- (e) The SEF may require a Participant, Account Manager, Sponsored Participant, Customer or Client to furnish any information in connection with a Person's activities on the SEF including (i) information relating to Swaps executed on or pursuant to the rules of the SEF, on or pursuant to the rules of other swap execution facilities, DCMs or in related derivatives markets or to transactions or positions in the products underlying, related to or indexed to those Swaps or to which those Swaps are indexed (in whole or in part), and (ii) information requested by a Government Agency relating to the SEF and/or the SEF's compliance with Applicable Law that the SEF believes is maintained by, or otherwise in the possession or control of, the Participant.

### **Rule 8003 Recordkeeping Requirements for Block Trades**

Block Trades executed in accordance with Rule 4016, unless otherwise exempted by a Rule, must comply with the following recordkeeping requirements:

- (a) At the time of execution, every order received from a Participant must be in the form of a written or electronic record and include information meeting the requirements of Rule 8001 and a timestamp reflecting the date and time that such order was received.
- (b) The record shall also include a timestamp reflecting the date and time that the order was executed or cancelled to the nearest millisecond.

#### **Rule 8004 Access to Position Information**

Without limiting any provision of these SEF Rules, the SEF and any Regulatory Service Provider, shall have the authority to obtain from any Participant, Sponsored Participant, Account Manager, Customer or Client, or Supervised Person information with respect to positions of such Person or any Sponsored Participant, Customer or Client, or Supervised Person. This authority shall include the authority to obtain information concerning positions maintained at other firms, and it shall be the obligation of a Participant receiving such an inquiry to obtain such information from its Account Manager, Sponsored Participant, Customer, Client, or any Supervised Person. In the event a Participant Sponsored Participant, Customer, Client, or any Supervised Person fails to provide the requested information the SEF, in addition to any other remedy provided in these SEF Rules, may order that the Participant, Account Managers, Sponsored Participant, Customer, Client, or any Supervised Person liquidate the positions that are related to the inquiry.

#### **Rule 8005 Reporting to a Swap Data Repository**

- (a) The SEF will report each Swap executed on, or pursuant to the rules of, the SEF as soon as technologically practicable after execution to a Swap Data Repository in compliance with Parts 43 and 45 of the CFTC Regulations.
- (b) The Reporting Counterparty for each Swap shall be established pursuant to CFTC Regulation 45.8. If the identity of the Reporting Counterparty cannot be established under CFTC Regulation 45.8, the ISDA Reporting Counterparty Rules shall be applied.
- (c) If the SEF cannot identify the Reporting Counterparty, the SEF will:
  - (1) notify each counterparty, as soon as technologically practicable after execution of the Swap, that it cannot identify whether that counterparty is the Reporting Counterparty and, if applicable, that neither counterparty is a U.S. person; and
  - (2) transmit to each counterparty the Legal Entity Identifier of the other counterparty.
- (d) If the Reporting Counterparty for a Swap that was executed on, or pursuant to the rules of, the SEF becomes aware of an error or omission in the swap transaction or pricing data that was reported with respect to such Swap, either through its own initiative or through notice by the other party to the swap, such party shall promptly notify the SEF of the error and/or correction. Upon receiving a notification from the Reporting Counterparty or otherwise becoming aware of an error or omission in the swap transaction or pricing data reported with respect to a Swap executed on, or pursuant to the rules of, the SEF, the SEF shall promptly submit corrected data to the same Swap Data Repository to which the Swap was previously reported.
- (e) No Person shall submit or agree to submit a cancellation or correction for the purpose of re-reporting swap transaction and pricing data in order to gain or extend a delay in public dissemination of accurate swap transaction or pricing data or to otherwise evade Applicable Law, including the reporting requirements set forth in Part 43 of the CFTC Regulations.

- (f) All Swaps executed on, or pursuant to the rules of, the SEF are reported to the Swap Data Repository of the Depository Trust and Clearing Corporation, except that “other commodity” swaps (as defined under Part 45 of the CFTC Regulations) are reported to a Swap Data Repository selected by the parties prior to executing the relevant Swap.

**Rule 8006 Timely Publication of Trading Information**

The SEF will publish trading information as required by Core Principle 9 of Part 37 and by Part 16 of the CFTC Regulations.

Secretary of the Commission  
April 2, 2015

**EXHIBIT C**

Amended tpSEF Inc. Rulebook

Version Marked to Show Changes to Version Effective March 25, 2015

# tpSEF Inc.

## Rulebook

Effective ~~March 25~~ April 24, 2015

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## SECTION 1 DEFINITIONS

### **Rule 1000**    **Definitions**

Unless otherwise specifically provided in the SEF Rules or the context otherwise requires, the following terms have the meanings specified herein.

“*Account Manager*” means an investment manager or other Person acting in a similar capacity that (i) is not an individual, and (ii) acts as an agent and attorney-in-fact to transact Swaps via the SEF in the name and on behalf of a Client. An Account Manager may be a Participant, a Sponsored Participant or a Customer.

“*Affected Person*” has the meaning specified in Rule 3103.

“*Affiliate*” means with respect to any Person, any Person who, directly or indirectly, controls, is controlled by or is under common control with, such other Person.

“*Appeals Panel*” means a panel appointed by the Chief Compliance Officer pursuant to Rule 6015.

“*Applicable Law*” means, with respect to any Person, any DCO Rule, statute, law, regulation, rule or ordinance of any governmental or self-regulatory authority or any DCO applicable to that Person’s activities on or in respect of the SEF, including (without limitation) these SEF Rules, the CEA and CFTC Regulations.

“*Appropriate Minimum Block Size*” means the minimum notional or principal amount for a category of Swap that qualifies as a block trade pursuant to CFTC Regulation 43.6.

“*Authorized Representative*” means any natural Person who is employed and authorized by a Participant to represent the Participant in SEF matters pursuant to Rule 3113.

“*Authorized Trader*” means a Person who is appointed, employed or authorized by a Participant (or by a Sponsored Participant) and who has been assigned a User ID by the SEF. Each Authorized Trader: (i) must be a natural Person; (ii) must have been granted Trading Privileges with respect to the trading activities of a Participant; and (iii) must satisfy any other requirements as may be prescribed by the SEF from time to time.

“*Block Trade*” means a Swap that: (i) has a notional or principal amount at or above the Appropriate Minimum Block Size applicable to such Swap; and (ii) (x) in the case of a Cleared Block Trade, is executed on a non-Order Book trading system or platform of the SEF, or (y) in the case of an Uncleared Block Trade, occurs away from a SEF trading system or platform and is executed pursuant to the SEF Rules.

“*Board*” means the board of directors of the SEF.

“*Business Day*” means a day on which the SEF is open for trading as provided on the SEF website.

“*By-Laws*” means the by-laws of the SEF.

“*CCO*” means the Chief Compliance Officer of the SEF.

“*CEA*” means the Commodity Exchange Act, as amended.

“*CEO*” means the Chief Executive Officer of the SEF.

“*Chief Executive Officer*” means the chief executive officer of the SEF appointed pursuant to the By-Laws and Rule 2200.

“*CFTC*” means the U.S. Commodity Futures Trading Commission.

“*CFTC Regulations*” means the rules and regulations promulgated by the CFTC, as amended.

“*Cleared Block Trade*” means a Block Trade in a Cleared Swap.

“*Cleared Swap*” means (i) a Swap that is subject to the Clearing Requirement, or (ii) any Swap of a type that is accepted by a DCO for clearing that the parties have elected to submit for clearing, whether or not the particular Swap is accepted or rejected.

“*Clearing Member*” means a member of a DCO.

“*Clearing Requirement*” means the mandatory clearing requirement set forth in Section 2(h)(1) of the CEA.

“*Client*” means a Person that granted in writing to an Account Manager investment discretion on behalf and in the name of such Person.

“*Confirmation*” means a written record of the terms of a Transaction, which terms shall be those required by Applicable Law.

“*CTP*” means customer type identification code.

“*Customer*” means a Person for whom an Introducing Broker, as agent, (i) enters Orders and/or engages in RFQs or Transactions on the SEF, and/or (ii) submits Uncleared Block Trades pursuant to the SEF Rules. A Customer may be a Participant.

“*DCM*” means a designated contract market as defined in CFTC Regulation 1.3(h).

“*DCO*” means a derivatives clearing organization as defined in Section 1a(15) of the CEA, or non-U.S. central clearing counterparty recognized or approved by the CFTC (either through formal CFTC action or through CFTC staff no-action relief), that provides clearing services with respect to any Swaps traded on, or pursuant to the rules of, the SEF.

“*DCO Rules*” means the relevant organizational documents of a DCO and any relevant rule, interpretation, stated policy or instrument corresponding to any of the foregoing, in each case as adopted or amended from time to time by the DCO.

“*Director*” means a Board director.

“*Disciplinary Action*” means any inquiry, investigation, disciplinary proceeding, appeal from a disciplinary proceeding, summary imposition of fines, summary suspension or other summary action.

“*Disciplinary Panel*” means the panel appointed by the Chief Compliance Officer to act in an adjudicative role and fulfill various adjudicative responsibilities and duties described in Section 6 of the SEF Rules.

“*ECP*” means an “eligible contract participant” as defined in Section 1a(18) of the CEA and CFTC Regulations thereunder.

“*Emergency*” means any occurrence or circumstance that, in the opinion of the SEF, requires immediate action and threatens, or may threaten, the fair and orderly trading in, or the clearance, settlement or integrity of, any Swap, including, without limitation, the following:

- (1) any circumstance that may materially affect the performance of the parties to a Swap, including failure of a DCO;
- (2) any action taken by (i) any United States or foreign regulatory, self-regulatory, judicial, arbitral or governmental (whether national, state or municipal) or quasi-governmental authority, or any agency, department, instrumentality or subdivision thereof; (ii) other Person exercising, or entitled to exercise, any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power; or (iii) any other swap execution facility, DCO, DCM, board of trade or other exchange or trade association (foreign or domestic) that may have a direct impact on trading on the SEF or the clearing and settlement of, or the legality or enforceability of, any Swap;
- (3) any actual, attempted or threatened corner, squeeze, congestion, manipulative activity or undue concentration of positions in a Swap or any related asset;
- (4) any circumstance that may have a severe, adverse impact upon the functions and facilities of the SEF, including, but not limited to, acts of God, fire, flood or other natural disasters, bomb threats, acts of terrorism or war, severely inclement weather or failure or malfunction of all or a portion of the SEF, or other system breakdowns or interruptions such as power, computer, communication or transportation systems or the Internet;
- (5) the imposition of any injunction or other restraint by any government agency, court or arbitrator upon a DCO which may affect the ability of a DCO to perform on a Swap;
- (6) any circumstance in which it appears to the Board that a DCO or any other Person:
  - (i) has failed to perform on a Swap;

- (ii) is insolvent; or
  - (iii) is in a financial or operational condition or is conducting business such that the DCO or Person cannot be permitted to continue in business without jeopardizing the safety of Participants, the SEF, any DCO or any other Person;
- (7) any other circumstance that would constitute an “emergency” within the meaning of CFTC Regulation 40.1(h); or
  - (8) any other unusual, unforeseeable or adverse circumstance that may have an effect similar to any of the foregoing as determined by the SEF.

“*Emergency Action*” means any action taken by the SEF in its discretion, in consultation with the CFTC and/or relevant DCO as necessary and practicable, in response to an Emergency, including, without limitation, any of the following actions:

- (1) suspending or curtailing trading or limiting trading (in whole or in part);
- (2) ordering the fixing of a settlement price, or the reduction of positions;
- (3) extending, limiting or changing the Trading Hours;
- (4) temporarily modifying or suspending any provision of the SEF Rules or Obligations;
- (5) imposing or modifying price limits;
- (6) altering any contract’s settlement terms or conditions;
- (7) imposing or modifying position limits; and/or
- (8) ordering any other action or undertaking to address or relieve the Emergency.

“*Emergency Rules*” has the meaning specified in Rule 7000.

“*End-User Exempt Transaction*” shall mean a Transaction exempt from the Clearing Requirement due to an election to use the End-User Clearing Exception.

“*End-User Clearing Exception*” means the exception from the Clearing Requirement set forth in Section 2(h)(7) of the CEA and CFTC Regulation 50.50 or any CFTC No-Action Letter or guidance.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

“*Execution Specialist*” means a SEF employee responsible for assisting Participants and Sponsored Participants (and any of their Supervised Persons) in entering on the SEF Orders, RFQs and Transactions and receiving reports of Uncleared Block Trades.

“*Family Relationship*” means, with respect to any natural person, such natural person’s spouse, former spouse, parent, stepparent, child, stepchild, sibling, stepbrother, stepsister, grandparent, grandchild, uncle, aunt, nephew, niece or in-law.

“*FCM*” means futures commission merchant as defined under Section 1a(28) of the CEA.

“*Government Agency*” means any governmental entity, body or agency of any government (including the United States, a state or foreign government).

“*Interested Person*” has the meaning specified in Rule 2500.

“*Introducing Broker*” is a Person that (i) is a registered or exempt FCM or introducing broker (as defined in Section 1a(31) of the CEA and CFTC Regulation 1.3(mm)), and (ii) enters Orders or engages in RFQs or Transactions on the SEF, and/or submits Uncleared Block Trades pursuant to the SEF Rules, on behalf of one or more Customers.

“*Investigation Report*” means any written report of investigation prepared by the Market Regulation Department.

“*ISDA*” means the International Swaps and Derivatives Association, Inc.

“*ISDA Reporting Counterparty Rules*” means the rules for establishing a Reporting Counterparty under the circumstances where CFTC Regulation 45.8 does not determine a Reporting Counterparty (for example, because both counterparties are Swap Dealers or both counterparties are Major Swap Participants) as published by ISDA on May 30, 2014 under the title “Dodd Frank Act – Swap Transaction Reporting Party Requirements” as such rules may be amended, restated, supplemented or otherwise modified or replaced from time to time.

“*ISV*” means independent software vendor.

“*Legal Entity Identifier*” has the meaning set forth in Part 45 of the CFTC Regulations.

“*Major Swap Participant*” has the meaning set forth in Section 1a(33) of the CEA and CFTC Regulations thereunder.

“*Market Regulation Department*” means the department within the SEF that regulates compliance with the SEF Rules. For purposes of the SEF Rules, Market Regulation Department may, as applicable, also include any Regulatory Services Provider pursuant to a Regulatory Services Agreement.

“*Material Adverse Change*” means a significant event that negatively affects the subject referenced.

“*Material Conflict of Interest*” means a Director, Officer, panel member or other Person:

- (1) being named as a respondent or potential respondent or a witness or potential witness in a Self-Regulatory Action;

- (2) being an employer, employee, fellow employee or an Affiliate of a respondent or potential respondent or a witness or potential witness in the Self-Regulatory Action;
- (3) having any significant, ongoing business relationship with a respondent or potential respondent or a witness or potential witness in the Self-Regulatory Action;
- (4) having a Family Relationship with a respondent or potential respondent or a witness or potential witness in a Self-Regulatory Action (including the individual's spouse, co-habitator, former spouse, parent, stepparent, child, step child, sibling, stepbrother, stepsister, grandparent, grandchild, uncle, aunt, nephew, niece, father-in-law, mother-in-law, brother-in-law or sister-in-law);
- (5) having a direct and substantial financial interest in the result of the deliberations or vote as referenced in CFTC Regulation 1.69, other than a direct or indirect equity or other interest in the SEF's Affiliates, that could reasonably be expected to be affected by the action. A direct and substantial financial interest includes positions in Swaps in accounts of, controlled by, or affiliated with the Director, Officer, panel member or other Person or in any other types of direct and substantial financial positions of the Director, Officer, panel member or other Person that are reasonably expected to be affected by the deliberations or vote; and/or
- (6) any other circumstance that gives rise to a conflict between the Director's, Officer's, panel member's or other Person's exercise of authority concerning any SEF Proceeding and his or her personal interests.

“*Material Relationship*” is one that reasonably could affect the independent judgment or decision making of a Public Director.

“*NFA*” means the National Futures Association.

“*Notice to Participants*” has the meaning specified in Rule 3108.

“*Obligation*” means any and all duties and/or responsibilities arising under each SEF Rule, order or procedure issued by the SEF (including Notices to Participants) and other requirements implemented by the SEF under the SEF Rules, including the terms and conditions of each Swap, as well as any contractual obligations between a Participant and the SEF.

“*Officer*” has the meaning specified in Rule 2200.

“*Order*” means a firm bid or offer for a Swap.

“*Order Book*” means the trading systems operated by the SEF in which Participants have the ability to enter multiple bids and offers, observe or receive bids and offers entered by other Participants, and transact on such bids and offers.

“*Package Transaction*” means a transaction involving two or more instruments: (1) that is executed between two or more counterparties; (2) that is priced or quoted as one economic transaction with simultaneous or near simultaneous execution of all components; (3) that has at least one component that is a swap that is a Required Transaction; and (4) where the execution of each component is contingent upon the execution of all other components.

“*Package Transaction (Order Book/RFQ Exempt)*” is a Package Transaction for which the CFTC has granted currently-effective no-action relief or other exception or exemption from the requirements of Section 2(h)(8) of the CEA and/or CFTC Regulation 37.9.

“*Participant*” means any Person, other than an ISV, that has been granted, and continues to have, Trading Privileges.

“*Participation Criteria*” means the criteria set forth in Rule 3000(a).

“*Permitted Transaction*” shall have the meaning provided in CFTC Regulation 37.9(c)(1).

“*Permitted Cross Transaction*” means a Permitted Transaction submitted by Participants for execution to an Execution Specialist or directly to the SEF that has been negotiated on terms mutually agreed between or among the parties.

“*Person*” means a natural person or an entity.

“*Personal Information*” means personally identifiable information or data concerning or relating to a Person’s employees, customers or prospective customers.

“*Proprietary Data*” means, with respect to any Person, any information that separately discloses business transactions, market positions or trade secrets of such Person.

“*Public Director*” means any Director who qualifies as a “public” director within the meaning of the By-Laws and applicable regulations and interpretations issued by the CFTC for determination qualifications of public directors.

“*Recipient Participant*” means, with respect to any Requester sending any RFQ via the Request for Quote functionality of the SEF, a Participant other than the Requester that (i) is not an Affiliate of or controlled by the Requester, and (ii) is not an Affiliate of or controlled by any other Recipient Participant receiving the same RFQ of the Requester.

“*Regulatory Oversight Committee*” means the committee described in Rule 2401.

“*Regulatory Services Agreement*” means the agreement(s) between the SEF and Regulatory Services Provider(s), under which market surveillance and trade practice surveillance functions are delegated to the Regulatory Services Provider.

“*Regulatory Services Provider*” means the organization, if any, which provides regulatory services to the SEF pursuant to a Regulatory Services Agreement. The SEF’s Regulatory Services Provider is currently the NFA.

“*Related Party*” has the meaning given in Rule 6028.

“*Reporting Counterparty*” has the meaning set forth in Part 45 of the CFTC Regulations.

“*Request for Quote*” means a message disseminated on the SEF for the purposes of soliciting bids or offers for a specific Swap pursuant to Rule 4003.

“*Requester*” has the meaning given in Rule 4003.

“*Requester Reply*” has the meaning given in Rule 4003.

“*Required Number*” means no less than three Recipient Participants.

“*Required Transaction*” shall have the meaning provided in CFTC Regulation 37.9(a)(1), as may be amended from time to time.

“*Required Cross Transaction*” means a Required Transaction (other than a Block Trade or Package Transaction (Order Book/RFQ Exempt)) (x) in which (i) a Participant seeks to execute against its Customer’s Order, or (ii) a Participant seeks to execute two of its Customers’ Orders against each other, and (y) that is submitted for execution on the Order Book, either directly or via an Execution Specialist, following some form of permitted pre-arrangement or pre-negotiation.

“*Response*” means a response to an RFQ from a Recipient Participants.

“*Resting Quote*” means any firm or indicative bid or offer displayed on the Order Book of the SEF.

“*Review Panel*” means a panel responsible for determining whether a reasonable basis exists for finding a violation of the SEF Rules or other provision of Applicable Law for which the SEF has disciplinary jurisdiction, and for authorizing the issuance of notices of charges against Persons alleged to have committed violations if the Review Panel believes that the matter should be adjudicated.

“*RFQ*” means a Request for Quote.

“*ROC*” means the Regulatory Oversight Committee of the SEF.

“*RSA*” means a Regulatory Services Agreement.

“*SEC*” means the U.S. Securities and Exchange Commission.

“*SEF*” means the swap execution facility operated by tpSEF Inc. or any successor thereto.

“*SEF Official*” means any Director or Officer of, or individual employed directly by, the SEF, the Regulatory Services Provider or any individual rendering similar services to the SEF under an administrative or similar agreement.



“*SEF Proceeding*” and “*SEF Proceedings*” means any inquiry, investigation, disciplinary proceeding or any appeal from a disciplinary proceeding, summary suspension or other summary actions.

“*SEF Rules*” means the rules of the SEF as set forth herein, as may be amended from time to time by the SEF.

“*Self-Regulatory Action*” means an Emergency Action or a SEF Proceeding.

“*Self-Regulatory Organization*” means the Financial Industry Regulatory Authority, the NFA or any other self-regulatory organization under the CFTC Regulations or the rules and regulations of the SEC.

“*Sponsored Participant*” means a third-party ECP that is extended Trading Privileges by a Sponsoring Participant pursuant to Rule 3110.

“*Sponsoring Participant*” means a Participant that extends Trading Privileges to a Sponsored Participant pursuant to Rule 3110.

“*Supervised Persons*” means Authorized Traders, directors, officers, employees or agents of any Participant.

“*Swap*” means any “swap” as defined in CEA Section 1a(47) that has been listed for trading on the SEF.

“*Swap Data Repository*” has the meaning set forth in Section 1a(48) of the CEA.

“*Swap Dealer*” has the meaning set forth in Section 1a(49) of the CEA.

“*Swap Specification*” means, with respect to any Swap, the specifications for such Swap as then in effect including any materials incorporated by reference therein.

“*Terms Incorporated by Reference*” has the meaning given in Rule 4012.

“*Trade Communication*” has the meaning given in Rule 4012.

“*Trading Hours*” means, for any Business Day, the hours as may be published by the SEF in a Notice to Participants, posted to the SEF’s website or included in Swap listing filings to the CFTC from time to time.

“*Trading Privileges*” means the right granted to a Participant, acting through one or more Authorized Traders, to use the SEF for execution of Swaps.

“*Transaction*” means any Swap transacted on the SEF in accordance with the SEF Rules.

“*Uncleared Block Trade*” means a Block Trade other than a Cleared Block Trade.

“*Uncleared Swap*” means a Swap other than a Cleared Swap.

“*User ID*” means a unique identifier issued to each Authorized Trader of a Participant that enables the SEF to identify the individual.

“*USI*” means a unique swap identifier created by the SEF pursuant to Part 45 of the CFTC Regulations.

## **SECTION 2 SEF GOVERNANCE**

### **Rule 2000    The SEF**

The SEF is a corporation organized under the laws of the state of Delaware. The By-Laws of the SEF govern the management and operation of the SEF.

## **BOARD**

### **Rule 2100    Board**

- (a) The Officers shall manage the day-to-day business operations of the SEF. The Board has the power and authority to oversee, and to affirm, modify, suspend or overrule, any and all decisions and actions of any committees of the Board or any panel of Officers related to the day-to-day business operations of the SEF.
- (b) The Board will determine which Swaps are available from time to time for trading subject to the SEF Rules, and will approve specifications for such Swaps; provided that the Board may delegate the authority to approve such rules to a SEF committee or to one or more Officers of the SEF; provided, further, that certifications or applications with respect to such rules will be submitted to the CFTC as required by the CEA and any regulations thereunder.
- (c) The Board may act only by the decision of an absolute majority in number of the Directors by vote at a meeting, by unanimous written consent without a meeting, or as otherwise set forth in the By-Laws. In the event of an Emergency, which in the judgment of the CEO (or, in his absence, the most senior Officer present) requires immediate action, a special meeting of the Board may be convened without notice, consisting of those Directors who are immediately available in person or by telephone and can be joined in the meeting in person or by conference telephone. The actions taken at such a meeting shall be effective if at least a quorum of the Directors participates either personally or by conference telephone.
- (d) At all times, at least 35% of the Directors shall be Public Directors. Each Director (including Public Directors) shall be appointed in accordance with the By-Laws and shall serve until his or her successor is duly appointed or until his or her earlier resignation or removal, with or without cause.
- (e) Each Director is entitled to indemnification pursuant to the By-Laws with respect to matters relating to the SEF.
- (f) To qualify as a Public Director, an individual must be found, by action of the Board, to have no Material Relationship with the SEF. The Board must make such finding upon the nomination or appointment of the Director and as often as necessary in light of all circumstances relevant to such Director, but in no case less than annually. In the event of an Emergency, the finding may be made in accordance with the procedures provided for in Rule 2100(c). The limitations applicable to Material Relationships also apply to the

“immediate family” of such director, *i.e.*, spouse, parents, children, and siblings, in each case, whether by blood, marriage, or adoption, or any person residing in the home of the director or that of his or her “immediate family.”

- (g) The members of the Board, including Public Directors, shall be of sufficiently good repute and, where applicable, have prior industry (or related) experience, a strong understanding of swaps and a familiarity with the rules and regulations that pertain to Swaps, and sufficient expertise in financial services.
- (h) Without limitation of any other provisions of this Rule 2100, the provisions of Article III of the By-Laws shall be deemed to be part of the SEF Rules and shall be deemed to be incorporated herein, to the same extent and with the same force and effect as if set forth herein in their entirety.
- (i) A Public Director of the SEF may also serve as a public director of an Affiliate of the SEF provided he or she does not have a Material Relationship with the SEF.

## **OFFICERS**

### **Rule 2200    Officers**

- (a) The Board shall appoint a Chief Executive Officer, a Chief Compliance Officer, and such other officers of the SEF (all of the foregoing, collectively, the “Officers”) as it may deem necessary or appropriate from time to time, in accordance with the By-Laws.
- (b) Any Officer may also be a director, officer, partner or employee of the SEF or any of its Affiliates.
- (c) The Officers shall have such powers and duties in the management of the SEF as the Board may prescribe from time to time.
- (d) Each Officer is entitled to indemnification pursuant to the By-Laws with respect to matters relating to the SEF.

### **Rule 2201    Chief Compliance Officer**

- (a) The Board shall designate an individual to serve as the Chief Compliance Officer and shall approve the compensation of the Chief Compliance Officer.
- (b) The Chief Compliance Officer’s duties shall include, but are not limited to, the following:
  - (1) overseeing and reviewing the SEF’s compliance with Applicable Law, including, without limitation, Section 5h of the CEA and related CFTC Regulations;
  - (2) in consultation with the CEO and such others, including, without limitation, the Board and/or the Regulatory Oversight Committee, as deemed appropriate and necessary, resolving any conflicts of interest that may arise, including: (i) conflicts between business considerations and compliance requirements; (ii)

conflicts between business considerations and the requirement that the SEF provide fair, open and impartial access as set forth in the CFTC Regulations; and (iii) conflicts between the SEF's management and members of the Board;

- (3) establishing and administering written policies and procedures reasonably designed to prevent violations of the CEA and CFTC Regulations;
  - (4) taking reasonable steps to ensure compliance with the CEA and CFTC Regulations;
  - (5) establishing procedures for the remediation of noncompliance issues identified by the Chief Compliance Officer through compliance office reviews, look-backs, internal or external audit findings, self-reported errors or validated complaints;
  - (6) establishing and following appropriate procedures for the handling, management response, remediation, retesting and closing of noncompliance issues;
  - (7) establishing and administering a compliance manual designed to promote compliance with Applicable Law and a written code of ethics designed to prevent ethical violations and to promote honesty and ethical conduct;
  - (8) supervising the SEF's self-regulatory program with respect to trade practice surveillance, market surveillance, real-time market monitoring, compliance with audit trail requirements, enforcement and disciplinary proceedings, audits, examinations and other regulatory responsibilities with respect to Participants, Customers, Clients, Authorized Traders and other market participants (including seeking to ensure compliance with, if applicable, financial integrity, financial reporting, sales practice, recordkeeping and other requirements);
  - (9) supervising the effectiveness and sufficiency of any regulatory services provided to the SEF by a Regulatory Services Provider; and
  - (10) preparing and filing the annual compliance report as required under the CEA and applicable CFTC Regulations.
- (c) The Chief Compliance Officer shall have available to him or her at all times the authority and the resources of the Market Regulation Department and such other resources as may be necessary to develop and enforce policies and procedures necessary to fulfill the duties set forth for chief compliance officers of swap execution facilities in the CEA and the CFTC Regulations. The Chief Compliance Officer shall have supervisory authority over all staff of the Market Regulation Department and all other compliance staff.
- (d) The Chief Compliance Officer shall report to the Chief Executive Officer. The Chief Compliance Officer shall have the authority to inspect the books and records of all Participants and the authority to require any Participant to appear before him or her and produce its books and records and answer questions regarding alleged violations of the SEF Rules or other provision of Applicable Law for which the SEF has disciplinary jurisdiction, at the time, place and in the manner it designates. The Chief Compliance

Officer may also delegate such authority to staff of the Market Regulation Department and/or the Regulatory Services Provider.

## QUALIFICATIONS

### **Rule 2300 Qualification of Chief Compliance Officer**

- (a) The Chief Compliance Officer shall have the background and skills appropriate for fulfilling the responsibilities of the position.
- (b) The Chief Compliance Officer may not be disqualified from registration pursuant to Section 8a(2) or (3) of the CEA.

### **Rule 2301 Qualifications of Directors, Panel Members, Committee Members and Officers**

- (a) A Director or Officer must meet the qualifications set forth from time to time in the By-Laws.
- (b) An individual may not serve as a Director or an Officer, hold a 10% or more ownership interest in the SEF, or serve on a committee established by the Board or a Disciplinary Panel or an Appeals Panel if the individual:
  - (1) within the prior three (3) years has been found, by a final decision in any action or proceeding brought in a court of competent jurisdiction, a Government Agency or any Self-Regulatory Organization, to have committed a disciplinary offense;
  - (2) within the prior three (3) years has entered into 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;
  - (3) is currently suspended from trading on a DCM, is suspended or expelled from membership in a Self-Regulatory Organization, is serving any sentence or probation, or owes any portion of a fine or penalty related to either:
    - (i) a finding of a disciplinary offense by a final decision in any action or proceeding brought in a court of competent jurisdiction, a Government Agency or any Self-Regulatory Organization; 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;
  - (4) is currently subject to an agreement with a Government Agency or Self-Regulatory Organization not to apply for registration with the Government Agency or for membership in the Self-Regulatory Organization;
  - (5) is currently, or within the past three (3) years has been, subject to a revocation or suspension of registration by the CFTC or other Government Agency;

- (6) has been convicted of a felony listed in Section 8a(2)(D)(ii) through (iv) of the CEA; or
  - (7) is currently subject to a denial, suspension or disqualification from serving on a disciplinary committee, arbitration panel or governing board of any self-regulatory organization as that term is defined in Section 3(a)(26) of the Exchange Act.
- (c) Any Director, Officer, member of a committee established by the Board, any panel member, any individual nominated to serve in any such role, or any individual authorized by the Regulatory Oversight Committee to take summary action shall immediately notify the Chief Executive Officer or the Chief Compliance Officer if such individual meets one or more of the criteria in Rule 2301(b).
- (d) For purposes of Rule 2301(b), the terms “disciplinary offense,” “final decision,” and “settlement agreement” have the meanings set forth in CFTC Regulation 1.63(a).

## **BOARD COMMITTEES**

### **Rule 2400 [Reserved]**

### **Rule 2401 Regulatory Oversight Committee**

- (a) The Regulatory Oversight Committee of the Board shall be composed entirely of Public Directors appointed by the Board.
- (b) Each member of the Regulatory Oversight Committee shall serve for a term of two (2) calendar years from the date of his or her appointment or until such person ceases to be Public Director or until removed from the ROC by the Board. A member of the Regulatory Oversight Committee may serve for multiple terms.
- (c) The Regulatory Oversight Committee shall oversee the SEF’s regulatory program on behalf of the Board. The Board shall delegate sufficient authority, dedicate sufficient resources, and allow sufficient time for the Regulatory Oversight Committee to fulfill its mandate. It shall make such recommendations to the Board that, in its judgment, will best promote the interests of the SEF. The Regulatory Oversight Committee shall also have such other powers and perform such other duties as set forth in the SEF Rules and as the Board may delegate to it from time to time.
- (d) Without limiting the generality of the foregoing, the Regulatory Oversight Committee shall have authority to:
  - (1) monitor the regulatory program of the SEF for sufficiency, effectiveness, and independence;

- (2) oversee all facets of the regulatory program, including:
  - (i) trade practice and market surveillance; audits, examinations, and other regulatory responsibilities with respect to Participants (including compliance with, if applicable, financial integrity, financial reporting, sales practice, recordkeeping, and other requirements); and the conduct of investigations;
  - (ii) reviewing the size and allocation of the regulatory budget and resources, and the number, hiring, termination and compensation of regulatory personnel;
  - (iii) reviewing the performance of the Chief Compliance Officer of the SEF and making recommendations regarding such performance to the CEO;
  - (iv) recommending changes that would ensure fair, vigorous, and effective regulation; and
  - (v) reviewing all regulatory proposals prior to implementation and advising the Board as to whether and how such changes may impact regulation.
- (e) The Regulatory Oversight Committee reports to the Board.

## **CONFLICTS OF INTEREST**

### **Rule 2500 Conflicts of Interest and Misuse of Material, Non-Public Information**

- (a) A Director, Officer, panel member or other Person authorized to exercise the SEF's authority concerning a Self-Regulatory Action who knowingly has a Material Conflict of Interest between (i) his or her position as a Director, Officer or panel member, or the exercise of authority concerning a Self-Regulatory Action, and (ii) his or her personal interests (each, an "Interested Person") may not participate in any deliberations or vote of the Board (which includes for purposes hereof a Board committee) or panel, or exercise any authority with respect to the Self-Regulatory Action, involving his or her personal interest, except as described below.
- (b) Before considering any Self-Regulatory Action, an Interested Person must disclose in writing to the Board the material facts concerning his or her relationship or interest in the matter.
- (c) Any Interested Person who would be required otherwise to abstain from deliberations and voting or the exercise of authority pursuant to paragraph (a) above as a result of having Material Conflict of Interest may participate in deliberations, prior to a vote on the matter, if:
  - (1) the material facts about the Interested Person's interest in the matter are disclosed or known to the Board or panel;



- (2) the Board determines that the participation by the Interested Person would be consistent with the public interest; and
  - (3) a majority of the Directors (excluding any Interested Persons) vote to allow the Interested Person to participate in deliberations on the matter.
- (d) If a determination is made pursuant to paragraph (c) that an Interested Person may participate in deliberations prior to a vote, then the minutes of the meeting of the Board or committee thereof will reflect the determination and the reasons for the determination.
- (e) If a determination is made that all Directors are Interested Persons with respect to a matter subject to a vote by the Board, the Chief Executive Officer will appoint a panel of individuals who are not Interested Persons with respect to such matter, which will have the same authority and powers over such matter that the Board would have if the Directors were not Interested Persons with respect to such matter.
- (f) No Director, Officer or member of any committee or panel established by the Board shall use or disclose, either during his or her association with the SEF or thereafter, for any purpose other than the performance of his or her official duties and responsibilities as a Director, Officer or committee or panel member any confidential information, including any material, non-public information obtained as a result of the individual's duties and responsibilities as a Director, Officer or committee or panel member. Each Director, Officer or committee or panel member in possession of confidential information shall take all appropriate steps to safeguard the information and to protect it against disclosure, misuse, espionage, loss and theft.
- (g) Notwithstanding paragraph (f) above, a Director, Officer or member of any committee or panel established by the Board may disclose confidential information in the course of his or her official duties or disclosures made to the CFTC, any Self-Regulatory Organization, a court of competent jurisdiction or any Government Agency or pursuant to Applicable Law.
- (h) No Director, Officer, or member of any committee or panel established by the Board, no employee of the SEF and no consultant to the SEF shall:
  - (1) trade for such Person's own account, or for or on behalf of any other account, on the basis of any material, non-public information obtained through the performance of such Person's official duties; or
  - (2) use or disclose, for any purpose other than the performance of such Person's official duties, any material, non-public information obtained by such Person as a result of such Person's official duties; *provided, however*, that this Rule shall not prohibit disclosures made by such Person in the course of his or her official duties or disclosures made to the CFTC, any Self-Regulatory Organization, a court of competent jurisdiction or any Government Agency or pursuant to Applicable Law.

## SERVICE AGREEMENTS

### **Rule 2600 Services Agreement with a Regulatory Services Provider**

- (a) The SEF may enter into a Regulatory Services Agreement with a Regulatory Services Provider to perform certain surveillance, investigative, and regulatory functions under the SEF Rules and the SEF may provide information to the Regulatory Services Provider in connection with the performance of those functions.
- (b) The SEF shall retain ultimate decision-making authority with respect to any functions that are contracted to a Regulatory Services Provider and shall remain responsible for the performance of any Regulatory Services received.

### **Rule 2601 Services Agreement with Other Service Providers**

The SEF, in its discretion, may enter into services agreements with service providers of its choosing to perform functions under the SEF Rules, and may provide information to such service providers in connection with the performance of those functions.

### **Rule 2602 Prohibited Use of Data Collected for Regulatory Purposes**

The SEF will not use for business or marketing purposes any Proprietary Data or Personal Information it collects or receives, from or on behalf of any Person, for the purpose of fulfilling its regulatory obligations; *provided, however*, the SEF may use such data or information for business or marketing purposes if the Person from whom it collects or receives such data or information clearly consents to the SEF's use of such data or information in such manner. The SEF will not condition access to its market(s) or market services on a Person's consent to the SEF's use of Proprietary Data or Personal Information for business or marketing purposes. The SEF, where necessary for regulatory purposes and as permitted by Applicable Law, may share such data or information with one or more DCOs, swap execution facilities or DCMs registered with the CFTC. In such an event, the SEF will request the DCO, swap execution facility or DCM to maintain the confidentiality of any such information in the same manner as the DCO, swap execution facility or DCM would protect its own proprietary data.

**SECTION 3**  
**PARTICIPANT ACCESS RULES**  
**QUALIFICATIONS**

**Rule 3000    Qualifications**

- (a) To be eligible for admission as a Participant, an applicant must demonstrate to the satisfaction of the SEF that it:
- (1) is an ECP;
  - (2) is of good reputation and business integrity;
  - (3) maintains adequate financial resources and credit;
  - (4) if it is an entity, is validly organized, in good standing, and authorized by its governing body and, if relevant, documents of organization, to trade Swaps;
  - (5) has not filed for bankruptcy;
  - (6) is not prohibited from using the services of the SEF for any reason whatsoever;
  - (7) holds all registrations required under Applicable Law, including, without limitation, any introducing broker, FCM, and/or Swap Dealer registration (each as defined in the CEA and CFTC Regulations);
  - (8) is not subject to statutory disqualification under Section 8a(2) of the CEA; and
  - (9) satisfies any other criteria that the SEF may require from a Participant to perform its responsibilities as a Self-Regulatory Organization, comply with Applicable Law or provide services, provided such criteria are impartial, transparent and applied in a fair and nondiscriminatory manner.

Once admitted, a Participant shall continue at all times to satisfy all such Participation Criteria and all other applicable eligibility criteria. Admission as a Participant only entitles the Participant to Trading Privileges and does not confer any right of ownership in the SEF, or right to attend or vote at meetings of the SEF, or right to share in the profits of the SEF.

- (b) Each Participant that is an Account Manager must cause its Client(s) on behalf of which it places any Order or RFQ or Transaction on the SEF or for which it enters into an Uncleared Block Trade pursuant to the SEF's rules, to be subject to the SEF Rules. In addition, each Participant that is an Account Manager must provide the SEF, upon the SEF's request, with written proof of authority to transact on the SEF or pursuant to the SEF Rules on behalf or in the name of each Client.

- (c) Each Participant intending to trade Cleared Swaps for its own account must either be a Clearing Member of a DCO where the Cleared Swaps it will trade are cleared or have a clearing account with a Clearing Member with respect to such Cleared Swaps under arrangements satisfactory to the SEF, and upon request provide the SEF with evidence of such relationship and any related agreements.
- (d) Each Participant that is an Account Manager, Introducing Broker or Sponsoring Participant must ensure that each of its Clients, Customers and Sponsored Participants intending to trade Cleared Swaps meets the requirements of subsection (c) above.
- (e) Participants that do not have, or whose Clients, Customers or Sponsored Participants do not have, a relationship with a Clearing Member as set forth in subsection (c) or (d) of this Rule 3000 are prohibited from entering Orders, RFQs or Transactions on the SEF.
- (f) The SEF shall monitor its Participants to ensure that they continue to qualify as ECPs.
- (g) Upon request of the SEF or its Regulatory Services Provider, each Participant (and each Authorized Trader) shall promptly provide to the Market Regulation Department or the Regulatory Services Provider (i) the names of its Customers, Client or Sponsored Participants (if applicable) and (ii) such information about Authorized Traders as the SEF requests.
- (h) The SEF may from time to time establish different categories of Participants receiving access to the SEF. Participants receiving comparable access to, or services from, the SEF will be subject to comparable fee structures.
- (i) Consistent with Applicable Law, the SEF will provide access to its trading platform on a fair and nondiscriminatory basis to any ECP that complies with the SEF's documentation and eligibility requirements as set forth in the SEF Rules.

## **PARTICIPANT APPLICATION AND ONGOING PARTICIPANT MATTERS**

### **Rule 3100 Application Requirements**

A Person that wishes to become a Participant of the SEF must:

- (a) file with the SEF an accurate and complete application and any applicable agreement as may be required by the SEF from time to time;
- (b) if it is an entity, provide a copy of all formation documents including any amendments thereto if requested by the SEF;
- (c) if it is an applicant organized or located outside of the United States, enter into a written agreement acceptable to the SEF appointing a third party as its U.S. agent for service of process for purposes of CFTC Regulation 15.05, and shall provide the SEF with a copy of the agreement;
- (d) provide such other information as may be requested by the SEF; and

- (e) provide written or electronic confirmation of its status as an ECP.

**Rule 3101 Review of Application**

- (a) The SEF in its discretion may conduct an investigation of any applicant that the SEF believes is appropriate.
- (b) The SEF shall review a prospective Participant's application and may ask for and review any additional information it deems relevant.

**Rule 3102 Acceptance as a SEF Participant**

If the SEF decides to admit an applicant as a Participant, it shall notify the applicant and state in such notice the date on which the applicant shall become a Participant.

**Rule 3103 Conditions for Denial**

- (a) The SEF may deny, condition or terminate Participant status of any Person:
  - (1) if such Person is unable to satisfactorily demonstrate its ability to satisfy the eligibility criteria to become or remain a Participant;
  - (2) if such Person is unable to satisfactorily demonstrate its capacity to adhere to all applicable SEF Rules;
  - (3) if such Person would bring the SEF into disrepute as determined by the SEF in its sole discretion; or
  - (4) for such other cause as the SEF may reasonably determine.
- (b) If the SEF decides to deny or condition an application for admission as a Participant, or terminate a Person's status as a Participant, the SEF shall promptly notify such Person (the "Affected Person") thereof in a writing sent to the address in the SEF application form or maintained in the SEF's records. Such Affected Person may, within seven (7) calendar days of receipt of such notification, request in writing that the SEF reconsider its determination.
- (c) Within thirty (30) calendar days of receiving the request for reconsideration, the SEF shall either confirm, reverse or modify the denial, conditioning or termination of the Affected Person as a Participant, and shall promptly notify the Affected Person accordingly in a writing sent to the address in the SEF application form or maintained in the SEF's records.
- (d) Any denials, conditionings or terminations implemented by the SEF pursuant to this Rule 3103 will be impartially enforced.

#### **Rule 3104 Duty to Keep Current**

If any material information in the Participant's application becomes outdated or otherwise is inaccurate or incomplete for any reason, the Participant must promptly update the application. Within thirty (30) calendar days following the end of each calendar year, Participants shall review and revise, as necessary, all information provided in their applications and provide such revisions to the SEF.

#### **Rule 3105 Withdrawal of Participant**

To withdraw from the SEF, a Participant must notify the SEF of its withdrawal. Such withdrawal shall be accepted and effective immediately upon receipt of such notice by the SEF.

Upon the effectiveness of the withdrawal of a Participant, all rights and privileges of such Participant terminate (including, without limitation, Trading Privileges). Notwithstanding the accepted withdrawal of a Participant, the withdrawn Participant remains subject to the SEF Rules and the jurisdiction of the SEF for acts done and omissions made while a Participant, and must cooperate in any SEF Proceeding as if the withdrawn Participant were still a Participant.

#### **Rule 3106 Dissolution of Participants**

All rights and privileges of a Participant terminate upon, and all obligations of a Participant shall survive, the dissolution of the Participant.

#### **Rule 3107 Application of SEF Rules and Jurisdiction**

- (a) Each Participant and its related Supervised Persons, Sponsored Participants, Clients and Customers, and any other Person accessing the SEF, directly or indirectly, agrees:
  - (1) to be bound by, and comply with, the SEF Rules and all Obligations, the DCO Rules and Applicable Law, in each case to the extent applicable to it;
  - (2) to become subject to the jurisdiction of the SEF with respect to any and all matters arising from, related to, or in connection with, the status, actions or omissions of such Person; and
  - (3) to assist the SEF in complying with its legal and regulatory obligations, cooperate with the SEF, its Regulatory Services Provider(s) and the CFTC in any inquiry, investigation, audit, examination or proceeding, and authorizes the SEF to provide information regarding it to any Regulatory Services Provider, the CFTC or any Self-Regulatory Organization.
- (b) Any Participant whose Trading Privileges and/or ability to otherwise access the SEF are revoked or terminated shall remain bound by the SEF Rules (in addition to any other Applicable Law) and subject to the jurisdiction of the SEF with respect to any and all matters arising from, related to or in connection with, the status, actions or omissions of such Participant prior to such revocation or termination.

- (c) An Authorized Trader who is suspended for any period remains subject to the SEF Rules, the Obligations and the SEF's jurisdiction throughout the period of suspension. After revocation or termination of the designation of an Authorized Trader, the Authorized Trader remains subject to the SEF Rules, the Obligations and the jurisdiction of the SEF for acts done and omissions made while an Authorized Trader. Any SEF Proceeding relating to an Authorized Trader shall occur as if the Authorized Trader were still registered as such.

**Rule 3108 Notices to Participants**

- (a) The SEF shall publish a notice with respect to each addition to, modification or clarification of the SEF Rules or of any action to implement any SEF Rules on the SEF's website or via an electronic mail distribution to enable each Participant to become aware of and familiar with, and to implement any necessary preparatory measures to be taken by it with respect to, such addition or modification, prior to the effective date thereof (each a "Notice to Participants"). The SEF shall use good faith efforts to provide Notices to Participants to each Participant via electronic mail. For purposes of publication in accordance with the first sentence of this Rule 3108, it shall be sufficient (without limiting the discretion of the SEF as to any other reasonable means of communication) if a Notice to Participants is published on the SEF's website.
- (b) Any Notice to Participants shall also be deemed to have been made to all Supervised Persons.

**Rule 3109 Authorized Traders**

- (a) Each Participant shall designate one or more Authorized Trader(s) which, in the case of a Sponsoring Participant, may include any Person appointed, employed or authorized by a Sponsored Participant as provided in Rule 3110.
- (b) By agreeing to become an Authorized Trader, an individual agrees to be bound by the duties and responsibilities of an Authorized Trader and to be subject to, and comply with, the SEF Rules and Obligations. Among other duties and responsibilities that the SEF may impose, an Authorized Trader must:
  - (1) have the authority, at the SEF's request, to adjust or withdraw any Order, RFQ or Transaction submitted under any User ID assigned to him or her;
  - (2) conduct activity under any User ID assigned to him or her in compliance with all SEF Rules and Obligations; and
  - (3) ensure he or she has been assigned its own User ID.
- (c) To designate an Authorized Trader, a Participant must follow the procedures established by the SEF. The SEF may establish criteria that individuals must fulfill to become an Authorized Trader.
- (d) The SEF will maintain a list of all designated Authorized Traders for each Participant.

- (e) The SEF may, in its sole discretion refuse to approve an Authorized Trader or revoke or suspend the designation of an individual as Authorized Trader to protect other Participants and the integrity of the SEF and shall promptly notify the related Participant of such action.
- (f) To request the termination of the designation of an individual as Authorized Trader, the Participant must follow the procedures established by the SEF.
- (g) Each Authorized Trader shall be identified to the SEF in the manner prescribed by the SEF and shall be subject to the SEF Rules. It is the duty of the Participant to ensure that each Authorized Trader registration is current and accurate at all times.
- (h) Without limiting the foregoing, prior to accessing the SEF each Authorized Trader consents to abide by the SEF Rules and Applicable Law and each Participant will ensure on an ongoing basis that: (i) none of its Authorized Traders is subject to a disqualification pursuant to any Applicable Law (unless an appropriate exemption has been obtained with respect thereto); (ii) each of its Authorized Traders will be technically proficient; (iii) each of its Authorized Traders will conduct its business in a fair and equitable manner; and (iv) each of its Authorized Traders will comply with the SEF Rules and Obligations and conduct its business in accordance with Applicable Law.

**Rule 3110    Sponsored Access**

- (a) A Sponsoring Participant may grant permission to one or more Sponsored Participants to access the SEF including, without limitation, to enter Orders, RFQs or Transactions on, or enter into Uncleared Block Trades pursuant to the rules of, the SEF. If the Sponsoring Participant is not the Sponsored Participant's clearing FCM, the Sponsoring Participant will provide all relevant clearing information to the SEF on behalf of the Sponsored Participant. Each Sponsored Participant shall designate one or more Authorized Traders to transact on the SEF.
- (b) The Sponsoring Participant is responsible for all Orders, RFQs and Transactions placed by any Person acting on behalf of or in the name of the Sponsored Participant on the SEF as if such Orders, RFQs or Transactions were placed by the Sponsoring Participant (whether or not the Sponsoring Participant was aware of and/or had approved the placing of such Orders, RFQs or Transactions). Any execution occurring as a result of an Order, RFQ or Transaction entered by a Sponsored Participant shall be binding in all respects on the Sponsoring Participant.
- (c) The Sponsoring Participant must monitor the Sponsored Participant's access to the SEF and activity on the SEF, including, but not limited to, the entry, cancellation or other processing of Orders, risk management, trade reporting, clearing and settlement of Transactions.
- (d) The Sponsored Participant is not a Participant of the SEF. The SEF has no liability to, and the SEF owes no duties or obligations to, nor has any responsibility for, the Sponsored Participant. Notwithstanding anything herein to the contrary, the Sponsored Participant and any other Person using a User ID or login credentials linked to a



Participant will be subject to, and must comply with, the SEF Rules, and may be subject to Disciplinary Action by the SEF for any violation or attempted violation of the SEF Rules or provisions of Applicable Law for which the SEF has disciplinary jurisdiction. The Sponsored Participant will be deemed to have represented and warranted that it is an ECP and that it has all registrations, licenses and consents required under Applicable Law. The Sponsoring Participant further agrees to cooperate with the SEF, or any other regulator, in connection with any inquiry regarding the Sponsored Participant's access and activities relating to the SEF and, in connection with such inquiry, the Sponsoring Participant shall ensure the cooperation of the Sponsored Participant and procure that the Sponsored Participant is contractually bound to cooperate with the SEF or any other regulator.

- (e) The Sponsoring Participant shall ensure that:
  - (1) the Sponsored Participant, its directors, members, officers, employees and agents comply with Applicable Law and the policies and procedures issued or approved by the SEF and with all of the duties and/or obligations imposed on Participants under the SEF Rules as if the Sponsored Participant were a Participant for such purposes, except with respect to any such duties and/or obligations which manifestly only relate to the Sponsoring Participant;
  - (2) the Sponsored Participant takes reasonable security precautions to prevent unauthorized access to and use of the SEF, including unauthorized entry of information on the SEF and unauthorized use of information and data made available by the SEF; and
  - (3) the Sponsored Participant uses any market data for its own internal purposes only and only in accordance with the SEF Rules.
- (f) The SEF will promptly notify a Sponsoring Participant in writing of its approval, or refusal to approve, the designation of a Sponsored Participant. The SEF may, in its sole discretion, revoke, limit, restrict or suspend the designation of a Sponsored Participant, and shall notify the Participant of such action in accordance with SEF procedures.
- (g) A Sponsoring Participant that seeks to terminate the designation of a Sponsored Participant shall notify the SEF in writing, providing such information as the SEF may require. The SEF shall terminate the Sponsored Participant's access to the SEF in accordance with procedures established by the SEF.

**Rule 3111 [Reserved]**

**Rule 3112 Introducing Brokers**

- (a) An Introducing Broker will be permitted to introduce trades on the SEF on behalf of a Customer (which may include another Participant or an Account Manager acting on behalf of a Client) where such Customer has so authorized the Introducing Broker and notified the SEF in the form and manner specified by the SEF from time to time.

- (b) If authorized, an Introducing Broker may enter any Order, engage in any RFQ, submit a Block Trade, or execute any Transaction otherwise permissible under the Rules on behalf of such Customer.

**Rule 3113 Authorized Representatives**

- (a) Each Participant shall designate an Authorized Representative(s) who will represent the Participant before the SEF and its committees and receive notices on behalf of the Participant.
- (b) The Authorized Representative shall be empowered by the Participant to act on its behalf and the SEF shall be entitled to rely on the actions of the Authorized Representative as binding on the Participant and each of its Authorized Traders.
- (c) Each Participant must provide the SEF with current contact and other requested information for each of its Authorized Representatives so that the SEF is able to immediately contact the Authorized Representatives.

**Rule 3114 Communications between the SEF and Participants**

- (a) Each Participant must provide the SEF with its current electronic mail address and telephone number and the electronic mail address and telephone number of each of its Authorized Traders and immediately (and in any event within 24 hours) update this information whenever it changes.
- (b) All communications between the SEF and the Participant will be transmitted by electronic mail and/or posted on the SEF's website, except as otherwise specified by the SEF.
- (c) The Participant shall be responsible for conveying such communications to all Supervised Persons.
- (d) Each Participant will be responsible for promptly reviewing and, if necessary, responding to all electronic communications from the SEF to the Participant or any of its Supervised Persons.
- (e) All communications made to Participants shall also be deemed to have been made to all Supervised Persons.

**Rule 3115 Recording of Communications**

The Market Regulation Department and/or Regulatory Services Provider(s) may record conversations and retain copies of electronic communications between the SEF, on one hand, and Participants, Sponsored Participants, Clients or Customers or any of their Supervised Persons or other agents, on the other hand. Any such recordings may be retained by the SEF or the Regulatory Services Provider in such manner and for such periods of time as the SEF may deem necessary or appropriate and in accordance with Applicable Law. The SEF or Regulatory Services Provider will retain such recording in compliance with CFTC Regulations.

## **MATERIAL CHANGES**

### **Rule 3200 Change of Control; Non-Assignment**

- (a) A Participant must provide written notice to the SEF of any of the following changes to its ownership, control or business operations no later than 48 hours after any such changes take effect:
  - (1) a merger of the Participant with another Person;
  - (2) a direct or indirect acquisition by the Participant of another Participant; or
  - (3) direct or indirect acquisitions or transfers of 50% or more in the aggregate of a Participant's assets or any asset, business or line of operation that generates revenues comprising 50% or more in the aggregate of the Participant's earnings measured on a rolling 36-month basis, or a change in ownership that results in one person owning 50% or more of a Participant's voting equity.
- (b) A Participant may not assign its rights as a Participant without the written consent of the SEF, which consent shall not be unreasonably withheld.

## **FEES**

### **Rule 3300 Fees**

- (a) The SEF shall set the times and amounts of any assessments or fees to be paid by Participants.
- (b) Dues and other amounts owed to the SEF are payable upon receipt of the invoice.
- (c) Participants in arrears sixty (60) days after the invoice date will forfeit all participation privileges, including the privilege of accessing the SEF.
- (d) The SEF shall use reasonable efforts to notify the Participant before any privileges are forfeited.

## **INDEPENDENT SOFTWARE VENDORS**

### **Rule 3400 ISVs**

- (a) Consistent with Applicable Law, the SEF will provide access to its trading platform and data on a fair and nondiscriminatory basis to any ISV that complies with the SEF's documentation and eligibility requirements for ISVs as set forth in the SEF Rules.
- (b) An ISV that wishes to access the SEF must:
  - (1) execute an ISV participation agreement in the form supplied by the SEF;

- (2) pay the monthly access fees that may be established by the SEF from time to time, which fees will be comparable for ISVs receiving comparable access to, or services from, the SEF;
  - (3) comply with the applicable technical access standards, system compatibility requirements, security protocols and technical specifications for connection to the SEF as may be specified by the SEF from time to time;
  - (4) ensure that each person that uses the ISV to access the SEF is either a Participant or a Client or Customer of a Participant;
  - (5) in the case of any Order, RFQ or Transaction submitted to the SEF through the ISV, provide sufficient detail to identify the Participant (and, if applicable, the Participant's Client or Customer) as required by the SEF; and
  - (6) satisfy any other criteria that the SEF may require to perform its responsibilities as a Self-Regulatory Organization, comply with Applicable Law or provide services, provided such criteria are impartial, transparent and applied in a fair and nondiscriminatory manner.
- (c) An ISV may provide data obtained from the SEF solely to Participants and/or Clients or Customers of a Participant in connection with such Participants' and/or Clients' or Customers' actual and proposed trading activity on the SEF, and will not provide such data to any other swap execution facility, security-based swap execution facility, DCM, national securities exchange or other trading facility or system without the prior written consent of the SEF.

## **BUSINESS CONDUCT REQUIREMENTS**

### **Rule 3500 Customers, Clients and Sponsored Participants**

No Participant shall enter an Order or RFQ or enter into a Transaction in the name of a Customer or Client, or permit a Sponsored Participant to enter an Order, RFQ or enter into a Transaction in the name of such Participant unless the Participant has entered into a written agreement with the Customer, Client or Sponsored Participant containing such terms as may from time to time be prescribed by Applicable Law.

### **Rule 3501 Disclosure Requirements; Know Your Counterparty Requirements**

- (a) Participants that are Swap Dealers or Major Swap Participants shall verify through representations or otherwise the status of each Swap counterparty as an ECP as provided in CFTC Regulations applicable to business conduct standards for Swap Dealers and Major Swap Participants in their dealing with counterparties.
- (b) Participants that are Introducing Brokers must verify the status of each of their Customers as an ECP.

- (c) Participants that are Account Managers must verify the status of each of their Clients as an ECP.
- (d) Participants that are Sponsoring Participants must verify the status of each of their Sponsored Participants as an ECP.
- (e) Each Participant and Supervised Person, Client, Customer or Sponsored Participant of a Participant must comply with all disclosure requirements set forth in under Applicable Law including any additional disclosure requirements imposed by the SEF Rules.

## SECTION 4 TRANSACTION EXECUTION

This Section 4 prescribes Rules concerning trade practices and business conduct on the SEF and applies to all Orders, RFQs and Transactions.

### **Rule 4000    Products and Trading Hours**

Except with respect to Emergencies, the SEF shall determine and publish the Business Days of the SEF and the Trading Hours for each Swap. Participants are prohibited from sending any RFQ or Order or entering into any Transaction or using any other facility of the SEF outside of the designated Trading Hours for the relevant Swap.

### **Rule 4001    Procedures**

- (a) With respect to trading on or through the SEF or subject to the SEF Rules, the SEF may adopt, without limitation, procedures relating to Transactions in Swaps and trading on the SEF or subject to the SEF Rules, including procedures to:
  - (1) disseminate the prices of bids and offers on, and Transactions in, Swaps;
  - (2) record, and account for, Swaps and SEF activity and regulate administrative matters affecting Swaps and SEF activity;
  - (3) establish daily limits (or such other frequency as may be determined from time to time by the SEF) on the notional amount and/or risk of RFQs, Orders or Transactions that may be submitted by a Participant through the SEF or subject to the SEF Rules;
  - (4) establish limits on Swaps that may be held by a Participant;
  - (5) establish a limit on the maximum daily price fluctuations for any Swap and provide for any related restriction or suspension of trading in the Swap;
  - (6) establish minimum price quoting increments for each Swap; and
  - (7) require a suspended or expelled Participant, or a Participant with restricted trading rights, to have Swaps executed for the Participant to reduce or eliminate any open position or exposure to future price changes for the Participant in any Swap.
- (b) The SEF may, in its discretion and at any time, amend any procedures adopted pursuant to Rule 4001(a), and will publish the amendments in a Notice to Participants or in any other manner determined appropriate by the SEF.

### **Rule 4002    Required Identifications**

- (a) Each Participant and all related Authorized Traders (including those of its Sponsored Participants) must have a User ID assigned in accordance with the procedure adopted by

the SEF from time to time in order to access the SEF. The User ID assigned to a Authorized Trader may not be reassigned to another Authorized Trader.

- (b) Orders entered on the SEF must include the User ID assigned to the Authorized Trader. An Authorized Trader is prohibited from allowing any other Person to use such unique identification to enter Orders on the SEF. No Person may enter Orders on the SEF using a User ID that has not been assigned to such Person.
- (c) Each Participant shall be responsible for all Orders, RFQs or Transactions placed using any of the User IDs assigned to its Authorized Traders or those of any of its Sponsored Participants.
- (d) Participants must terminate an Authorized Trader's access to the SEF upon termination of the Authorized Trader's employment at, or authorization or appointment by, the Participant or Sponsored Participant (as applicable).

#### **Rule 4003 Execution of Required Transactions**

- (a) No Participant shall execute a Required Transaction other than via a Request for Quote or the Order Book unless such Transaction is a Block Trade, Package Transaction (Order Book/RFQ Exempt) or an End-User Exempt Transaction. No Participant shall enter into an End-User Exempt Transaction unless it (or, if applicable, its Customer, Client or Sponsored Participant) or the counterparty to the Swap is eligible for and elects to rely on the End-User Clearing Exception. Upon request of SEF, a Participant shall submit to the SEF all documentation supporting its (or, if applicable, its Customer, Client or Sponsored Participant's) eligibility for the End-User Clearing Exception.
- (b) Request for Quote.
  - (1) The Request for Quote functionality allows a Participant (the "Requester") to communicate an RFQ to enter into a Swap to at least the Required Number of Recipient Participants, to which all such Recipient Participants may respond. A Requester is prohibited from sending an RFQ to less than the Required Number of Recipient Participants.
  - (2) The Requester will contact the SEF by phone, email or instant message, and will provide the SEF with the details of its desired Transaction, including the instrument type, quantity and direction, and response time instructions, which may include:
    - (i) cancel if no response in a timeframe specified by the Requester;
    - (ii) good-till-cancelled; or
    - (iii) day.

Regardless of the expiry time indicated, all RFQs will expire at the close of the trading session on the day submitted to the SEF.

Upon consent of the Requester, the SEF will also provide the identity of the Requester to the Recipient Participants.

- (3) The Requester may, but need not, designate some or all of the Recipient Participants. To the extent the Requester specifies one or more Recipient Participants, the Requester will be deemed to represent that: (i) it is not affiliated with any such Recipient Participants, and (ii) it does not have actual knowledge that any such Recipient Participants are affiliated with each other.

If the Requester does not specify the identities of at least the Required Number of Recipient Participants, the SEF, in its discretion and with the consent of the Requester, will select additional Recipient Participants in accordance with SEF procedures such that the Required Number is met. The SEF will inform the Requester of the identity of the proposed additional Recipient Participants.

By agreeing the RFQ may be sent to the Recipient Participants identified by the SEF, the Requester will be deemed to represent that: (i) it is not affiliated with any such the Recipient Participants, and (ii) it does not have actual knowledge that any such Recipient Participants are affiliated with each other.

- (4) As a condition to participation as a Recipient Participant, each Recipient Participant will be obligated to provide the SEF with a list of its affiliates that are also Participants and shall be deemed to represent that this list is accurate and complete to the best of its actual knowledge.
- (5) If the Requester's identity has been disclosed to the Recipient Participants, each Recipient Participant: (i) must promptly notify the SEF if it receives an RFQ from an affiliated Requester, and (ii) is deemed to represent that any RFQ to which it responds is not from an affiliated Requester.
- (6) If one or more Recipient Participants is affiliated with another Recipient Participant, additional Recipient Participants will be selected as described in (3) above, until the Required Number is achieved with only non-affiliated Recipient Participants being counted toward the Required Number.
- (7) Once all Recipient Participants have been identified, the SEF will communicate the Requester's RFQ to the Recipient Participants contemporaneously.
- (8) Responses to a Requester's RFQ will be communicated to the Requester in the order in which they are received. At the time the SEF provides the Requester with the earliest-to-arrive Response(s), the SEF will communicate to a Requester any firm Resting Quotes for the Swap indicated in the RFQ that is posted on the Order Book. The SEF will permit the Requester to execute against such firm Resting Quotes in accordance with SEF Rules along with any Responses from a Recipient Participant that is at the same or better price as the price of offers received from the Requester.



- (9) Permissible Responses to an RFQ may include:
- (i) acceptance of the RFQ terms (if RFQ provides price and size);
  - (ii) reject;
  - (iii) no response; and
  - (iv) price and/or size (including price or size different from any specified in the RFQ).
- (10) Each Response to an RFQ will also specify a time for the Requester to reply (“Requester Reply”) to the Response. Upon expiration of the designated timeframe, the Recipient Participant may instruct the SEF to cancel the Order upon expiration of the designated time limit or request the SEF to move the Response to the Order Book.
- (11) Similar to the Response, a Requester Reply may include, as applicable:
- (i) acceptance of Response terms;
  - (ii) reject;
  - (iii) no reply; and
  - (iv) price and/or size different from Response.
- (12) If the Requester accepts the terms of the Response, the Transaction will be executed on the SEF. If a Recipient Participant accepts the terms of a Requester Reply that includes price and/or size different from Response, the Transaction will be executed on the SEF.
- (13) If multiple Responses are accepted, the SEF will execute the Transactions in order of price and time. If two or more Responses are accepted at the same price and time and are for Cleared Swaps, each Response will be allocated its pro rata share. If two or more Responses are accepted at the same price and time and are not for Cleared Swaps, each Response will be allocated the share specified by the Requester.
- (14) Participants may modify or cancel an RFQ, Response or Requester Reply at any time unless the Requester or Responder, as the case may be, has accepted the RFQ, Response, or Requester Reply.
- (15) An RFQ for a specific Swap will be sent to at least the Required Number of Recipient Participants. A Participant is prohibited from sending an RFQ to less than the Required Number of Recipient Participants.

(16) RFQs and Responses are only good for the Business Day and applicable Trading Hours in which they are entered.

(c) Order Book.

(1) All Orders posted to the Order Book are firm.

(2) An acceptable Order must include a specific price and size.

(3) Orders entered on the Order Book will be executed using price and time priority.

(4) An acceptable Order will also indicate the time in force which may include the following:

(i) “*Day*” Orders are only good for the Business Day and applicable Trading Hours in which they are entered.

(ii) “*Fill-or-Kill*” Orders must be immediately executed for the entire size of the Order or are cancelled automatically.

(iii) “*Immediate or Cancel*” (“*Fill-and-Kill*”) Orders must be executed fully or partially and, if partially, the remaining quantity is cancelled automatically.

(iv) “*Good ‘til Time*” Orders are cancelled after a specified time if no matching Order is placed.

(v) “*Good ‘til Price*” Orders will be cancelled if the reference price of the specified instrument is moved up or down (depending upon whether the Order is a bid or offer).

(vi) “*One Cancels Other*” Orders are paired Orders stipulating that if one of the Orders is executed, the other is automatically cancelled.

Good ‘til Time, Good ‘til Price and One Cancels Other Orders are all also “*Day*” Orders, in that they are only good for the Business Day and applicable Trading Hours in which they are entered, even if the time, price or execution conditions are not otherwise met.

Not all types of Orders are available for all Swaps.

(5) An Order placed on the Order Book may be canceled provided such Order has not been executed. The price or size of an Order placed on the SEF that has not fully traded may be revised. If the size is reduced, the time priority originally assigned to the Order does not change. Revising the price or increasing the size will reset the Order’s time priority in the queue to the time the SEF receives the revision.

- (6) When an Authorized Trader logs off, all of its Orders on the Order Book are terminated provided that the Authorized Trader is the owner of the Order and has not entered the Order on behalf of a Customer. If for any reason the connection to the SEF is lost, all Orders entered from that location on the SEF are deactivated.

#### **Rule 4004 Permitted Transactions**

- (a) Permitted Transactions may be executed through the SEF's Order Book or via an RFQ as described in Rule 4003; provided, however, that for RFQs in Permitted Transactions, the requirements specified in Rule 4003 relating to the Required Number of Recipient Participants will not apply.
- (b) Permitted Cross Transactions may be submitted to an Execution Specialist for execution on a non-Order Book trading system or platform of the SEF. The Participant submitting a Permitted Cross Transaction to an Execution Specialist must provide the information required by Rule 8001.
- (c) Any Package Transaction (Order Book/RFQ Exempt) may be executed in the same manner as any Permitted Cross Transaction as described in Rule 4004(b), and any Package Transaction (Order Book/RFQ Exempt) for which an Order Book is available may be executed in the same manner as any Permitted Transaction as described in Rule 4004(a).

#### **Rule 4005 Mishandling of Orders**

Any Participant that mishandles any Order is responsible for all remedial actions with respect to such Order.

#### **Rule 4006 Trading Halts**

The SEF, in its sole discretion, may declare a trading halt at any time.

#### **Rule 4007 Termination of the SEF Connection**

The SEF, at its sole discretion, shall have the right to summarily terminate the connection of any Participant to the SEF. Additionally, the SEF, at its sole discretion, shall have the right to direct a Participant to immediately terminate the access to the SEF of any Sponsored Participant and to terminate the connection to the SEF on behalf of any Customer or Client.

#### **Rule 4008 Risk Controls**

- (a) The SEF may, in its sole discretion, to protect other Participants and the integrity of the SEF, reject any Order, RFQ or Transaction placed or reported on the SEF.
- (b) The SEF shall have the right to take any action to reduce the potential of market disruption, including, but not limited to, market restrictions that pause or halt trading if such action is in the best interest of the swap markets and/or the SEF.

#### **Rule 4009 Priority of Execution for Orders Received by a Participant**

Orders received by a Participant must be entered on to the SEF in the sequence received, subject to the following sentence. Participants shall not enter an Order into the SEF for his own account, an account in which he has a direct or indirect financial interest or an account over which he has discretionary trading authority, including, without limitation, an Order allowing discretion as to time and price, when such Person is in possession of any Order for another Person that the SEF is capable of accepting.

#### **Rule 4010 Trading Against Customers' Orders Prohibited; Withholding Orders Prohibited**

- (a) No Participant in possession of a Customer's Order shall knowingly take, directly or indirectly, the opposite side of such Order for its own account, an account in which it has a direct or indirect financial interest or an account over which it has discretionary trading authority.
- (b) The foregoing restriction shall not apply to the following:
  - (1) Block Trades; and
  - (2) Transactions where the Customer has consented to the extent required by Applicable Law.
- (c) Except as otherwise explicitly permitted under the SEF Rules, no Person shall disclose another Person's Order to buy or sell except to a designated SEF Official or the CFTC, and no Person shall solicit or induce another Person to disclose Order information. No Person shall take action or direct another to take action based on non-public Order information, however acquired. The mere statement of opinions or indications of the price at which a market may open or resume trading does not constitute a violation of this Rule.
- (d) Any Participant entering Orders on, or communicating RFQs to, the SEF for its Customer or Client shall not withhold or withdraw from the market any Order or RFQ, or any part of an Order or RFQ, for the benefit of any Person other than such Customer or Client.
- (e) A Participant must immediately enter into the SEF all Orders or communicate to the SEF all RFQs received from its Customers that are executable immediately. If a Participant cannot immediately enter into the SEF an Order or communicate to the SEF an RFQ received from its Customer, the Participant must enter the Order into or communicate the RFQ to the SEF as soon as practicable, and must immediately create an electronic record as provided in Rule 8002.

#### **Rule 4011 Simultaneous Buy and Sell Orders For Different Beneficial Owners**

~~(a)~~ With respect to Required Cross Transactions, the following conditions must be satisfied:

(a) ~~(1)~~ in the case of an execution by a Participant as principal against a Customer Order, enter the Customer Order into the Order Book as a firm quote at least 15 seconds ~~(or such lesser time as determined by the SEF from time to time)~~ before entering its Order into the Order Book; or

(b) ~~(2)~~ in the case of an execution of two Customers' Orders against each other, enter one Order into the Order Book as a firm quote at least 15 seconds ~~(or such lesser time as determined by the SEF from time to time)~~ before entering the other Order into the Order Book.

~~(b) A 5-second time delay requirement, as opposed to the 15-second time delay requirement specified above under Rule 4011(a), applies to the following types of Required Cross Transactions:~~

Fixed-to-Floating Interest Rate Swaps (USD)				
Currency	U.S. Dollar (USD)	U.S. Dollar (USD)	U.S. Dollar (USD)	U.S. Dollar (USD)
Floating Rate Indexes	USD LIBOR	USD LIBOR	USD LIBOR (3M only)	USD LIBOR (3M only)
Trade Start Type	Spot Starting (T+2)	Forward Starting on IMM Date (next two IMM dates)	Spot Starting (T+2)	Forward Starting on IMM Date (next two IMM dates)
Optionality	No	No	No	No
Fixed Leg				
Payment Frequency	Semi-Annual, Annual	Semi-Annual, Annual	Semi-Annual (30/360 Day-Count only) Annual (Actual/360 Day-Count only)	Semi-Annual (30/360 Day-Count only) Annual (Actual/360 Day-Count only)
Day Count Convention	30/360, Actual/360	30/360, Actual/360	30/360 (Semi-Annual payments only) Actual/360 (Annual payments only)	30/360 (Semi-Annual payments only) Actual/360 (Annual payments only)
Floating Leg				
Reset Frequency	Quarterly, Semi-Annual	Quarterly, Semi-Annual	Quarterly only	Quarterly only
Day Count Convention	Actual/360	Actual/360	Actual/360	Actual/360
Dual Currencies	No	No	No	No
Notional	Fixed-Notional	Fixed-Notional	Fixed-Notional	Fixed-Notional
Fixed Rate	Par	Par	Par	Par
Tenors	2, 3, 5, 7, 10, 12, 15, 20, 30 years	2, 3, 5, 7, 10, 12, 15, 20, 30 years	4, 6 years	4, 6 years

Fixed-to-Floating Interest Rate Swap (Non-USD)			
Currency	Euro (EUR)	Euro (EUR)	Sterling (GBP)
Floating Rate Indexes	EURIBOR	EURIBOR	GBP LIBOR
Trade Start Type	Spot Starting (T+2)	Spot Starting (T+2)	Spot Starting (T+0)
Optionality	No	No	No
Fixed Leg			
Payment Frequency	Semi-Annual, Annual	Annual only	Quarterly, Semi-Annual
Day Count Convention	30/360, Actual/360	30/360 only	Actual/365F
Floating Leg			
Reset Frequency	Quarterly, Semi-Annual	Quarterly, Semi-Annual	Quarterly, Semi-Annual
Day Count	Actual/360	Actual/360	Actual/365F

<b>Convention</b>			
<b>Dual Currencies</b>	No	No	No
<b>Notional</b>	Fixed-Notional	Fixed-Notional	Fixed-Notional
<b>Fixed Rate</b>	Par	Par	Par
<b>Tenors</b>	2, 3, 5, 7, 10, 15, 20, 30 years	4, 6 years	2, 3, 4, 5, 6, 7, 10, 15, 20, 30 years

## **Rule 4012      Confirmations**

- (a) The SEF will provide a Confirmation to each counterparty to a Transaction. The Confirmation (including, with respect to Uncleared Swaps, the Terms Incorporated by Reference as defined in Rule 4012(d)(1)) shall legally supersede any previous agreement and shall constitute a confirmation as defined in CFTC Regulation 45.1. The Confirmation shall contain, among other things:
  - (1) the USI for the Transaction; and
  - (2) the identity of the Swap Data Repository to which the Transaction is being reported.
- (b) With respect to certain products, Transactions and counterparties, a Confirmation may be provided on the SEF's behalf by MarkitSERV's Organized Trading Venue (OTV) Confirmation Service or other similar confirmation service.
- (c) Regardless of the means of delivery, pursuant to these rules, each Participant, Sponsored Participant, Customer and Client agrees that the Confirmation represents legally binding documentation memorializing the agreement of the parties to all the terms of the Transaction.
- (d) Confirmations for Uncleared Swaps.
  - (1) The economic terms specific to an Uncleared Swap agreed by Participants shall be reflected by the SEF in a written communication (the "Trade Communication") sent to the applicable Participants. The Trade Communication, together with the documents and agreements (including, without limitation, ISDA master agreements, other master agreements, terms supplements, master confirmation agreements and incorporated industry definitions) governing such Transaction existing at the time of such commitment to which the Participants are party (the "Terms Incorporated by Reference") shall, taken together, for purposes of CFTC Regulation 37.6(b) comprise all of the terms of such Transaction and serve as a confirmation of such Transaction.
  - (2) In satisfaction of the obligations imposed on the SEF under CFTC Regulation 37.6(b), (i) each Trade Communication is deemed to incorporate the Terms Incorporated by Reference, and (ii) the Participants hereby agree that the provisions of Rule 4012(d)(3) shall govern any conflicting terms.
  - (3) In the event of any conflict between (i) the Trade Communication and (ii) the Terms Incorporated by Reference, the Trade Communication shall prevail to the extent of any inconsistency.
  - (4) For each Uncleared Swap executed on or pursuant to the rules of the SEF, each previously-negotiated freestanding agreement of the counterparties included in the Terms Incorporated by Reference must be available to the SEF and/or the CFTC staff upon request within a reasonable period of time.

### **Rule 4013 Clearing and Other Arrangements**

- (a) Each Cleared Swap shall be cleared through the DCO indicated in the Swap Specification or agreed by the parties in accordance with the Applicable Law.
- (b) For each Cleared Swap a Participant expects to enter into via the SEF or subject to the SEF Rules, the Participant or a Participant's Client or Customer, as applicable, must establish a clearing account with the relevant DCO or with a Clearing Member of such DCO.
- (c) Promptly upon the execution of each Transaction in a Cleared Swap, the SEF shall submit the Transaction (which may include submission through a middleware provider) to the relevant DCO. A Transaction will be deemed to have been accepted for, or rejected from, clearing upon receipt of appropriate notice, in accordance with Applicable Law, from the DCO or from a third party acting on behalf of the DCO as authorized by the DCO for such purpose. The acceptance of a Transaction for clearing shall not relieve any Participant, Client or Customer of the duty to act in good faith and with reasonable care and diligence.
- (d) If a Transaction in a Cleared Swap (including a Transaction that is a component leg of a Package Transaction) is rejected by the DCO or a third party acting on behalf of the DCO, such Transaction is void *ab initio* and shall be canceled by the SEF. The SEF Rules do not permit trades that are rejected from clearing to be held in a suspended state and then re-submitted.
- (e) The SEF shall have the right to (i) suspend Trading Privileges of the Participant(s) that executed one or more rejected Transactions or prohibit further trading on behalf of the Client(s) or Customer(s) on whose behalf any rejected Transaction(s) were executed, or (ii) take any other action permitted by the SEF Rules. The liability for any losses arising out of or in connection with a rejected Transaction will be determined by the parties to the Transaction. For the avoidance of doubt, the SEF will have no liability for any such losses.
- (f) It shall not be a condition for access to the SEF that any Participant be subject to a breakage agreement. This includes breakage agreements in respect of Package Transactions.
- (g) Each Participant or Customer of a Participant that is registered, or required to be registered, with the CFTC as a Swap Dealer or Major Swap Participant is responsible for compliance with the mandatory trading requirement under Section 2(h)(8) of the CEA when such Participant or Customer enters into, or facilitates entry into, a Swap that is subject to the Clearing Requirement.
- (h) A Participant may enter into an Uncleared Swap only with a counterparty with which such Participant has swap trading relationship documentation that meets the requirements of Applicable Law. A Participant may enter into an Uncleared Swap on behalf of a Customer or Client only if such Customer or Client has swap trading relationship documentation with the relevant counterparty that meets the requirements of Applicable



Law. The Participant and/or Customer or Client shall provide any information requested by the SEF in the processing and settlement of such Uncleared Swaps.

#### **Rule 4014 Information Regarding Orders**

The SEF may make information regarding Orders (including prices and amounts), Transactions and any other matters it may deem appropriate available to Participants and other Persons at such times and in such manner (whether through the SEF, a ticker, financial information services or otherwise) as it may consider necessary from time to time. In accordance with Rule 5702, each Participant or other Person receiving any such information through the SEF may redistribute such information only to such extent and in such manner as may be permitted by the SEF from time to time.

#### **Rule 4015 Enforceability**

A Transaction entered into on or pursuant to the Rules shall not be void, voidable, subject to rescission or otherwise invalidated or rendered unenforceable as a result of (a) a violation by the SEF of the provisions of Section 5h of the CEA or Part 37 of the CFTC Regulations or (b) any CFTC proceeding to alter or supplement a rule, term or condition under Section 8a(7) of the CEA, to declare an emergency under Section 8a(9) of the CEA, or any other proceeding the effect of which is to alter, supplement or otherwise require the SEF to adopt a specific term or condition, trading rule or procedure or to take or refrain from taking a specific action.

Without limiting the generality of the foregoing, failure of the SEF to broadcast any message in respect of a Transaction made on the SEF shall not invalidate any Transaction recorded by the SEF.

#### **Rule 4016 Block Trades**

The following shall govern all Block Trades in Swaps:

- (a) All Block Trades, unless otherwise exempted by a SEF Rule, must comply with the requirements set forth in Rule 8003.
- (b) Each buy or sell Order underlying a Block Trade must (1) state explicitly that it is to be, or may be, executed by means of a Block Trade, and (2) comply with any other applicable CFTC Regulations governing Block Trades.
- (c) Package Transactions may be executed as Block Trades, provided that each component is for a quantity that is equal to or in excess the Appropriate Minimum Block Size.
- (d) A Participant transacting a Block Trade on behalf of a Client or Customer must receive prior written instruction or consent from the Client or Customer to do so.
- (e) Except as may be permitted by CFTC Regulation 43.6(h)(6) or as otherwise permitted by Applicable Law, the aggregation of Orders across multiple Customers or Clients in order to meet the Appropriate Minimum Block Size is prohibited.

- (f) Each party to a Block Trade shall comply with all applicable SEF Rules other than those which by their terms only apply to trading through the Order Book and RFQ.
- (g) Block Trades must be submitted to the SEF in a manner prescribed from time to time by the SEF, and such submissions must include all of the data required by Parts 43 and 45 of the CFTC Regulations. Persons entering into a Block Trade must agree upon which party shall be responsible for reporting all terms of the Block Trade to the SEF. All Block Trades must be reported to the SEF by that party as soon as technologically practicable after execution, but no later than 10 minutes after execution.
- (h) The SEF will review the information submitted by the Participant(s) for the Block Trade, and, if the details are complete and accurate in accordance with this Rule 4016, will report the Block Trade as required by Parts 43 and 45 of the CFTC Regulations as soon as technologically practicable after execution, including simultaneously notifying the Swap Data Repository of the block trade election pursuant to CFTC Regulation 43.6(g)(1)(ii).
- (i) Any Block Trade in violation of these requirements may constitute conduct which is inconsistent with just and equitable principles of trade.
- (j) Upon request by the SEF, each party to a Block Trade shall produce satisfactory evidence that the Block Trade meets the requirements set forth in the SEF Rules.
- (k) Pursuant to NAL 14-118, expiring December 15, 2015, Cleared Block Trades may be executed on a non-Order Book trading system or platform of the SEF. All such Block Trades must comply with the pre-execution credit check requirements set forth in Rule 4017.

#### **Rule 4017 Pre-Execution Credit Checks**

At the time of submitting an Order or RFQ for any Cleared Swap or any Cleared Block Trade, a Participant must designate a Clearing Member with regard to the Transaction (which may be the Participant if it is a Clearing Member). Prior to the execution of any Order or RFQ for a Cleared Swap or any Cleared Block Trade, the SEF will facilitate pre-execution credit screening by or on behalf of the designated Clearing Member. Upon receiving confirmation that the Order, RFQ or Cleared Block Trade satisfies the Clearing Member's pre-execution limits, the SEF will accept the Order, RFQ or Cleared Block Trade for execution. If the SEF does not promptly receive confirmation or receives confirmation that the Order, RFQ or Cleared Block Trade does not satisfy the Clearing Member's pre-execution limits, the SEF will cancel the Order, RFQ or Cleared Block Trade.

#### **Rule 4018 Risk Mitigation Sessions**

The SEF may conduct periodic risk mitigation sessions in accordance applicable CFTC guidance and no-action positions and procedures established by the SEF. Information on upcoming risk mitigations sessions will be made available by the SEF on its website.

## **POSITION LIMITS AND POSITION ACCOUNTABILITY LEVELS**

### **Rule 4100 SEF Rules Do Not Limit Emergency Powers**

Nothing contained in the SEF Rules relating to position limits shall in any way be construed to limit the ability of the SEF to take an Emergency Action as enumerated in the SEF Rules, and, unless the Board in taking an Emergency Action shall state otherwise, any such Emergency Action shall be effective with respect to all Participants, regardless of whether an exemption from the position limits has previously been granted pursuant to these SEF Rules.

### **Rule 4101 Position Limits**

- (a) The SEF shall adopt for each of the Swaps traded on the SEF, as is necessary and appropriate, position limits.
- (b) Except as otherwise provided by the SEF Rules, no Person, including a Participant, may hold or control a position in excess of such position limits and a Participant may not maintain a position in excess of such position limits for a Client or Customer if such Participant knows, or with reasonable care should know, that such position will cause such Client or Customer to exceed the applicable position limits.
- (c) Position limits shall apply to (i) all positions in accounts for which any Person, by power of attorney or otherwise, directly or indirectly holds positions or controls trading, and (ii) positions held by two or more Persons acting pursuant to an expressed or implied agreement or understanding, as if the positions were held by, or the trading of the positions were done by, a single Person.

### **Rule 4102 Exemptions from Position Limits**

Any Person seeking an exemption from the position limits referred to in Rule 4100 and 4101 must file an application with the SEF in the manner and within the time limits prescribed by the SEF. The SEF shall notify the applicant whether the exemption has been approved and whether the SEF has imposed any limitations or conditions on the exemption. The decision of the SEF shall be final.

### **Rule 4103 Position Accountability**

- (a) The SEF may establish a position accountability level for any Swap. Any Person, including a Participant, who owns or controls Swaps in excess of the applicable position accountability level shall provide the SEF, at its request, any information regarding the nature of the position, trading strategy or hedging activities, if applicable, and if ordered by the SEF, shall not increase the size of any such position.
- (b) For purposes of this Rule, all positions in accounts for which a Person, by power of attorney or otherwise, directly or indirectly controls trading shall be included with the positions held by such Person. The provisions of this Rule shall apply to positions held by two or more Persons acting pursuant to an expressed or implied agreement or understanding, as if the positions were held by a single Person.

## **Rule 4104    Enforcement**

- (a) No Participant may for itself or any Customer or Client maintain a combination of Swaps which is, or which when aggregated in accordance with this Rule is, in excess of the limits established by this Rule.
- (b) In the event the SEF learns that a Participant, Customer or Client maintains positions in accounts with more than one (1) Participant such that the aggregate position in all such accounts exceeds the position limits and position accountability levels established by this Rule, the SEF may notify all Participants maintaining or carrying such accounts of the total positions of such accounts. Such notice may also instruct each such Participant to reduce the positions in such accounts immediately after receipt of the notice, proportionately or otherwise so that the aggregate positions of such accounts at all such Participants does not exceed the position limits and position accountability levels established by Rules 4102 and 4103, unless as provided by paragraph (c) below, a request for an exemption is made and granted by the SEF pursuant to this Rule. Any Participant receiving such notice shall immediately take such steps as may be necessary to liquidate such number of contracts as shall be determined by the SEF in order to cause the aggregate positions of such accounts at such Participants to comply with the position limits and position accountability levels established by Rules 4102 and 4103. Notwithstanding the foregoing, the Participants may reduce the positions of such accounts by a different amounts so long as after all reductions have been accomplished at all Participants carrying such accounts, the positions at all such Participants complies with the position limits and position accountability levels established by Rules 4102 and 4103.
- (c) In the event a Participant, Customer or Client exceeds its position limit due to sudden unforeseen increases in its bona fide hedging needs, such Participant, Customer or Client shall not be considered in violation of the SEF Rules provided that such Person requests a hedge exemption to carry such increased position within five (5) Business Days following the day on which the Participant's, Customer's or Client's position limit was exceeded and provided that such exemption is granted by the SEF.
- (d) Subject to the foregoing provisions of this Rule, in the event that a Participant's position (whether for his own account or for the account of a Customer or Client) exceeds the position limits established by this Rule or ordered by the SEF such Participant shall liquidate such amount of Swaps as the SEF shall direct in order to eliminate the excess within such time as the SEF may prescribe and shall report to the SEF when such liquidations have been completed. If a Participant fails so to liquidate contracts within the time prescribed by the SEF, then, in addition to any other actions the SEF may take, the SEF may take such steps as it may deem necessary or appropriate to liquidate such contracts on behalf and at the expense of such Participant to the extent necessary to eliminate such excess. Without limiting the generality of the foregoing, if such Participant is a Clearing Participant, the SEF may request the DCO to effect such liquidation in accordance with rules of the DCO. In addition, the SEF in its discretion may require any Participant carrying an account for such Participant, Customer or Client to obtain and hold additional original margin from such Participant, Customer or Client in

such amount and form and by such time as the SEF shall specify until such excess has been eliminated.

**SECTION 5**  
**PARTICIPANT CONDUCT**  
**DUTIES AND OBLIGATIONS**

**Rule 5000 Duties and Responsibilities of Participants**

Each Participant shall (and shall cause all of its Supervised Persons to):

- (a) use the SEF and effect Transactions in a responsible manner and not for any improper purpose;
- (b) use the SEF only to conduct permitted activity as determined by the SEF;
- (c) comply with the SEF Rules and conduct all such activity in a manner consistent with the SEF Rules and Obligations;
- (d) comply with Applicable Law;
- (e) observe high standards of integrity, market conduct, commercial honor, fair dealing, and just and equitable principles of trade while conducting or attempting to conduct any activity on or through the SEF, or any aspect of any business connected with or concerning the SEF;
- (f) not knowingly mislead or conceal any material fact or matter in any dealings or filings with the SEF or in response to any SEF Proceeding;
- (g) keep any User IDs, account numbers and passwords related to the SEF confidential;
- (h) employ practices to monitor and enforce compliance with risk limits established in conformance with Applicable Law; and
- (i) keep, or cause to be kept, complete and accurate books and records in accordance with Rule 8002.

**Rule 5001 Required Disclosures to the SEF**

- (a) Each Participant shall immediately notify the Market Regulation Department in writing at such time as it becomes aware of the occurrence of any of the following events:
  - (1) any damage to, or failure or inadequacy of, the systems, facilities or equipment of the Participant to effect Transactions pursuant to the SEF Rules or to timely perform the Participant's financial obligations under or in connection with Swaps of such Participant or any Customer, Client or Sponsored Participant of such Participant;
  - (2) any violation of Applicable Law in connection with the Participant's access or activities on the SEF, including the requirements of the CFTC and, if applicable, NFA;

- (3) a Material Adverse Change in the Participant's financial condition or that of a Participant's Affiliate if such change materially impacts the Participant's ability to satisfy its obligations under the SEF Rules;
- (4) any refusal of admission to any other swap execution facility, commodity or securities exchange, DCM, DCO, Self-Regulatory Organization or other business or professional association, or withdrawal of any application for participation or membership in any swap execution facility, commodity or securities exchange, DCM, DCO, Self-Regulatory Organization or other business or professional association by the Participant;
- (5) the indictment or conviction of, or any confession of guilt or plea of guilty or *nolo contendere* by, the Participant or any of its Supervised Persons with access to the SEF for any felony of any nature or misdemeanor involving, arising from, or related to, the purchase or sale of any Swap or other financial instrument, or involving or arising from moral turpitude, misrepresentation, fraud, deceit, theft, embezzlement, gambling, conversion or abuse of a fiduciary relationship;
- (6) the issuance of a formal order of investigation (or its equivalent), or the commencement, by the issuance or service of a written complaint (or its equivalent), of any judicial, administrative or self-regulatory proceeding, as the case may be, against the Participant or any of its Supervised Persons, by the CFTC, the SEC, the securities commission or equivalent authority of any state, territory, the District of Columbia or foreign country, or any swap execution facility, commodity or securities exchange or related clearing organization, DCM, DCO, any Self-Regulatory Organization or other business or professional association;
- (7) the bankruptcy or insolvency of the Participant or any of its Affiliates; or
- (8) any suspension, expulsion, bar, fine, censure, cease and desist order, temporary or permanent injunction, denial of trading privileges, or any other sanction or discipline imposed on the Participant or any of its Supervised Persons, whether through an adverse determination, voluntary settlement or otherwise, by:
  - (i) a swap execution facility, commodity or securities exchange, DCM, DCO, Self-Regulatory Organization or other business or professional association;
  - (ii) the SEC, the CFTC or the securities commission or equivalent authority of any state, territory, the District of Columbia or foreign country; or
  - (iii) any federal court, state court, Government Agency not mentioned above or quasi-governmental body.

- (b) Each Participant shall notify the Market Regulation Department in writing within 10 days of becoming aware of the occurrence of any of the following events:
  - (1) any denial or withdrawal of any application for any registration or license with respect to the Participant or any of its Supervised Persons by or from the SEC, the CFTC or the securities commission or equivalent authority of any state, territory, the District of Columbia or foreign country; or
  - (2) the issuance of a bar by any agency of the United States from contracting with the United States.

## **TRADING CONDUCT**

### **Rule 5100 Abusive Trading Practices Prohibited**

- (a) No Participant or any of its Supervised Persons shall engage in any fraudulent act or engage in any scheme to defraud, deceive, trick or mislead in connection with or related to any SEF activity including, without limitation, any of the following trading practices except as otherwise authorized under these SEF Rules:
  - (1) front-running;
  - (2) wash trading;
  - (3) pre-arranged trading (it being understood that pre-arranged trading does not include Transactions resulting from pre-execution communications to the extent permitted by Rule 5203(b));
  - (4) fraudulent trading;
  - (5) money passes;
  - (6) fictitious transactions;
  - (7) non-competitive transactions (unless otherwise exempt or excluded pursuant to the SEF Rules);
  - (8) accommodation trading; or
  - (9) any other trading practices that the SEF deems to be abusive.

Additionally, no Participant or any of its Supervised Persons shall knowingly execute or accommodate the execution of any such activity by direct or indirect means.

- (b) No Participant shall trade any Swap that is not authorized to trade on the SEF.



### **Rule 5101 Good Faith Bids and Offers**

A Participant shall not knowingly enter, or cause to be entered, bids or offers into the SEF (whether Orders or RFQs) other than in good faith for the purpose of executing *bona fide* Transactions.

### **Rule 5102 Invalid Transactions**

- (a) A Transaction made or purported to be made on or pursuant to the rules of the SEF may be declared invalid by the SEF in the following circumstances:
- (1) *Unrepresentative Price.* If, taking into consideration current market conditions, the SEF determines that a Transaction has taken place at an unrepresentative price, the SEF, at its absolute discretion, may declare such Transaction invalid. The SEF may take into account such information as it deems appropriate when determining whether to invalidate a Transaction, including, without limitation, the following:
    - (i) price movement of other swap contracts with similar terms;
    - (ii) current market conditions, including levels of activity and volatility;
    - (iii) time period between different quotes and between quoted and traded prices;
    - (iv) market or other information regarding price movement in related swap contracts; or
    - (v) manifest error.
  - (2) *Breach of Applicable Law.* If the SEF determines that a Transaction has been made in breach of Applicable Law, the SEF may declare the Transaction invalid.
- (b) When a Transaction is declared invalid by the SEF, the parties to the Transaction will be notified by the SEF of that fact and a message will be broadcast through the SEF announcing the Swap contract and price level of the invalid Transaction, and the invalid Transaction may be displayed on the SEF as a cancelled Transaction.

### **Rule 5103 Errors**

- (a) If an Order or RFQ was incorrectly executed or rejected by the SEF, a Participant may, within fifteen (15) minutes thereafter, request review of the Order by providing the confirmation number for the Order or RFQ and stating the grounds for the disagreement.
- (b) Upon timely receipt by the SEF of a request for review of an Order or RFQ and the accompanying confirmation number, the SEF will review its electronic audit trail to determine if the SEF correctly executed the Order or RFQ. If the request for review is not timely, the SEF may, in its sole discretion, perform a review of the Order or RFQ. Such

review will be completed (i) on the same Business Day if the SEF received such request for review prior to two and a half hours prior to the end of Trading Hours for the Swap on any Business Day, or (ii) by the end of the following Business Day if such request was received (x) on or after such time on any Business Day or (y) on any day that is not a Business Day.

- (c) If the review described in this Rule reveals that the Order was incorrectly executed, then the Order or RFQ in question shall be cancelled as to all affected parties.
- (d) If the review described in this Rule reveals that the Order or RFQ was correctly executed by the SEF, then no adjustment shall be made.
- (e) Notwithstanding anything to the contrary in this Rule, if the SEF determines in its sole discretion that the execution of any Transaction was the result of Orders or RFQs being incorrectly processed by the SEF, or any other cause beyond the control of any Participant, then the SEF may cancel such Transactions of all affected Participants. The SEF may also cancel, or adjust the terms of, any Transaction executed on or pursuant to the SEF Rules: (i) when the SEF determines, in its sole discretion, such action is necessary, for example, to mitigate market disrupting events caused by malfunctions in the SEF's trading systems or platforms or by errors in any Order(s) submitted, or (ii) at any time the SEF determines, in its sole discretion, that allowing a Transaction to stand as executed may have a material adverse effect on the integrity of the market.
- (f) If a Participant incorrectly enters a Transaction and requires the SEF to submit a correction of the Transaction to the Swap Data Repository, the Participant must inform the SEF of any such correction within two (2) Business Days of the Transaction's trade date. Such Participant must obtain the counterparty's (if applicable) consent to any such correction and retain evidence of such consent in accordance with the SEF's recordkeeping rules.

#### **Rule 5104 Misuse of the SEF**

Misuse of the SEF is strictly prohibited. It shall be a violation of the SEF Rules for any Person to willfully or negligently engage in unauthorized access to the SEF, to assist any Person in obtaining unauthorized access to the SEF, to trade on the SEF without the authorization of a Participant, to alter the equipment associated with the SEF, to interfere with the operation of the SEF, to use or configure a component of the SEF in a manner that does not conform to the SEF Rules, to intercept or interfere with information provided on or through the SEF, or in any way to use the SEF in a manner contrary to the SEF Rules.

### **VIOLATIONS**

#### **Rule 5200 Rule Violations**

- (a) It shall be a violation for a Participant, Sponsored Participant, Customer or Client or any Supervised Person to violate any Rule regulating the conduct or business of a Participant, to breach any agreement made with the SEF, to violate Applicable Law, or to engage in

fraud, dishonorable conduct, or in conduct which is inconsistent with just and equitable principles of trade.

- (b) Participants, Sponsored Participants, Customers and Clients and Supervised Persons shall assist the SEF in any investigation into potential violations of Applicable Law. Such assistance must be timely and may include, but not be limited to, requiring any Participant, Sponsored Participant, Client, Customer or Supervised Person to produce documents, to answer questions from the SEF or its designee, and/or to appear in connection with an investigation.
- (c) If a Participant, Sponsored Participant, Customers or Client has actual or constructive notice of a violation in connection with the use of the SEF by a Participant, Sponsored Participant, Client, Customer or Supervised Person such Person fails to notify the Market Regulation Department within a reasonable time, such Person may be found to have committed an act detrimental to the interest or welfare of the SEF.

**Rule 5201 Fraudulent Acts Prohibited**

No Participant, Sponsored Participant, Customer or Client (or any Supervised Persons) shall engage in any fraudulent act or engage in any scheme to defraud, deceive, trick or mislead in connection with or related to any SEF activity.

**Rule 5202 [Reserved]**

**Rule 5203 Fictitious or Wash Transactions; Permitted Pre-Execution Communications**

- (a) No Participant, Sponsored Participant, Customer or Client (or any Supervised Persons) shall create fictitious transactions or wash transactions. No Person shall place or accept Orders in the same Swap where the Person knows or reasonably should know that the purpose of the Orders is to avoid taking a bona fide market position exposed to market risk (transactions commonly known or referred to as wash sales). Orders for different accounts with common beneficial ownership that are entered with the intent to negate market risk or price competition shall also be deemed to violate the prohibition on wash trades. Additionally, no Person shall knowingly execute or accommodate the execution of such Orders by direct or indirect means.
- (b) Participants, Sponsored Participants, Customers and Clients (and any of their Supervised Persons) may engage in pre-execution communications with regard to:
  - (1) Permitted Cross Transactions;
  - (2) Block Trades executed pursuant to Rule 4016;
  - (3) Package Transactions (Order Book/RFQ Exempt); and

- (4) Required Cross Transactions, provided that:
- (i) the parties to the pre-execution communications do not disclose or use the information obtained from such pre-execution communications in a manner contrary to Applicable Law; and
  - (ii) the requirements of Rule 4011 are satisfied to the extent applicable.

**Rule 5204 Market Disruptions Prohibited**

Orders entered into the SEF for the purpose of upsetting the equilibrium of the market in any Swap or creating a condition in which prices do not or will not reflect fair market values are prohibited, and any Participant, Sponsored Participant, Customers or Client (or any of its Supervised Persons) who makes or assists in entering any such Order with knowledge of the purpose thereof or who, with such knowledge, in any way assists in carrying out any plan or scheme for the entering of any such Order, will be deemed to have engaged in an act detrimental to the SEF in violation of this Rule 5204.

**Rule 5205 Market Manipulation Prohibited**

No Participant, Sponsored Participant, Customer or Client (or any of their respective Supervised Persons) shall attempt to manipulate or manipulate the market in any Swap including, without limitation, “front-running”, “money passes”, trading ahead or against customer Orders, combination or improper cross trading involving, for example and without limitation, a short term riskless transaction taking advantage of an incoming Order or the offset of a prior position to avoid an adverse market move.

**Rule 5206 Disruptive Trading Practices Prohibited**

No Participant, Sponsored Participant, Customer or Client (or any of their respective Supervised Persons) shall engage in any trading, practice, or conduct that constitutes a “disruptive trading practice,” as such term is defined by the CEA or CFTC Regulations.

**Rule 5207 Prohibition of Misstatements**

No Participant, Sponsored Participant, Customer or Client (or any of their respective Supervised Persons) shall make any knowing misstatement of a material fact to the SEF, any SEF Official, any Board committee or SEF panel, any agent of the SEF (including the Regulatory Services Provider) or any Participant, Sponsored Participant, Customer, Client or Supervised Person.

**Rule 5208 Acts Detrimental to Welfare of SEF Prohibited**

No Participant, Sponsored Participant, Customer or Client (or any of their respective Supervised Persons) shall engage in any act that is detrimental to the SEF.

**Rule 5209 Adherence to Law**

No Participant, Sponsored Participant, Customer or Client (or any of their respective Supervised Persons) shall engage in conduct that is a violation of the Applicable Law.

**Rule 5210 Communications with the Public and Promotional Material**

Promotional material and similar information issued by Participants shall comply with Applicable Law.

**SUPERVISION**

**Rule 5300 Duty to Supervise**

Each Participant shall establish, maintain and administer reasonable supervisory procedures to monitor the compliance of Supervised Persons with the SEF's Rules and any applicable provisions of the CEA or CFTC Regulations and such Participant may be held accountable for the actions of such Supervised Persons.

**INSPECTIONS**

**Rule 5400 Inspections by the SEF**

- (a) The SEF and the Regulatory Services Provider (and their respective authorized representatives), shall have the right, in connection with determining whether all Obligations are being, will be, or have been complied with by a Participant, Sponsored Participant, Customer or Client, in accordance with Applicable Law:
  - (1) inspect books and records, systems, equipment and software operated by such Person in connection with any SEF activity, wherever located;
  - (2) access the systems, equipment, software and the premises on which the systems, equipment and software are located and any data stored in any of the systems or equipment, during the regular business hours and the Trading Hours of the SEF without prior notice to such Person; and/or
  - (3) remove, copy or reproduce any data to which the SEF has access under the SEF Rules.
- (b) Each such Person shall provide the Regulatory Services Provider with the same access to its books and records and offices as it is required to provide the SEF under the SEF Rules and Applicable Law.
- (c) The Market Regulation Department may require a Participant to furnish (periodically or on a particular occasion) information concerning the Participant's activity on the SEF. For a Participant, such information includes but is not limited to, the Participant's open trading positions or Swaps to which the Participant is a party.

- (d) The SEF shall provide prior notice to a Person in the event of an inspection that has been prescheduled by the SEF.

## **INFORMATION SHARING**

### **Rule 5500 Information-Sharing**

- (a) The SEF may enter into information-sharing agreements or other arrangements or procedures to establish and enforce rules that will allow the SEF to obtain any necessary information to perform any monitoring of trading and trade processing, provide information to the CFTC upon request and that allow the SEF to carry out such international information-sharing agreements as the CFTC may require. As part of any information-sharing agreements or other arrangements or procedures adopted pursuant to this Rule, the SEF may:
  - (1) provide market surveillance reports to other markets;
  - (2) share information and documents concerning current and former Participants with other markets;
  - (3) share information and documents concerning ongoing and completed investigations with other markets; and/or
  - (4) require its current or former Participants, or their Sponsored Participants, Customers or Clients, to provide information and documents to the SEF at the request of other markets with which the SEF has an information-sharing agreement or other arrangements or procedures.
- (b) The SEF may enter into any arrangement with any Person or body (including, without limitation, the CFTC, the NFA, any Self-Regulatory Organization, any exchange, market, Swap Data Repository, reporting services or clearing organization or foreign regulatory authority) if the SEF considers such arrangement to be in furtherance of the SEF's purpose or duties under Applicable Law.
- (c) The SEF may disclose to any Person or entity information concerning or associated with a Participant or other Person where the SEF believes such disclosure is reasonably necessary and appropriate in exercising a legal or regulatory function.
- (d) Participants, Sponsored Participants, Customers and Clients shall provide the SEF any requested information pursuant to the SEF Rules or Applicable Law as necessary for the SEF to perform any of the functions described in these SEF Rules.

## **FINANCIAL REQUIREMENTS**

### **Rule 5600 Minimum Financial and Related Reporting Requirements**

- (a) Each Participant that is registered with any Government Agency, including the CFTC and the SEC, or a Self-Regulatory Organization shall comply with the provisions of

Applicable Law, including, but not limited to, the rules and regulations such Government Agency or Self-Regulatory Organization imposes on a Participant relating to minimum financial and related reporting and recordkeeping requirements.

- (b) Each Participant shall qualify as an ECP and undertake to timely update any change to the Participant's status as an ECP.
- (c) A copy of any notice or written report that a Participant is required to file with the CFTC pursuant to CFTC Regulation 1.12 shall be concurrently provided to the SEF.
- (d) A Participant who is subject to and violates CFTC Regulations 1.10, 1.12, 1.17 or 1.18 shall be deemed to have violated this Rule 5600.

#### **Rule 5601 Confidentiality of Financial and Other Information**

All information and data obtained or received by the Market Regulation Department from inspections of accounting and other records, quarterly balance sheets and declarations or reports on financial condition will be treated as confidential by the SEF; however, this Rule does not supplant Rule 5500 and the SEF Rules in Section 7, Applicable Law, or any other requirement of legal process or law.

#### **Rule 5602 Authority to Impose Restrictions**

Whenever a Participant is subject to the early warning requirements set forth in CFTC Regulation 1.12, the SEF may impose such conditions or restrictions on the business and operations of such Participant as the SEF may deem necessary or appropriate for the protection of customers, other Participants, or the SEF.

#### **Rule 5603 Additional Disclosure Requirements**

Each Participant must comply with all disclosure requirements set forth in applicable CFTC and Self-Regulatory Organization rules and regulations. Any such disclosure may be combined with a disclosure regarding the existence of financial interests held by the Participant in the SEF or any other exchange.

### **MISCELLANEOUS**

#### **Rule 5700 Gifts and Gratuities**

Participants shall maintain and enforce gifts policies and procedures to prevent gifts in excess of one hundred dollars (\$100) to Directors, Officers and SEF employees.

#### **Rule 5701 Anti-Money Laundering and Anti-Terrorism**

It is SEF policy: (1) not to engage in or knowingly assist any money laundering or other illicit business, and (2) not to engage in or knowingly assist, or be a conduit for, terrorist financing. Participants will be required to provide sufficient information for Participants and their Customers or Clients, if applicable, for SEF to conduct restricted list searches, including, but not

limited to, searches against the Specially Designated Nationals and Blocked Persons list maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury.

#### **Rule 5702 Market Data**

- (a) All Participants, Sponsored Participants, Customers and Clients and all Supervised Persons, agents, vendors, and other Persons affiliated with the foregoing understand and acknowledge that the SEF has a proprietary interest in:
  - (1) the price and quantity data from each and every Transaction executed on the SEF or subject to the SEF Rules, including the time at which the Transaction was executed on, or submitted to, the SEF;
  - (2) the price and quantity data for each and every Order, RFQ or Block Transaction submitted to the SEF, including the time at which the Order or RFQ was entered;
  - (3) the yield curves and reference prices prepared by the SEF;
  - (4) any data and information derived from (1), (2) and (3) and the format and presentation thereof (except a Participant's confidential information or data); and
  - (5) the transmissions and dissemination of the data and information to Participants, any publisher of the data or information with whom the SEF has a written agreement, and any other Persons.
- (b) Except with respect to such Person's confidential information or data, Participants, Sponsored Participants, Customers and Clients and Supervised Persons may not distribute, sell or retransmit any other information displayed on the SEF to any third party without the express written consent of the SEF.
- (c) The SEF may at any time restrict or establish utilization fees in respect of data described in Rule 5702(a) with respect to all or any Participants, Sponsored Participants, Customers or Clients in order to safeguard the security or operations of the SEF or to preserve market integrity, fair and orderly trading, or if otherwise in the public interest, *provided, however*, that view-only access is provided free-of-charge.

#### **Rule 5703 Extension or Waiver of SEF Rules**

If necessary and expedient, the SEF may, in its sole discretion, waive, or extend the time period for performing, any act or acts designated by the SEF Rules, but only to the extent such waiver or extension is not inconsistent with the CEA or the CFTC Regulations.



**SECTION 6**  
**ENFORCEMENT OF RULES AND**  
**DISCIPLINARY PROCEEDINGS**

**Rule 6000     General**

- (a) All Participants, Sponsored Participants, Account Managers, Authorized Traders, Clients, Customers, Supervised Persons and any other Person using a User ID of a Participant or login credentials linked to a Participant or User ID shall be subject to the SEF's jurisdiction. Any Participant, Sponsored Participant, Account Manager, Authorized Trader, Client, Customer, Supervised Person or other Person using a User ID of a Participant or login credentials linked to a Participant or User ID is subject to this Section 6 if such person is alleged to have violated, to have aided and abetted a violation, to be violating, or to be about to violate, any SEF Rule or any other provision of Applicable Law for which the SEF has disciplinary jurisdiction.
- (b) The SEF, through its Market Regulation Department, Review Panels, Disciplinary Panels and Appeals Panels will conduct inquiries, investigations, disciplinary proceedings and appeals from disciplinary proceedings, summary impositions of fines, summary suspensions or other summary actions in accordance with this Section 6.
- (c) The SEF and its Regulatory Services Provider are parties to a Regulatory Service Agreement as referenced in Rule 2600, pursuant to which the Regulatory Services Provider has agreed to perform certain regulatory services described in this Section 6 on behalf of SEF. The SEF Rules that refer to the SEF, SEF staff, the Market Regulation Department and other SEF departments should be understood as also referring to the Regulatory Services Provider, the Regulatory Services Provider staff and the Regulatory Services Provider departments acting on behalf of SEF pursuant to the Regulatory Services Agreement. Notwithstanding the fact that the SEF has entered into the Regulatory Services Agreement with its Regulatory Services Provider to perform some of the SEF's functions, the SEF shall retain ultimate legal responsibility for, and control of, such functions.
- (d) No SEF Official will interfere with or attempt to influence the process or resolution of a Disciplinary Action except to the extent provided under the SEF Rules with respect to a proceeding in which the SEF Official is a member of the relevant panel.
- (e) Any Participant, Sponsored Participant, Account Manager, Authorized Trader, Client, Customer or Supervised Person may be represented by counsel during any Disciplinary Action pursuant to this Section 6.
- (f) The SEF may hold a Participant liable for, and impose sanctions against such Participant, for such Participant's own acts and omissions that constitute a violation as well as for the acts and omissions of each (A) Authorized Trader of such Participant, (B) other Supervised Person of such Participant, (C) other Person using a User ID of such Participant or login credentials linked to the Participant or User ID, (D) agent or representative of such Participant, in each case, that constitute a violation as if such

violation were that of the Participant, or (E) Sponsored Participant, Client or Customer of such Participant.

- (g) The SEF may hold an Authorized Trader liable for, and impose sanctions against such Authorized Trader for, such Authorized Trader's own acts and omissions that constitute a violation as well as or for the acts and omissions of any agent or representative of such Authorized Trader that constitute a violation as if such violation were that of the Authorized Trader.

#### **Rule 6001     Inquiries and Investigations**

- (a) The SEF, through its Market Regulation Department, will investigate any matter within the SEF's jurisdiction of which it becomes aware. The Market Regulation Department will commence an investigation upon the receipt of a request from CFTC staff or upon the discovery or receipt of information by the SEF, or its trading or market surveillance or review of other information or other SEF data, that, in the judgment of the Market Regulation Department, indicates a possible basis for finding that a violation has occurred or will occur. The Market Regulation Department will determine the nature and scope of its inquiries and investigations in its sole discretion. The Market Regulation Department shall inform the Chief Compliance Officer of all inquiries.
- (b) The Market Regulation Department may:
  - (1) initiate and conduct inquiries and investigations;
  - (2) prepare Investigation Reports and make recommendations concerning initiating disciplinary proceedings;
  - (3) prosecute alleged violations within the SEF's disciplinary jurisdiction; and
  - (4) represent the SEF on summary imposition of fines, summary suspension or other summary action.
- (c) Each Participant, Sponsored Participant, Account Manager, Authorized Trader, Customer, Client and Supervised Person and any other Person that is subject to the SEF Rules:
  - (1) is obligated to appear and testify and respond in writing to interrogatories within the time period required by the SEF in connection with:
    - (i) any SEF Rule or any other provision of Applicable Law for which the SEF has disciplinary jurisdiction;
    - (ii) any Disciplinary Action; or
    - (iii) any preparation for and presentation during a Disciplinary Action;

- (2) is obligated to produce books, records, papers, documents or other tangible evidence in its, his or her possession, custody or control within the time period required by the SEF in connection with:
  - (i) any SEF Rule or any other provision of Applicable Law for which the SEF has disciplinary jurisdiction;
  - (ii) any Disciplinary Action;
  - (iii) any preparation for and presentation during a Disciplinary Action; and
- (3) may not impede or delay any Disciplinary Action.
- (d) Each investigation will be completed in a timely manner. Absent mitigating factors, a timely manner is no later than twelve (12) months after the date that an investigation is opened. Mitigating factors that may reasonably justify an investigation taking longer than twelve (12) months to complete include the complexity of the investigation, the number of firms or individuals involved as potential wrongdoers, the number of potential violations to be investigated, and the volume of documents and data to be examined and analyzed by the Market Regulation Department.

#### **Rule 6002     Reports of Investigations**

- (a) The Market Regulation Department will maintain a log of all investigations and their disposition. The Market Regulation Department will prepare an Investigation Report, regardless of whether the evidence gathered during any inquiry or investigation forms a reasonable basis to believe that a violation within the SEF's jurisdiction has occurred or is about to occur or whether the evidence gathered results in closing the matter without further action or through summary action.
- (b) The Investigation Report will include the reasons for initiating the investigation (including a summary of the complaint, if any), all relevant facts and evidence gathered, Market Regulation Department's analysis and conclusions, the potential respondent's disciplinary history at the SEF, and the recommendation of the Market Regulation Department. For each potential respondent, the Market Regulation Department will recommend:
  - (1) closing the investigation without further action;
  - (2) settlement;
  - (3) summary action;
  - (4) initiating disciplinary proceeding; or
  - (5) resolving the investigation through an informal disposition, including the issuance of a warning letter. An informal disposition (including the issuance of a warning letter) will not constitute a finding of a violation or a sanction.

- (c) The Market Regulation Department will submit the Investigation Report to the Chief Compliance Officer for review. After reviewing the Investigation Report, the Chief Compliance Officer will:
  - (1) proceed with the Market Regulation Department's recommendation; or
  - (2) forward the Investigation Report to a Review Panel as discussed in Rule 6004.

**Rule 6003 Opportunity to Respond**

- (a) If the Review Panel authorizes disciplinary proceedings or the Chief Compliance Officer determines to proceed with the Market Regulation Department's recommendation to initiate disciplinary proceedings, the Market Regulation Department will notify each potential respondent that the Market Regulation Department or Review Panel has recommended formal disciplinary charges against the potential respondent.
- (b) The SEF may allow a potential respondent to propose a settlement of the matter or to submit a written statement explaining why a disciplinary proceeding should not be instituted or one or more of the potential charges should not be brought. The potential respondent shall submit such written statement within the time limit established by the Market Regulation Department.

**Rule 6004 Review of Investigation Reports**

- (a) The Chief Compliance Officer may, in his/her discretion, convene a Review Panel to review the Investigation Report.
- (b) The Review Panel shall be comprised of three individuals, at least one of whom will be a Public Director. No member of the Review Panel may be involved in the adjudication of any other stage of the same proceeding. If a vacancy occurs on a Review Panel after it has begun a proceeding, the remaining members of the panel shall complete consideration and disposition of the matter. Once the Review Panel has provided its decision, it shall be dissolved automatically.
- (c) The Review Panel will review the Investigation Report and, within 30 days of receiving the Investigation Report, will take one (1) of the following actions:
  - (1) If the Review Panel determines that additional investigation or evidence is needed, it will promptly direct the Market Regulation Department to conduct further investigation or obtain additional evidence.
  - (2) If the Review Panel determines that no reasonable basis exists for finding a violation of the SEF Rules or any other provision of Applicable Law for which the SEF has disciplinary jurisdiction has occurred or is about to occur or that adjudication is otherwise unwarranted, it may direct that no further action be taken. Such determination will be in writing, and will include the reason the investigation was initiated, a summary of the complaint, a written statement setting forth the facts and analysis supporting the decision and, if applicable, any

recommendations. The Review Panel shall also provide the written statement to any applicable Regulatory Services Provider.

- (3) If the Review Panel determines that a reasonable basis exists for finding a violation of the SEF Rules or any other provision of Applicable Law for which the SEF has disciplinary jurisdiction has occurred or is about to occur and adjudication is warranted, the Review Panel will determine for each potential respondent whether to authorize:
  - (i) the informal disposition of the investigation (by issuing a warning letter or otherwise) because disciplinary proceedings are unwarranted, in which case the Review Panel shall provide a written explanation to any Regulatory Services Provider;
  - (ii) the closing of the investigation without any action because no reasonable basis exists to believe that a violation within the SEF's jurisdiction has occurred or is about to occur in which case the Review Panel shall provide a written explanation to any Regulatory Services Provider; or,
  - (iii) the commencement of disciplinary proceedings because a reasonable basis exists to believe that a violation within the SEF's jurisdiction has occurred or is about to occur.

#### **Rule 6005 Notice of Charges**

- (a) If the Review Panel authorizes disciplinary proceedings or the Chief Compliance Officer elects to follow the recommendation of the Market Regulation Department to commence a disciplinary proceeding, the Chief Compliance Officer will appoint a Disciplinary Panel as provided in this Section. In addition, the Market Regulation Department will prepare, and serve in accordance with Rule 6007, a notice of charges.
- (b) A notice of charges will:
  - (1) state the acts, practices or conduct that the respondent is alleged to have engaged in;
  - (2) state the SEF Rule or other provision of Applicable Law alleged to have been violated or about to be violated;
  - (3) state the proposed sanctions;
  - (4) advise the respondent of its right to a hearing;
  - (5) advise the respondent of its right to be represented by legal counsel of its choosing in all succeeding stages of the disciplinary process

- (6) state the period of time within which the respondent can request a hearing on the notice of charges, which will not be less than 20 days after service of the notice of charges;
- (7) advise the respondent that any failure to request a hearing within the period stated, except for good cause, will be deemed to constitute a waiver of the right to a hearing; and
- (8) advise the respondent that any allegation in the notice of charges that is not expressly denied or answered will be deemed to be admitted.

**Rule 6006 Answer to Notice of Charges**

- (a) If the respondent determines to answer a notice of charges, the respondent must file answers within 20 days after being served with such notice, or within such longer time period determined by the Disciplinary Panel in accordance with Rule 6012.
- (b) To answer a notice of charges, the respondent must in writing:
  - (1) specify the allegations that the respondent denies or admits;
  - (2) specify the allegations that the respondent does not have sufficient information to either deny or admit;
  - (3) specify any specific facts that contradict the notice of charges;
  - (4) specify any affirmative defenses to the notice of charges; and
  - (5) sign and serve the answer on the Disciplinary Panel.
- (c) Any failure by the respondent to timely serve an answer to a notice of charges will be deemed to be an admission to the allegations in such notice. Any failure by the respondent to answer one or more allegations in a notice of charges will be deemed to be an admission of that allegation or those allegations. Any allegation in a notice of charges that the respondent fails to expressly deny will be deemed to be admitted. A general denial by the respondent, without more, will not satisfy the foregoing requirements.

**Rule 6007 Service of Notice of Charges**

- (a) Any notice of charges or other documents to be served pursuant to this Section 6 may be served upon the respondent, and service shall be deemed complete either personally or by leaving the same at his or her place of business; by deposit in the United States mail, addressed to respondent at the address as it appears on the books and records of the SEF.
- (b) Any notice of charges or other documents contemplated to be served pursuant to this Section 6 may also be served upon the respondent and service shall be deemed complete via electronic mail to the electronic mail address as it appears on the books and records of the SEF.

## **Rule 6008     Settlements**

- (a) A respondent or potential respondent may at any time propose in writing an offer of settlement related to anticipated or instituted disciplinary proceedings.
- (b) Any offer of settlement should contain proposed findings and sanctions and be signed by the respondent or potential respondent and submitted to the Market Regulation Department.
- (c) A respondent or potential respondent may offer to settle disciplinary proceedings without admitting or denying the findings contained in the order of the disciplinary proceedings but must accept the jurisdiction of the SEF over it and over the subject matter of the proceedings and consent to the entry of the findings and sanctions imposed.
- (d) If a respondent or potential respondent submits an offer of settlement in accordance with paragraph (a) above, the Market Regulation Department will forward the offer to the Chief Compliance Officer with a recommendation on whether to accept or reject the offer. Any preliminary determination by the Chief Compliance Officer to accept the offer shall be submitted for review by the Disciplinary Panel. If the Disciplinary Panel agrees, then the Chief Compliance Officer shall conditionally accept an offer of settlement, and the settlement will become final upon the expiration of 20 days after an order of the disciplinary proceedings consistent with the terms of the offer of settlement is served on the respondent.
- (e) If an offer of settlement is accepted, the Disciplinary Panel will issue a written decision specifying the rule violations it has reason to believe were committed, including the basis or reasons for the panel's conclusions, and any sanction to be imposed, which must include full customer restitution where customer harm is demonstrated. If an offer of settlement is accepted without the agreement of the Market Regulation Department or Chief Compliance Officer, the decision must adequately support the Disciplinary Panel's acceptance of the settlement. If applicable, the decision must also include a statement that the respondent has accepted the sanctions imposed without either admitting or denying the rule violations.
- (f) If an offer of settlement is accepted and the related order of disciplinary proceedings becomes final, the respondent's submission of the offer will be deemed to constitute a waiver of the right to notice, opportunity for a hearing and review and appeal under the SEF Rules.
- (g) The respondent may withdraw his or her offer of settlement at any time before final acceptance by the Disciplinary Panel. If an offer is withdrawn after submission, or is rejected by the Disciplinary Panel, the respondent must not be deemed to have made any admissions by reason of the offer of settlement and must not be otherwise prejudiced by having submitted the offer of settlement.
- (h) If the offer of settlement of a respondent or potential respondent is not accepted by agreement between the Chief Compliance Officer and the Disciplinary Panel, fails to become final, or is withdrawn by the respondent or potential respondent, the matter will

proceed as if the offer had not been made and the offer and all documents relating to it will not become part of the record. Neither a respondent or potential respondent nor the Market Regulation Department may use an unaccepted offer of settlement as an admission or in any other manner at a hearing of disciplinary proceedings.

#### **Rule 6009     Disciplinary Panel**

- (a) The Chief Compliance Officer will appoint a Disciplinary Panel to conduct hearings in connection with any disciplinary proceedings authorized by the Chief Compliance Officer or a Review Panel to make findings and impose sanctions. The Disciplinary Panel will be comprised of three individuals, at least one of whom will be a Public Director. The Chief Compliance Officer shall draw panel members from the individuals appointed by the Board as potential members of Disciplinary Panels. The chairman of the Disciplinary Panel shall be appointed by the Chief Compliance Officer. A Disciplinary Panel may not include any person involved in adjudicating any other stage of the same proceeding. If a vacancy shall occur on a Disciplinary Panel after it has begun its proceedings, the remaining members shall complete consideration and disposition of the matter. Once a Disciplinary Panel has made its decision and notified all relevant parties, it shall be dissolved automatically.
- (b) Within ten (10) days of being notified of the appointment of the Disciplinary Panel, a respondent may seek to disqualify any individual named to the Disciplinary Panel for the reasons identified in the SEF Rules or for any other reasonable grounds by serving written notice on the Chief Compliance Officer. By not timely filing a request for disqualification, the respondent will be deemed to have waived any objection to the composition of a Disciplinary Panel. The Chief Compliance Officer, in consultation with the General Counsel, of the SEF will decide the merits of any request for disqualification within his or her sole discretion. Any such decision will be final and not subject to appeal.
- (c) No Person shall serve on a Disciplinary Panel unless that Person has agreed in writing that he or she will not publish, divulge, or make known in any manner, any facts or information regarding the business of any Person or any other information which may come to his attention in his official capacity as a member of the Disciplinary Panel, except when reporting to the Board or to a committee concerned with such information or to the Market Regulation Department, when requested by the CFTC or other governmental agency or when compelled to testify in any judicial or administrative proceeding.
- (d) All information, records, materials and documents provided to the Disciplinary Panel and all deliberations, testimony, information, records, materials and documents related thereto shall be treated as non-public and confidential and shall not be disclosed, except as necessary to further a SEF investigation or as required by law.



## **Rule 6010 Convening Hearings of Disciplinary Proceedings**

- (a) A hearing will be conducted privately and confidentially. Notwithstanding the confidentiality of hearings, the Disciplinary Panel may appoint an expert to attend any hearing and assist in deliberations if such expert agrees to be subject to an appropriate confidentiality agreement.
- (b) After reasonable notice to each respondent, the Disciplinary Panel will promptly convene a hearing to conduct the disciplinary proceedings with respect to such respondent. Parties to a disciplinary proceeding include each respondent and the Market Regulation Department.
- (c) The chair of the Disciplinary Panel may continue, adjourn or otherwise conduct the hearing, as he or she may deem appropriate. The chair of the Disciplinary Panel will determine all procedural and evidentiary matters, including the admissibility and relevance of any evidence proffered.
- (d) In determining procedural and evidentiary matters, the chair of the Disciplinary Panel will not be bound by any evidentiary or procedural rules or law. Once admitted during the hearing, the Disciplinary Panel may consider, and attach the weight it believes appropriate to, evidence or other materials. The General Counsel of the SEF, or his or her designee, may provide guidance to the chair of the Disciplinary Panel on the conduct of the hearing.
- (e) Except for procedural and evidentiary matters decided by the chair of the Disciplinary Panel pursuant to paragraph (c) above and Rule 6012, unless each respondent otherwise consents, the entire Disciplinary Panel must be present during the entire hearing and any related deliberations.

## **Rule 6011 Respondent Review of Evidence**

- (a) 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 tangible evidence in the possession or under the control of the SEF that the Market Regulation 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 SEF will have no obligation to disclose, any information protected by work product or attorney-client privilege.
- (b) If any books, records, documents, papers, transcripts of testimony, or other tangible 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 Market Regulation Department, the Market Regulation Department may redact, edit or code such information before furnishing it to the respondent.

- (c) Notwithstanding anything in paragraph (b) above to the contrary, the Market Regulation Department:
  - (1) will not redact, edit or code competitive or investigative information contained in documents in a manner that would impair the respondent's ability to defend against the allegations or proposed sanctions in the notices of charges, and
  - (2) will provide the respondent with access to the information and portions of the documents that the Market Regulation Department intends to rely on to support the allegations or proposed sanctions in the notice of charges.
- (d) For purposes of this Rule 6011, information that could adversely affect competitive positions may include positions in Swaps or other positions currently held, trading strategies employed in establishing or liquidating positions, the identity of any Customer, Client, Sponsored Participant, Participant or Authorized Trader and the personal finances of the Person providing the information.

**Rule 6012 Conducting Hearings of Disciplinary Proceedings**

- (a) At a hearing conducted in connection with any disciplinary proceedings, the Market Regulation Department will present its case supporting the allegations and proposed sanctions in the notice of charges to the Disciplinary Panel. The respondent is entitled to attend and participate in the hearing.
- (b) At a hearing conducted in connection with any disciplinary proceedings, the Disciplinary Panel or the Market Regulation Department and each respondent may:
  - (1) present evidence and facts determined relevant and admissible by the chair of the Disciplinary Panel;
  - (2) call and examine witnesses; and
  - (3) cross-examine witnesses called by other parties.
- (c) If the respondent fails to file an answer, has filed a general denial, or if any or all of the allegations in the notice of charges are not expressly denied in the respondent's answer, the chair of the Disciplinary Panel may limit evidence concerning any allegations not expressly denied in determining the sanctions to impose. If a respondent fails to file an answer but appears at the hearing, the respondent may not participate in the hearing (by calling or cross-examining witnesses, testifying in defense, presenting evidence concerning the notice of charges, or otherwise) unless the Disciplinary Panel determines that the respondent had a compelling reason for failing to timely file an answer. If the Disciplinary Panel determines that the respondent had a compelling reason for failing to timely file an answer, the Disciplinary Panel will adjourn the hearing and direct the respondent to promptly file a written answer in accordance with Rule 6006.
- (d) If the respondent has requested a hearing on a charge that the respondent denies, or on a sanction set by the Disciplinary Panel under Rule 6014, the respondent will be given an

opportunity for a hearing in accordance with the SEF Rules. Except for good cause, such hearing will be limited to addressing those charges denied by the respondent and/or sanctions set by the Disciplinary Panel under Rule 6014 for which a hearing has been requested.

- (e) Any Person entitled, or required or called upon, to attend a hearing before a Disciplinary Panel pursuant to paragraph (b)(2) above will be given reasonable notice, confirmed in writing, specifying the date, time and place of the hearing, and the caption of the disciplinary proceedings. All Participants (that are individuals) and Supervised Persons that are called as witnesses are required to appear at the hearing and, where applicable, produce evidence. The SEF will make reasonable efforts to secure the presence of all other Persons called as witnesses whose testimony would be relevant.
- (f) If during any disciplinary proceedings the Disciplinary Panel determines that a reasonable basis exists to believe that the respondent violated or is about to violate a Rule of the SEF or any other provision of Applicable Law for which the SEF has disciplinary jurisdiction other than the violations alleged in the notice of charges, the Disciplinary Panel may consider those apparent violations after providing the respondent with an opportunity to answer the additional allegations in accordance with Rule 6006. In connection with considering apparent violations pursuant to this paragraph (f), the Disciplinary Panel may request that the Market Regulation Department provide the Disciplinary Panel with any additional information related to the violations at issue.
- (g) The Disciplinary Panel may provide that a sanction be summarily imposed upon any Person within its jurisdiction whose actions impede the progress of a hearing.
- (h) If the respondent has requested the hearing, a copy of the hearing must be made and must become a part of the record of the proceedings. The SEF will arrange for any hearing conducted in connection with disciplinary proceedings to be recorded verbatim, or substantially verbatim, in a manner capable of accurate transcription. If the respondent requests a copy of all or portions of the recording of a hearing, the chair of the Disciplinary Panel may within his or her sole discretion require the respondent to pay the costs for transcribing the recording of the hearing.
- (i) No interlocutory appeals of rulings of any Disciplinary Panel or chair of the Disciplinary Panel are permitted.

### **Rule 6013 Decision of Disciplinary Panel**

- (a) Promptly following a hearing, the Disciplinary 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 Disciplinary Panel will constitute the decision of the Disciplinary Panel.
- (b) The Disciplinary Panel will serve a copy of the order of the disciplinary proceedings on the respondent and the Market Regulation Department. The order will include:
  - (1) the notice of charges or summary of the charges;

- (2) the answer, if any, or a summary of the answer;
  - (3) a summary of the evidence produced at the hearing or, where appropriate, incorporation by reference of the Investigation Report;
  - (4) a statement of findings of fact and conclusions with respect to each charge, including a complete explanation of the evidentiary and other basis for such findings and conclusions with respect to each charge;
  - (5) each specific SEF Rule and/or other provision of Applicable Law that the respondent was found to have violated; and
  - (6) a declaration of all sanctions imposed against the respondent, if any, including the basis for such sanctions and the effective date of each sanction.
- (c) The order of the disciplinary proceedings will become final upon the expiration of twenty (20) days after the order is served on the respondent and provided to the Market Regulation Department.

**Rule 6014 Sanctions**

- (a) After notice and opportunity for hearing in accordance with the SEF Rules, the SEF will impose sanctions if any Customer, Client, Sponsored Participant, Participant, Account Manager, Authorized Trader, Supervised Person or other Person using a Participant's User ID or login credentials linked to a Participant or User ID is found to have violated or to have attempted to violate a SEF Rule or other provision of Applicable Law for which the SEF has disciplinary jurisdiction. All sanctions must take into account the respondent's disciplinary history. In the event of demonstrated customer harm, any sanction must also include full customer restitution.

The SEF may impose one or more of the following sanctions or remedies:

- (1) censure;
  - (2) limitation on Trading Privileges, ability to otherwise access the SEF, and/or other activities, functions or operations;
  - (3) suspension of Trading Privileges and/or ability to otherwise access the SEF;
  - (4) fine (subject to paragraph (b) below);
  - (5) restitution and/or disgorgement;
  - (6) termination of Trading Privileges and/or ability to otherwise access the SEF; or
  - (7) any other sanction or remedy deemed to be appropriate.
- (b) The SEF may impose a fine of up to \$100,000, unless aggravating or mitigating circumstances otherwise warrant as determined by the SEF, for each violation of the SEF

Rules or other provision of Applicable Law for which the SEF has disciplinary jurisdiction. The minimum fine for any one violation is \$1,000. If a fine or other amount is not paid within 30 days of the date that it becomes payable, then interest will accrue on the sum from the date that it became payable at the quoted prime rate plus three percent. The SEF has sole discretion to select the bank on whose quotations it will base the prime rate. Participant will be responsible for paying any fine or other amount imposed on, but not paid by, any of its Supervised Persons.

**Rule 6015 Right to Appeal from Disciplinary Panel Decision, Summary Impositions of Fines and Other Summary Actions**

- (a) Each respondent found by the Disciplinary Panel to have violated the SEF Rules or other provision of Applicable Law for which the SEF has disciplinary jurisdiction or who is subject to any summary fine imposed pursuant to Rule 6016 or any other summary action may appeal the decision within 20 days of receiving the order of the Disciplinary Panel or the notice of summary action, as the case may be, by filing a notice of appeal with the Chief Compliance Officer.
- (b) The SEF may appeal all or any part of a decision of the Disciplinary Panel, including any sanctions that may or may not have been imposed by the Disciplinary Panel, within 20 days of receiving the order of the Disciplinary Panel, by filing a notice of appeal with the Chief Compliance Officer.
- (c) While an appeal is pending, the effect of the order of the Disciplinary Panel or the summary action (including any sanctions, remedies or costs imposed thereby) shall be suspended.
- (d) The notice of appeal must state in writing the grounds for appeal, including the findings of fact, conclusions or sanctions to which the appellant objects. An appellant may appeal the order of the Disciplinary Panel or any summary action on the grounds that:
  - (1) the order or summary action was arbitrary, capricious, an abuse of discretion or not in accordance with the SEF Rules;
  - (2) the order or summary action exceeded the authority or jurisdiction of the Disciplinary Panel, the Chief Compliance Officer or the SEF;
  - (3) the order or summary action failed to observe required procedures;
  - (4) the order or summary action was unsupported by the facts or evidence; or
  - (5) the sanctions, remedies or costs imposed were inappropriate or unsupported by the record.
- (e) The Chief Compliance Officer will forward copies of any notice of appeal received by him or her to all parties to the disciplinary proceeding or summary action, as the case may be, except the appellant. On or before the 20th day after filing a notice of appeal, the appellant must file with the Chief Compliance Officer and serve on the appellee a brief

supporting the notice of appeal and documents supporting the brief. On or before the 20th day after the date on which the appellant serves its supporting brief, the appellee must file and serve its brief in opposition on the Chief Compliance Officer and the appellant. On or before the 10th day after the date on which the appellee serves its brief in opposition, the appellant may file and serve on the SEF a brief in reply.

- (f) In connection with any appeal, the SEF will furnish to the Chief Compliance Officer and to the appellant and appellee a transcript of the hearing and any exhibits introduced at the hearing.
- (g) No later than 30 days after the last submission filed pursuant to paragraph (e) of this Rule 6015, the Chief Compliance Officer will appoint an Appeals Panel to consider and determine the appeal. An Appeals Panel shall be comprised of three individuals, none of whom shall be a member of the Market Regulation Department or have been a member of the Disciplinary Panel involved in the matters on appeal. The chairperson of the Appeals Panel shall be an individual who would not be disqualified from serving as a Public Director.
- (h) Within 10 days of being notified of the appointment of the Appeals Panel, an appellant or appellee may seek to disqualify any individual named to the Appeals Panel or any person designated as chairperson thereof for the reasons identified in Rule 2500 or in the definition of Public Director (as the case may be) or on other reasonable grounds, by serving written notice on the Chief Compliance Officer. By not timely filing a request for disqualification, the appellant or appellee will be deemed to have waived any objection to the composition of the Appeals Panel and appointment of its chairperson. The Chief Compliance Officer will decide the merits of any request for disqualification within his or her sole discretion. Any such decision will be final and not subject to appeal.
- (i) The Appeals Panel may hold a hearing to allow parties to present oral arguments. Any hearing will be conducted privately and confidentially. Notwithstanding the confidentiality of hearings, the Appeals Panel may appoint an expert to attend any hearing and assist in the deliberations if such individual(s) agree to be subject to appropriate confidentiality agreements. In determining procedural and evidentiary matters, the Appeals Panel will not be bound by evidentiary or procedural rules or law.
- (j) The Appeals Panel will only consider on appeal the record before the Disciplinary Panel or, in the case of a summary action, the record considered by the Chief Compliance Officer, the notice of appeal, the briefs filed in support and opposition of the appeal, and any oral arguments of the parties. The Appeals Panel may only consider new evidence when the Appeals Panel is satisfied that good cause exists for why the evidence was not introduced during the disciplinary proceeding or when imposing the summary action.
- (k) After completing its review, the Appeals Panel may affirm, modify or reverse any order of the Disciplinary Panel or summary action under appeal, in whole or in part, including increasing, decreasing or eliminating any sanction or remedy imposed, imposing any other sanction or remedy authorized by the SEF Rules, or remanding the matter to the same or a different Disciplinary Panel for further disciplinary proceedings or for

reconsideration by the Chief Compliance Officer in the case of summary action. The Appeals Panel may order a new hearing for good cause or if the Appeals Panel deems it appropriate.

- (l) As promptly as reasonably possible following its review, the Appeals Panel will issue a written decision on appeal rendering its decision based on the preponderance of the evidence before the Appeals Panel and will provide a copy to the Chief Compliance Officer, the appellant and the appellee. The decision of the Appeals Panel will include a statement of findings of fact and conclusions for each finding, sanction, remedy and cost reviewed on appeal, including each specific SEF Rule and other provision of Applicable Law for which the SEF has disciplinary jurisdiction that the respondent is found to have violated, if any, and the imposition of sanctions, remedies and costs, if any, and the effective date of each sanction, remedy or cost.
- (m) The Appeals Panel's written order on appeal (including findings of fact and conclusions and the imposition of sanctions, remedies and costs, and the effective date of any sanction, remedy cost) will be the final action of the SEF and will not be subject to appeal within the SEF.

#### **Rule 6016 Summary Imposition of Fines**

- (a) The Chief Compliance Officer may summarily impose a fine against a Participant (or any of its Supervised Persons or other Persons using any of the Participant's User IDs or login credentials linked to the Participant or its User IDs) for failing:
  - (1) to make timely and accurate submissions to the SEF of notices, reports or other information required by the SEF Rules;
  - (2) to make timely payments of fees, cost, charges or fines to the SEF; or
  - (3) to keep any books and records required by the SEF Rules.
- (b) The Market Regulation Department, acting on behalf of the Chief Compliance Officer, will give notice of any fine imposed pursuant to this Rule to each Participant or Supervised Person subject thereto. The notice will specify:
  - (1) the violations of the SEF Rules for which the fine is being imposed;
  - (2) the date of the violation for which the fine is being imposed; and
  - (3) the amount of the fine.
- (c) Within 20 days of serving the notice of fine, the Participant or Authorized Trader, as the case may be, must either pay or cause the payment of the fine. If a fine or other amount is not paid within 20 days of the date that it becomes payable, then interest will accrue on the sum from the date that it became payable at the quoted prime rate plus three percent. The SEF has sole discretion to select the bank on whose quotations it will base the prime

rate. The Participant will be responsible for paying any fine or other amount imposed on, but not paid by, any of its Supervised Persons.

- (d) The SEF will set the amount of any fines imposed pursuant to this Rule 6016 at no less than \$1,000 per violation, with the maximum fine for each violation not to exceed \$5,000. Recurring violations will be subject to progressively larger fines. Summary imposition of fines pursuant to this Rule 6016 will not preclude the SEF from bringing any other action against the Participant (or any of its Supervised Persons).

#### **Rule 6017 Warning Letters**

The SEF authorizes the Market Regulation Department to issue a warning letter to a Person or entity under investigation or to recommend that a Disciplinary Panel take such an action. A warning letter issued in accordance with this Rule is not a penalty or an indication that a finding of a violation has been made. A copy of a warning letter issued by the Market Regulation Department will be included in the Investigation Report. No more than one warning letter for the same potential violation may be issued to the same Person or entity during a rolling 12-month period.

#### **Rule 6018 Summary Access Denial Actions**

- (a) The Chief Compliance Officer, upon a good faith determination that there is a reasonable belief that such immediate action is necessary to protect the best interests of the SEF, may summarily suspend, revoke, limit, condition, restrict or qualify the Trading Privileges of a Participant or any Supervised Person, including denial of access to the SEF.
- (b) Non-Participants may be denied access to the SEF by the Chief Compliance Officer upon a good faith determination that there are substantial reasons to believe that such immediate action is necessary to protect the best interests of the SEF.
- (c) If practicable, a respondent must be served with a notice before the action is taken or otherwise at the earliest possible opportunity. The notice must state the action taken, the reasons for the action, and the effective date, time and the duration of the action taken. The party shall be advised of his right to a hearing, as soon as reasonably practicable, before a Disciplinary Panel by filing notice of intent with the Market Regulation Department within ten (10) Business Days of the notice date.

#### **Rule 6019 Rights and Responsibilities after Suspension or Termination**

- (a) When a Person's Trading Privileges and/or ability to otherwise access the SEF are suspended for a period of 12 months or less, none of its rights (including the right to hold oneself out to the public as a Participant or Authorized Trader, enter Orders or RFQs into the SEF, submit Block Trades to the SEF, and receive Participant rates for fees, costs, and charges) will apply during the period of the suspension, except for the right of the Person in question to assert claims against others as provided in the SEF Rules. Any such suspension will not affect the rights of creditors under the SEF Rules or relieve the Person in question of its, his or her obligations under the SEF Rules to perform any



Swaps entered into before the suspension, or for any SEF fees, costs, or charges incurred during the suspension. The SEF may discipline a suspended Person under this Section 6 for any violation of a Rule of the SEF or other provision of Applicable Law committed by such Person before, during or after the suspension.

- (b) When a Person's Trading Privileges and/or ability to otherwise access the SEF are terminated, all of its related rights will terminate, except for the right of the Person in question to assert claims against others, as provided in the SEF Rules. Any such termination will not affect the rights of creditors under the SEF Rules.
- (c) The SEF will not consider the application of a terminated Participant or Authorized Trader if such Participant or Authorized Trader, as the case may be, continues to fail to appear at disciplinary proceedings without good cause or continues to impede the progress of disciplinary proceedings.
- (d) A suspended or terminated Person remains subject to the SEF Rules and the jurisdiction of the SEF for acts and omissions prior to the suspension of termination, and must cooperate in any inquiry, investigation, disciplinary proceeding, appeal of disciplinary proceedings, summary suspension or other summary action as if the suspended or Person still had Trading Privileges or ability to otherwise access the SEF.

#### **Rule 6020 Notice to the Respondent, the Regulatory Services Provider and the Public**

The SEF will provide written notice of disciplinary proceedings to the parties and the Regulatory Services Provider consistent with applicable CFTC Regulations. Whenever the SEF suspends, expels, fines or otherwise disciplines, or denies any Person access to the SEF, the SEF will make the public disclosures required by CFTC Regulations.

#### **Rule 6021 Costs**

- (a) Regardless of the outcome of any disciplinary proceeding, the Disciplinary Panel may order a respondent to pay some or all of the costs associated with the disciplinary proceedings if the Disciplinary Panel concludes that the respondent has behaved in a manifestly unreasonable manner. Costs may include costs associated with the inquiry or investigation, the prosecution by the Market Regulation Department, legal and professional assistance, the hearing and administrative and other expenses incurred by the Disciplinary Panel.
- (b) The Disciplinary Panel may only award costs against the SEF if the panel concludes that the SEF has behaved in a manifestly unreasonable manner in the commencement or conduct of the disciplinary proceedings in question. The Disciplinary Panel must limit any award of costs against the SEF to an amount that the panel concludes is reasonable and appropriate, but does not exceed the respondent's costs for external legal or other external professional assistance.
- (c) The Disciplinary Panel may determine the amounts and allocation of costs in any manner it may deem appropriate. The SEF or the respondent will pay any costs ordered to be paid by it by the Disciplinary Panel within 30 days of written notice of the amount imposed by

the Disciplinary Panel. If costs are not paid within 20 days of the date that it becomes payable, then interest will accrue on the sum from the date that it became payable at the quoted prime rate plus three percent. The SEF has sole discretion to select the bank on whose quotations it will base the prime rate. Participant will be responsible for paying any costs imposed on, but not paid by, any of its Supervised Persons.

**Rule 6022    *Ex Parte* Communications**

- (a) A Person subject to a disciplinary proceeding or an appeal from a disciplinary proceeding (and any counsel or representative of such Person) and the Market Regulation Department (and any counsel or representative of the Market Regulation Department) shall not knowingly make or cause to be made an *ex parte* communication relevant to the merits of a disciplinary proceeding or an appeal from a disciplinary proceeding to any member of the Disciplinary Panel or Appeals Panel hearing such proceeding.
- (b) Members of a Disciplinary Panel or an Appeals Panel shall not knowingly make or cause to be made an *ex parte* communication relevant to the merits of a disciplinary proceeding or an appeal from a disciplinary proceeding to any Person subject to such proceeding (and any counsel or representative of such Person) or the Market Regulation Department (and any counsel or representative of the Market Regulation Department).
- (c) Any Person who receives, makes or learns of any communication that is prohibited by this Rule 6022 shall promptly give notice of such communication and any response thereto to the Market Regulation Department and all parties to the proceeding to which the communication relates.
- (d) A Person shall not be deemed to have violated this rule if the Person refuses an attempted communication concerning the merits of a proceeding as soon as it becomes apparent the communication concerns the merits.

**Rule 6023    [Reserved]**

**Rule 6024    Extension or Waiver of the SEF Rules**

If necessary and expedient, the Chief Compliance Officer may, in his or her sole discretion, waive, or extend the time period for performing, any act or acts designated by the SEF Rules, but only to the extent such waiver or extension is not inconsistent with the CEA, CFTC Regulations or other applicable regulations.

**Rule 6025    Effect of Amendment, Repeal or New Rule**

- (a) If an amendment or repeal of a Rule or adoption of a new Rule does not materially change the terms or conditions of a Swap and does not affect the value of open Swaps, then the effective date of any amendment or repeal of a Rule or adoption of a new Rule relating to Swaps is binding on all Swaps entered into before and after the effective date of such amendment, repeal or adoption.

- (b) If an amendment or repeal of a Rule or adoption of a new Rule materially changes the terms or conditions of a Swap or affects the value of open Swaps, then the amendment, repeal or new Rule is binding only on Swaps listed for trading after the effective date of such amendment, repeal or adoption, and Swaps listed as of the effective date of such amendment, repeal or adoption with no open positions then in existence, unless otherwise specifically provided by the Board.

#### **Rule 6026 Swap Contract Specifications**

- (a) Notwithstanding any provision of the SEF Rules to the contrary, the Swap Specification with respect to a particular Swap shall govern the applicability of the SEF Rules to trading in such Swap and, in the event of any conflict between the SEF Rules and the Swap Specification, the Swap Specification shall govern with respect to trading in the relevant Swap.
- (b) The Swap Specification for each individual Swap may specify:
  - (1) different classes of Participants eligible to trade such Swaps. Each such class of Participants shall have the rights and obligations specified by the Swap Specification for each such Swap;
  - (2) whether such Swap may be settled via cash settlement, physical delivery of the underlying commodity, or by any other means, as applicable; and
  - (3) the method for determining settlement prices.
- (c) Each Swap Specification will be published by the SEF on its website.
- (d) The SEF shall permit trading only in Swaps that are not readily susceptible to manipulation.

#### **Rule 6027 Governing Law, Jurisdiction and Dispute Resolution**

- (a) The law of the State of New York governs the SEF Rules regardless of the laws that would otherwise apply under applicable choice-of-law principles.
- (b) Any dispute between the SEF and a Person arising from or in connection with the SEF Rules or use of the SEF must be brought to arbitration pursuant to subsection (c) of this Rule 6027 within two (2) years from the occurrence of the event giving rise to the dispute. This Rule 6027 shall in no way create a cause of action nor authorize an action that would otherwise be prohibited by the SEF Rules.
- (c) Any dispute between the SEF and a Person arising from or in connection with the SEF Rules will be settled by arbitration administered in New York County, New York by the American Arbitration Association (the “AAA”) under its Commercial Arbitration Rules. The dispute will be submitted to one arbitrator who will be appointed by the AAA. Any arbitrator appointed for purposes of this Rule 6027 will have experience with and knowledge of commodities, derivatives and Swaps as listed on the National Roster of

Arbitrators kept in the AAA's records. Judgment on the award rendered by the arbitrator will be binding on the parties and may be entered in any state or federal court sitting in New York County, New York, and the SEF and each Person shall be deemed to have consented to the personal jurisdiction of any such court. Each party to the dispute will bear its own costs and expenses in connection with any arbitration hereunder, as well as an equal share of the administrative fees and the fees of the arbitrator; *provided, however*, that the arbitrator will be entitled to include in any award a full reimbursement for the prevailing party's costs and expenses, such party's share of the administrative fees and the fees of the arbitrator, or any combination of any or all of the above. In the event that this Rule 6027 is held to be unenforceable in connection with any dispute or a claim is deemed by a court of competent jurisdiction to be not arbitrable, (i) exclusive jurisdiction for any such dispute will reside in any state or federal court sitting in New York County, New York, (ii) the SEF and the Person involved in the dispute will be presumed to have submitted to the personal jurisdiction of any such court, and (iii) an action to enforce any judgment or decision of such court may be brought in the same court or in any other court with jurisdiction or venue. Finally, all Persons unconditionally and irrevocably waive any and all right to trial by jury in connection with any such dispute.

**Rule 6028     Limitation of Liability, Indemnity**

- (a) UNLESS ARISING OUT OF THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF THE SEF, THE SEF, ITS SUBSIDIARIES AND AFFILIATES AND THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, AND AGENTS (EACH A "RELATED PARTY" AND COLLECTIVELY "RELATED PARTIES") HAVE NO LIABILITY, CONTINGENT OR OTHERWISE, TO PARTICIPANTS OR TO THIRD PARTIES, FOR THE CORRECTNESS, QUALITY, ACCURACY, SECURITY, COMPLETENESS, RELIABILITY, PERFORMANCE, TIMELINESS, PRICING OR CONTINUED AVAILABILITY OF THE SEF SERVICES OR FOR DELAYS OR OMISSIONS OF THE SEF SERVICES, OR FOR THE FAILURE OF ANY CONNECTION OR COMMUNICATION SERVICE TO PROVIDE OR MAINTAIN PARTICIPANT ACCESS TO THE SEF SERVICES, OR FOR ANY INTERRUPTION IN OR DISRUPTION OF A PARTICIPANT'S ACCESS OR ANY ERRONEOUS COMMUNICATIONS BETWEEN THE SEF AND A PARTICIPANT. THE SEF AND ITS RELATED PARTIES ARE NOT LIABLE FOR ANY SPECIAL, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES WHICH A PARTICIPANT OR ANY THIRD PARTY MAY INCUR OR EXPERIENCE BECAUSE THE PARTICIPANT ENTERED INTO THESE TERMS OR RELIED ON THE SEF SERVICES, EVEN IF THE SEF KNOWS OF THE POSSIBILITY OF THOSE DAMAGES. THE SEF AND ITS RELATED PARTIES ARE NOT RESPONSIBLE FOR INFORMING A PARTICIPANT OF ANY DIFFICULTIES THE SEF OR OTHER THIRD PARTIES EXPERIENCE CONCERNING USE OF THE SEF SERVICES OR TO TAKE ANY ACTION IN CONNECTION WITH THOSE DIFFICULTIES. THE SEF AND ITS RELATED PARTIES ALSO HAVE NO DUTY OR OBLIGATION TO VERIFY, CORRECT, COMPLETE OR UPDATE ANY INFORMATION DISPLAYED IN THE SEF SERVICES. EACH PARTICIPANT IS SOLELY RESPONSIBLE FOR ANY LOSSES, DAMAGES OR COSTS RESULTING FROM THE PARTICIPANT'S RELIANCE ON ANY DATA OR INFORMATION

THAT THE SEF MAY PROVIDE IN CONNECTION WITH A PARTICIPANT'S USE OF THE SEF SERVICES.

- (b) THE SEF DOES NOT MAKE ANY RECOMMENDATION AS TO THE SUITABILITY OF ANY INVESTMENT OR PROPOSED TRANSACTION. EACH PARTICIPANT ACKNOWLEDGES THAT THE SEF WILL NOT, AND ARE UNDER NO DUTY TO, PROVIDE ADVICE IN RELATION TO ANY SUCH TRANSACTION OR PROPOSED TRANSACTION THROUGH ANY SEF SERVICE. EACH PARTICIPANT AGREES THAT (I) THE SEF SERVICES ARE NOT AND WILL NOT BE THE BASIS FOR ANY OF INVESTMENT DECISIONS BY A PARTICIPANT AND (II) PARTICIPANTS ARE SOLELY RESPONSIBLE FOR (A) ANY INVESTMENT OR TRADING DECISIONS THAT THE PARTICIPANT MAKES WITH RESPECT TO THE PRODUCTS AVAILABLE VIA ANY SEF SERVICE AND (B) DETERMINING WHETHER ANY TRANSACTION IS SUITABLE, APPROPRIATE OR ADVISABLE FOR THE PARTICIPANT OR SPONSORED PARTICIPANT OR CLIENTS OR CUSTOMERS. PROVISION OF THE SEF SERVICES DOES NOT MAKE THE SEF AN ADVISOR OR FIDUCIARY FOR A PARTICIPANT, SPONSORED PARTICIPANT, CLIENT OR CUSTOMER. THESE TERMS DO NOT CONSTITUTE AN OFFER TO SELL OR SOLICITATION OF AN OFFER TO BUY SECURITIES OR OTHER INSTRUMENTS. IN ADDITION, THE SEF SERVICES DO NOT INCLUDE ANY INVESTMENT, FINANCIAL, LEGAL OR TAX ADVICE WHICH PARTICIPANT MAY DESIRE OR NEED IN CONNECTION WITH ANY TRANSACTION. PARTICIPANTS ARE RESPONSIBLE FOR OBTAINING ANY LEGAL OR TAX ADVICE.
- (c) IF A THIRD PARTY CLAIMS THAT THE SEF SERVICES INFRINGE UPON ITS PATENT COPYRIGHT, OR TRADE SECRET, OR ANY SIMILAR INTELLECTUAL PROPERTY RIGHT, THE SEF WILL DEFEND THE PARTICIPANT AGAINST THAT CLAIM AT THE SEF'S EXPENSE AND PAY ALL DAMAGES THAT A COURT FINALLY AWARDS, PROVIDED THAT THE PARTICIPANT PROMPTLY NOTIFY THE SEF IN WRITING OF THE CLAIM AND COOPERATE WITH THE SEF IN THE DEFENSE OR ANY RELATED SETTLEMENT NEGOTIATIONS. THE SEF SHALL HAVE SOLE CONTROL OVER THE DEFENSE AND ANY NEGOTIATION FOR ITS SETTLEMENT OR COMPROMISE. IF SUCH A CLAIM IS MADE OR IS LIKELY TO BE MADE, THE SEF SHALL, AT THE SEF'S SOLE OPTION, HAVE THE RIGHT TO TAKE ONE OR MORE OF THE FOLLOWING ACTIONS AT NO ADDITIONAL COST TO THE PARTICIPANT: (I) PROCURE THE RIGHT FOR THE PARTICIPANT TO CONTINUE THE USE OF THE SEF SERVICES; (II) REPLACE THE SEF SERVICES WITH NON-INFRINGING SOFTWARE; OR (III) MODIFY THE SEF SERVICES SO AS TO BE NON-INFRINGING. IF THE SEF DETERMINE THAT NONE OF THESE ALTERNATIVES IS REASONABLY AVAILABLE, THE PARTICIPANT AGREES TO IMMEDIATELY TERMINATE ITS USE OF THE SEF SERVICES ON THE SEF'S WRITTEN REQUEST. HOWEVER, THE SEF HAS NO OBLIGATION FOR ANY CLAIM BASED ON THE SEF'S USE OF THE SEF SERVICES IN ANY MANNER INCONSISTENT WITH THESE TERMS, PARTICIPANT'S MODIFICATION OF THE SEF SERVICES OR PARTICIPANT'S COMBINATION, OPERATION, OR USE

OF THE SEF SERVICES WITH ANY PRODUCT, DATA, OR APPARATUS NOT SPECIFIED OR PROVIDED BY THE SEF, PROVIDED THAT SUCH CLAIM SOLELY AND NECESSARILY IS BASED ON SUCH COMBINATION, OPERATION OR USE, OR FOR CONTINUED ALLEGEDLY INFRINGING ACTIVITY BY THE PARTICIPANT AFTER THE PARTICIPANT HAVE BEEN NOTIFIED OF POSSIBLE INFRINGEMENT, UNLESS APPROVED IN ADVANCE BY THE SEF. THE FOREGOING REPRESENTS THE SOLE AND EXCLUSIVE REMEDY FOR PARTICIPANTS WITH REGARD TO ANY OF THE ABOVE INFRINGEMENTS OR ALLEGED INFRINGEMENTS.

- (d) WITH THE EXCEPTION OF THE PROVISIONS OF RULE 6028(c), THE SEF'S LIABILITY AND THE COLLECTIVE LIABILITY OF THE SEF'S RELATED PARTIES AND THE THIRD PARTY SERVICE PROVIDERS SELECTED BY THE SEF, IF ANY, ARISING OUT OF ANY KIND OF LEGAL CLAIM (WHETHER IN CONTRACT, TORT, OR OTHERWISE) OR IN ANY WAY CONNECTED TO A PARTICIPANT'S USE OF THE SEF SERVICES WILL NOT EXCEED \$500,000 UNLESS CAUSED DIRECTLY BY THE SEF'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.
- (e) NONE OF THE ABOVE WILL LIMIT PARTICIPANT'S RIGHTS AND REMEDIES UNDER THE STATE OR FEDERAL SECURITIES LAWS.

## SECTION 7 EMERGENCIES

### **Rule 7000    Emergency Actions**

- (a) During an Emergency, the Board and/or the CEO (or, in his absence, the most senior Officer present), in consultation with the CFTC, as necessary, may implement temporary emergency procedures and rules (“Emergency Rules”), subject to the applicable provisions of the CEA and CFTC Regulations. Emergency Rules may require or authorize the SEF, the Board, any committee of the Board, the CEO, or any other Officer to take Emergency Action necessary or appropriate to respond to the Emergency. If applicable, the SEF may provide for the carrying out of Emergency Actions through its agreements with its Regulatory Services Provider.
- (b) Before any Emergency Rule may be adopted and enforced, a required vote of the Board must approve the enforcement of such Emergency Rule at a duly convened meeting. Directors may attend such a meeting by teleconference and such meeting may, if necessary, be conducted pursuant to Rule 2100(c). Notwithstanding, if the CEO (or, in his absence, the most senior Officer present) determines that Emergency Rules must be implemented with respect to an Emergency before a meeting of the Board can reasonably be convened, then the CEO (or such seniormost Officer) shall have the authority, without Board action, to implement any Emergency Rules with respect to such Emergency that he or she deems necessary or appropriate to respond to such Emergency. In such circumstances, the CEO (or such seniormost Officer) must convene a meeting of the Board (which may, if necessary, be conducted pursuant to Rule 2100(c)) as soon as practicable thereafter. Notwithstanding that the Board does not ratify or approve extending or making permanent any Emergency Rules implemented by the CEO or seniormost Officer pending convening of the Board meeting, all actions previously taken in accordance with such Emergency Rules shall remain binding and valid.
- (c) Whenever the SEF, the Board, any committee of the Board, the CEO or any other Officer takes actions necessary or appropriate to respond to an Emergency, a duly authorized representative of the SEF, where possible, will post an announcement in a Notice to Participants. When the Board, any committee of the Board or the CEO (or, in his absence, the most senior Officer present) determines that the Emergency has been reduced sufficiently to allow the SEF to resume normal functioning, any such actions responding to an Emergency will be terminated.
- (d) The SEF will use reasonable efforts to notify the CFTC prior to implementing, modifying or terminating an Emergency Rule. If such prior notification is not possible or practicable, the SEF will notify the CFTC as soon as possible or reasonably practicable but in all circumstances within twenty-four (24) hours of the implementation, modification or termination of such Emergency Rule.
- (e) Upon taking any action in response to an Emergency, the SEF will document the decision-making process related to such action. Such documentation will be kept for at

least five (5) years following the date on which the Emergency ceases to exist or to affect the SEF, and all such documentation will be provided to the CFTC upon request.



**SECTION 8**  
**RECORDKEEPING AND REPORTING**

**Rule 8000     Maintenance of Books and Records by the SEF**

- (a) The SEF shall keep, or cause to be kept, complete and accurate books and records of all activities relating to its business, including complete audit trails for all Swaps executed on or otherwise subject to the rules of the SEF, investigatory files, disciplinary files and all books and records required to be maintained pursuant to the CEA and CFTC Regulations.
- (b) The SEF shall retain all such books and records for a period of at least five (5) years, and shall make such books and records readily accessible via real-time electronic access for inspection by the CFTC and other regulators during the first two (2) years of this five-year period. The SEF shall retain all books and records related to a Swap executed on, or pursuant to the rules of, the SEF throughout the life of the Swap and for a period of at least five (5) years following the final termination of the Swap.

**Rule 8001     Order Information**

- (a) Each Authorized Trader entering an Order with respect to any Swap traded on the SEF must include with the Order, all data required to enable the SEF to meet its reporting obligations under Parts 43 and 45 of the CFTC Regulations, including without limitation:
  - (1) the User ID;
  - (2) the Participant ID;
  - (3) the price or yield, quantity, maturity or expiration date;
  - (4) the price and quantity;
  - (5) side of the Order;
  - (6) the CTI code;
  - (7) [Reserved];
  - (8) the Legal Entity Identifier of the Participant, Customer or Client with respect to the Swap for which the Order is placed;
  - (9) a yes/no indication of whether the Participant, Customer or Client is a Swap Dealer;
  - (10) a yes/no indication of whether the Participant, Customer or Client is a Major Swap Participant;
  - (11) a yes/no indication of whether the Participant, Customer or Client is a Financial Entity;

- (12) a yes/no indication of whether the Participant, Customer or Client is a U.S. person;
  - (13) an indication that a Swap is an inter-affiliate Swap that should not be subject to the real-time reporting requirements;
  - (14) if the Swap will be allocated:
    - (i) an indication that the Swap will be allocated;
    - (ii) the Legal Entity Identifier of the Account Manager acting as agent;
    - (iii) a yes/no indication of whether the Account Manager acting as agent is a U.S. person;
    - (iv) an indication of whether the Swap is a post-allocation Swap;
    - (v) if the Swap is a post-allocation Swap, the account and Legal Entity Identifier for each Client that received allocations; and
    - (vi) if the Swap is a post-allocation Swap, the USI of the original Transaction between the Reporting Counterparty and the Account Manager acting as agent;
  - (15) if applicable, an indication that the Participant, Customer or Client will elect the End-User Clearing Exception for any Swap resulting from the Order;
  - (16) a yes/no indication of whether the Order is part of a Package Transaction; and
  - (17) if the Order is part of a Package Transaction, a description of the Transaction.
- (b) Participants and ISVs that operate systems that route orders to the SEF are responsible for maintaining or causing to be maintained a routing/front-end audit trail for all Orders, which shall include Order entry, modification and cancellation and any SEF responses to such messages. For executed Orders, such audit trail must record the execution time of the Transaction, along with all fill information. Participants and ISVs shall maintain audit trail information as required by Applicable Law and must have the ability to produce audit trail data in a reasonably usable format upon request of the SEF.

#### **Rule 8002 Books and Records**

- (a) All Participants, Sponsored Participants, Customers and Clients must prepare and keep, or cause to be kept, all books, ledgers and other records relating to its activity on the SEF required to be kept by it pursuant to Applicable Law, and must prepare and keep such other books and records relating to its SEF activity as the SEF may from time to time prescribe. Such books and records must include, without limitation, records of such Person's trading, including records of the Person's activity in the index or instrument used as a reference price, the underlying commodity and related derivatives markets. All

Participants, Sponsored Participants, Customers and Clients shall make such books and records available for inspection by a representative of the SEF or the Regulatory Service Provider and as otherwise required by Applicable Law.

- (b) In addition to the information required by subsection (a) of this Rule 8002, each Participant must comply with all applicable requirements of CFTC Regulation 1.35.
- (c) If a Participant cannot enter an Order or Request for Quote received from its Customer into the SEF, either directly or indirectly through an Execution Specialist, the Participant must immediately create an electronic record that includes the account identifier that relates to the Customer, time of receipt and terms of the Order or Request for Quote.
- (d) Each Participant shall keep all books and records in accordance with the SEF Rules for a period of five (5) years from the date on which they are first prepared unless otherwise provided in these Rules or other Applicable Law. Such books and records shall be readily accessible during the first two (2) years of such five-year period, unless otherwise provided in the SEF Rules or other Applicable Law. Each Participant, Sponsored Participant, Customer or Client which is a counterparty to a Swap on, or pursuant to the rules of, the SEF shall retain all books and records related to such Swap for the life of the Swap and for a period of at least five (5) years following the final termination of the Swap. Each Participant, Sponsored Participant, Customer or Client that is a counterparty to an Uncleared Swap on, or pursuant to the rules of, the SEF shall notify the SEF of any extension of the final termination of the Swap beyond the original stated maturity in order to enable the SEF to comply with Rule 8000(b) and the SEF's obligations under Applicable Law.
- (e) The SEF may require a Participant, Account Manager, Sponsored Participant, Customer or Client to furnish any information in connection with a Person's activities on the SEF including (i) information relating to Swaps executed on or pursuant to the rules of the SEF, on or pursuant to the rules of other swap execution facilities, DCMs or in related derivatives markets or to transactions or positions in the products underlying, related to or indexed to those Swaps or to which those Swaps are indexed (in whole or in part), and (ii) information requested by a Government Agency relating to the SEF and/or the SEF's compliance with Applicable Law that the SEF believes is maintained by, or otherwise in the possession or control of, the Participant.

### **Rule 8003 Recordkeeping Requirements for Block Trades**

Block Trades executed in accordance with Rule 4016, unless otherwise exempted by a Rule, must comply with the following recordkeeping requirements:

- (a) At the time of execution, every order received from a Participant must be in the form of a written or electronic record and include information meeting the requirements of Rule 8001 and a timestamp reflecting the date and time that such order was received.
- (b) The record shall also include a timestamp reflecting the date and time that the order was executed or cancelled to the nearest millisecond.

#### **Rule 8004 Access to Position Information**

Without limiting any provision of these SEF Rules, the SEF and any Regulatory Service Provider, shall have the authority to obtain from any Participant, Sponsored Participant, Account Manager, Customer or Client, or Supervised Person information with respect to positions of such Person or any Sponsored Participant, Customer or Client, or Supervised Person. This authority shall include the authority to obtain information concerning positions maintained at other firms, and it shall be the obligation of a Participant receiving such an inquiry to obtain such information from its Account Manager, Sponsored Participant, Customer, Client, or any Supervised Person. In the event a Participant Sponsored Participant, Customer, Client, or any Supervised Person fails to provide the requested information the SEF, in addition to any other remedy provided in these SEF Rules, may order that the Participant, Account Managers, Sponsored Participant, Customer, Client, or any Supervised Person liquidate the positions that are related to the inquiry.

#### **Rule 8005 Reporting to a Swap Data Repository**

- (a) The SEF will report each Swap executed on, or pursuant to the rules of, the SEF as soon as technologically practicable after execution to a Swap Data Repository in compliance with Parts 43 and 45 of the CFTC Regulations.
- (b) The Reporting Counterparty for each Swap shall be established pursuant to CFTC Regulation 45.8. If the identity of the Reporting Counterparty cannot be established under CFTC Regulation 45.8, the ISDA Reporting Counterparty Rules shall be applied.
- (c) If the SEF cannot identify the Reporting Counterparty, the SEF will:
  - (1) notify each counterparty, as soon as technologically practicable after execution of the Swap, that it cannot identify whether that counterparty is the Reporting Counterparty and, if applicable, that neither counterparty is a U.S. person; and
  - (2) transmit to each counterparty the Legal Entity Identifier of the other counterparty.
- (d) If the Reporting Counterparty for a Swap that was executed on, or pursuant to the rules of, the SEF becomes aware of an error or omission in the swap transaction or pricing data that was reported with respect to such Swap, either through its own initiative or through notice by the other party to the swap, such party shall promptly notify the SEF of the error and/or correction. Upon receiving a notification from the Reporting Counterparty or otherwise becoming aware of an error or omission in the swap transaction or pricing data reported with respect to a Swap executed on, or pursuant to the rules of, the SEF, the SEF shall promptly submit corrected data to the same Swap Data Repository to which the Swap was previously reported.
- (e) No Person shall submit or agree to submit a cancellation or correction for the purpose of re-reporting swap transaction and pricing data in order to gain or extend a delay in public dissemination of accurate swap transaction or pricing data or to otherwise evade Applicable Law, including the reporting requirements set forth in Part 43 of the CFTC Regulations.

- (f) All Swaps executed on, or pursuant to the rules of, the SEF are reported to the Swap Data Repository of the Depository Trust and Clearing Corporation, except that “other commodity” swaps (as defined under Part 45 of the CFTC Regulations) are reported to a Swap Data Repository selected by the parties prior to executing the relevant Swap.

**Rule 8006 Timely Publication of Trading Information**

The SEF will publish trading information as required by Core Principle 9 of Part 37 and by Part 16 of the CFTC Regulations.