



NEX SEF LIMITED

Facility Rulebook

Version 1.9

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created, and the Order or Pre-Arranged Cross must be entered into a Trading Platform or submitted to the Facility, as applicable, as soon as practicable.

(b) *Priority of execution.* Non-discretionary executable Customer Orders received by a Participant who is an Intermediary shall be entered into Facility in the sequence received. Non-discretionary Orders that cannot be immediately entered must be entered when the Orders become executable, in the sequence in which the Orders were received.

(c) NEX SEF shall provide all Confirmations of Intermediated Transactions to the Intermediary upon execution of the transaction. Except to the extent that NEX SEF sends Confirmations of Contracts directly to the relevant Customer, any Participant that transacts as an Intermediary for any Customer shall be responsible for ensuring that such Customers receive all Confirmations of Contracts entered into on behalf of such Customers as soon as technologically practicable after receipt of the Confirmation from NEX SEF.

Rule 314 Bunched Orders

Bunched Orders must be allocated and recorded in accordance with Commission Regulation 1.35(b)(5) and the NFA's Interpretive Notice related to Compliance Rule 2-10. Bunched Orders may be entered using a designation for a group of accounts or suspense account number; provided, however that:

(1) the Bid/Offer or Pre-Arranged Cross is being placed by a Participant who is, or is acting on behalf of, an account manager for multiple accounts eligible for post execution allocation; or

(2) a written, pre-determined allocation scheme that defines the group of accounts has been provided to the Clearing Firm accepting or clearing the Bid/Offer prior to the time that such Bid/Offer is entered.

Rule 315 NEX SEF Authority over Transactions

(a) *NEX SEF Authority Regarding Cancellations, Price Adjustments and Errors*

NEX SEF has authority to cancel any transaction, to adjust the price of any transaction executed on the Facility, or to execute or require the execution of a new or offsetting transaction: (i) when NEX SEF determines in its sole discretion such action is necessary to mitigate system defects or market disrupting events, Disorderly Trading Conditions and breaches of capacity limits caused by the improper or erroneous use of a Trading Platform; (ii) at any time NEX 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; or (iii) in accordance with Rule 315(c), (d), (h) or (i). All decisions of NEX SEF regarding NEX SEF's cancellation of transactions or the adjustment of transaction prices and the execution of new or offsetting transactions shall be final, subject to 315(d).

(b) *Determination to Review a Transaction's Price*

(1) NEX SEF may determine to review a transaction's price based on its independent analysis of market activity or upon a Participant's request. A Participant's request for review must be made (i) for an uncleared Pre-Arranged Cross, within one Business Day of the execution of such transaction, and (ii) for any other transaction executed on the Facility within 15 minutes of the execution of such transaction. In the absence of a timely request for review, NEX SEF may determine whether or not a transaction will be subject to review in its sole discretion. Notwithstanding the foregoing, subject to Applicable Law, NEX SEF shall amend the terms of, or cancel, any transaction that the parties, together with the DCO, as applicable, mutually agree to amend or cancel, in the event that such amendment or cancellation is not submitted to NEX SEF within the applicable review period specified above.



(2) If NEX SEF determines to review a transaction's price, it will promptly issue an alert to all Participants via a Trading Platform or electronic mail indicating that the transaction is under review.

(c) *Review of a Transaction's Price*

(1) In reviewing a transaction's price, NEX SEF shall determine the fair value price for the Swap at the time the transaction under review occurred. NEX SEF may consider any relevant information, including, but not limited to, the last transaction price of the Swap or a better Bid/Offer, a more recent price for a different maturity date, the price of the same or related Swap established in another venue or another market, the market conditions at the time of the transaction.

(2) If NEX SEF determines that the price of a transaction is a fair value price, NEX SEF will issue an alert indicating that the transaction shall stand as executed.

(3) If NEX SEF determines that the price of a transaction is not a fair value price, NEX SEF shall have the right, in its sole discretion, to cancel or adjust the price of such transaction.

(d) *Alternative Resolution by Agreement of Parties for Transactions Reviewed for Price*

(1) With the approval of NEX SEF, parties to a transaction that is under review for price or that has had its price adjusted may instead, together with the DCO, as applicable, mutually agree to cancel or otherwise adjust the price of the transaction.

(2) With the approval of NEX SEF, parties to a transaction that is cancelled may instead, together with the DCO, as applicable, mutually agree to adjust the price of such transaction to a fair value price.

(3) Subject to sections (d)(i) and (d)(ii), parties to a transaction that is cancelled or that has had its price adjusted may mutually agree to a cash adjustment.

(4) Any cancellation or adjustment made pursuant to sections (d)(i), (d)(ii) or (d)(iii) must be reported to the Facility by the parties within one (1) Business Day and the parties must maintain a record of such adjustment.

(e) *Liability for Losses Resulting from Cancellations or Price Adjustments*

(1) A party that through error or mistake enters a Bid/Offer or Pre-Arranged Cross that results in a cancellation or price adjustment shall be responsible for demonstrated claims of realised losses incurred by persons whose transaction prices were cancelled or adjusted; provided, however, that a claimant shall not be entitled to compensation for losses incurred as a result of the claimant's failure to take reasonable actions to mitigate the loss.

(2) A claim for a loss pursuant to this Rule 315 must be submitted to the Facility within one (1) Business Day of the event giving rise to the claim. NEX SEF will reject any claim that is not filed in a timely manner and such decision shall be final. Eligible claims shall be forwarded by NEX SEF to the party responsible for the Bid/Offer or Pre-Arranged Cross that resulted in a cancellation or a price adjustment of a transaction and the Participant through which the transaction was submitted to the Facility. Such party, or Participant on behalf of such party, shall, within ten (10) Business Days of receipt of the claim, admit or deny responsibility in whole or in part. Failure to respond to the claim within ten (10) Business Days shall be deemed a denial of liability.

(3) To the extent that liability is admitted, payment shall be made within ten (10) Business Days. Unless otherwise agreed upon in writing by the parties, failure to make the payment within ten (10) Business Days shall be deemed a denial of liability for the purposes of this Rule 315. A copy of any such written agreement must be provided to NEX SEF.



(4) To the extent that liability is denied, the party making the claim may submit the claim for arbitration pursuant to Rule 702. Such claims must be submitted to NEX SEF within ten (10) Business Days of the date the party was issued notification that liability was denied.

(f) [Reserved]

(g) *Reporting and Recording of Cancellations and Price Adjustments*

(1) Cancelled transactions and any prices that have been adjusted shall be cancelled in NEX SEF's official records.

(2) Transactions that have had their price adjusted shall be reflected in NEX SEF's official records at the adjusted price.

(h) *Review of Transactions for Errors*

(1) If a Participant, Customer or Clearing Firm believes that any transaction in one or more Contracts was executed, cleared or rejected from clearing as a result of an Error, as defined in Rule 315(h)(3), such person may request review of the transaction.

(2) Upon receipt of a request for review of a transaction, or if NEX SEF determines on its own initiative to conduct such a review, NEX SEF will review its records to determine if an Error occurred.

(3) NEX SEF may cancel or adjust the transaction, or execute or require the execution of a new or offsetting Cleared Contract under the procedures of Rule 315(i), as appropriate, if the review described in this Rule reveals that:

- (i) a Trading Platform made a material mistake or that a mistake occurred as a result of a malfunction in a Trading Platform or by human error; or
- (ii) a Bid/Offer or Pre-Arranged Cross was incorrectly displayed and/or executed and/or reported; or
- (iii) a Trading Platform, Participant or Customer made a clerical or operating error or omission that caused a transaction to be rejected from clearing and void *ab initio*; or
- (iv) a Clearing Firm or DCO rejected a leg of a Package Transaction for clearing because of the sequencing of submission for clearing of the legs of the applicable Package Transaction (each of the foregoing, an "**Error**").

(4) If the review described in this Rule reveals that no Error occurred, NEX SEF will inform any person who requested the review that NEX SEF has determined that the transaction was properly handled, the evidence supporting that determination, and that a cancellation, adjustment or a new or offsetting transaction under Rule 315(i) will not be made.

(5) NEX SEF will document in writing all requests for review of transactions received by NEX SEF, or any review on its own initiative, the time and manner in which NEX SEF reviewed its electronic audit trail in response to the request or review on its own initiative, the outcome of that review, and the action or actions taken by NEX SEF in response to that review.

(6) If a transaction is reviewable for price under Rule 315(b), the procedures of this Rule 315(h) shall not apply.



(i) *Procedures for Correcting Errors*

(1) The procedures of this Rule 315(i) are in accordance with NAL 17-27, expiring on the effective date of revised Commission regulations governing swaps with clerical and operational errors executed on a swap execution facility, and are limited to:

- (i) A Cleared Contract that was rejected for clearing and void *ab initio* because of a clerical or operational error or omission by NEX SEF, a Participant or a Customer (each, a "**Rejected Transaction**"),
- (ii) A leg of a Package Transaction that was rejected for clearing because of the sequencing of submission for clearing of the legs of the applicable Package Transaction and only for such rejected leg (each, a "**Rejected Leg**"), and
- (iii) A Cleared Contract that is carried on a DCO's books as a result of a clerical or operational error or omission by NEX SEF, a Participant or a Customer that was not identified until after the Cleared Contract had been cleared (each, an "**Erroneously Cleared Transaction**"),

in each case where the Facility has affirmatively determined that the transaction or a term thereof resulted from an Error.

(2) For Rejected Transactions and Rejected Legs, if a Participant, Customer or Clearing Firm believes that a transaction qualifies as a Rejected Transaction or a Rejected Leg, such Participant, Customer or Clearing Firm shall request review of the transaction pursuant to Rule 315(h).

- (i) Upon completion of the review of the transaction pursuant to Rule 315(h), if NEX SEF determines that an Error resulted in a Rejected Transaction or a Rejected Leg and:
 - A. If NEX SEF is able to determine how to correct the Error, NEX SEF shall execute a new Cleared Contract with the same terms as the Rejected Transaction or Rejected Leg, other than the Error, without obtaining consent of the Participant that submitted the Rejected Transaction or Rejected Leg or the Customer on whose behalf such transaction was submitted. The new Cleared Contract must be submitted by a NEX SEF customer service representative as a Pre-Arranged Cross, and such Pre-Arranged Cross shall be subject to pre-execution credit check and risk screening pursuant to Rule 204(b).
 - B. If NEX SEF is unable to determine how to correct the Error, NEX SEF shall consult with the Clearing Firms for the Rejected Transaction or Rejected Leg and the Participants and Customers involved in such transaction, as necessary, and the Clearing Firms for such transactions may, with the consent of each respective Customer or Participant, agree to a new Cleared Contract with the same terms as the Erroneously Cleared Contract, other than the Error. Such Customer or Participant consent may not be obtained in advance, and must be sought and obtained by each Clearing Firm on a case-by-case basis, after the Cleared Contract has been rejected. If there is such agreement and consent, the new Cleared Contract must be submitted by the Participant specified in Rule 304(b) as a Pre-Arranged Cross pursuant to the procedure in Rule 304(b), and such Pre-Arranged Cross shall be subject to



pre-execution credit check and risk screening pursuant to Rule 204(b).

- (ii) Upon execution of such Pre-Arranged Cross by NEX SEF to replace a Rejected Transaction or Rejected Leg, NEX SEF shall submit the transaction to the DCO for clearing as quickly as technologically practicable, but in any case no later than 60 minutes from the issuance of the notice of rejection by the DCO to the Clearing Firms.
 - (iii) If the new Cleared Contract resulting from such Pre-Arranged Cross is rejected from clearing, it is void *ab initio* and no additional new Cleared Contract will be permitted to be submitted under the procedure in this Rule 315(i)(2).
 - (iv) NEX SEF shall report Swap transaction data to the relevant SDR pursuant to Rule 309(f) for a new Cleared Contract that clears with the same terms as the Rejected Transaction or Rejected Leg, as applicable, other than the Error, including: a Part 43 cancellation for the original transaction, a Part 45 termination indicating the original transaction is void *ab initio*, and swap transaction data pursuant to Parts 43 and 45 for the new Cleared Contract. Such data shall reference the original cancelled trade, indicate that it has been reported pursuant to the procedures described in this Rule 315(i)(2) and link the original cancelled trade to the new trade for reporting to the relevant SDR under Part 43 and Part 45 of the Commission Regulations.
 - (v) The procedures in this Rule 315(i)(2) are not available for Rejected Legs of Package Transactions that are rejected for clearing by a Clearing Firm or DCO because the Package Transaction as a whole failed to satisfy the applicable Risk-Based Limits.
- (3) For Erroneously Cleared Transactions, if a Participant, Customer or Clearing Firm believes that a Cleared Contract is carried on the books of a DCO as a result of an Error, such Participant, Customer or Clearing Firm may request review of the transaction pursuant to Rule 315(h).
- (i) Upon completion of the review of the transaction pursuant to Rule 315(h), if NEX SEF determines that an Error resulted in an Erroneously Cleared Transaction and:
 - A. If NEX SEF is able to determine how to correct the Error, NEX SEF shall execute a Cleared Contract that offsets the Erroneously Cleared Transaction carried on the books of the relevant DCO through the same Clearing Firms that cleared the Erroneously Cleared Transaction and NEX SEF shall execute a new Cleared Contract with the same terms as the Erroneously Cleared Transaction, other than the Error, in each case without obtaining consent of the Participant that submitted the Erroneously Cleared Transaction or the Customer on whose behalf such transaction was submitted; provided that, where an Erroneously Cleared Transaction did not satisfy the Risk-Based Limits of a Participant's Clearing Firm, NEX SEF shall obtain the consent of the relevant Clearing Firm prior to executing such offsetting Cleared Contract. The new Cleared Contract must be submitted by a NEX SEF customer service representative as a Pre-Arranged Cross, and



- (i) Upon completion of the review of the transaction pursuant to Rule 315(h), if NEX SEF determines that an Error resulted in an Erroneously Cleared Transaction and:
 - A. If NEX SEF is able to determine how to correct the Error, NEX SEF shall execute a Cleared Contract that offsets the Erroneously Cleared Transaction carried on the books of the relevant DCO through the same Clearing Firms that cleared the Erroneously Cleared Transaction and NEX SEF shall execute a new Cleared Contract with the same terms as the Erroneously Cleared Transaction, other than the Error, in each case without obtaining consent of the Participant that submitted the Erroneously Cleared Transaction or the Customer on whose behalf such transaction was submitted; provided that, where an Erroneously Cleared Transaction did not satisfy the Risk-Based Limits of a Participant's Clearing Firm, NEX SEF shall obtain the consent of the relevant Clearing Firm prior to executing such offsetting Cleared Contract. The new Cleared Contract must be submitted by a NEX SEF customer service representative as a Pre-Arranged Cross, and such Pre-Arranged Cross shall be subject to pre-execution credit check and risk screening pursuant to Rule 204(b).
 - B. If NEX SEF is unable to determine how to correct the Error, NEX SEF shall consult with the Clearing Firms for Erroneously Cleared Transactions and the Participants and Customers involved in such transaction, as necessary, and the relevant Customer or Participant may agree to execute a Cleared Contract that offsets the Erroneously Cleared Transaction carried on the books of the relevant DCO through the same Clearing Firms that cleared the Erroneously Cleared Transaction and to execute to a new Cleared Contract with the same terms as the rejected Cleared Contract, other than the Error. The new Cleared Contracts must be submitted by the Participant specified in Rule 304(b) as Pre-Arranged Crosses pursuant to the procedure in Rule 304(b), and such Pre-Arranged Crosses shall be subject to pre-execution credit check and risk screening pursuant to Rule 204(b).
- (ii) Upon execution of such Pre-Arranged Crosses by NEX SEF to offset an Erroneously Cleared Transaction and to enter into a new Cleared Contract, NEX SEF shall submit the transactions to the DCO for clearing as quickly as technologically practicable, but in any case no later than three days after the Erroneously Cleared Transaction was executed.

(4) ~~(4)~~ For the avoidance of doubt, the procedures of this Rule 315(i) are not applicable to any transaction rejected by a DCO for credit reasons.

(i) ~~(i)~~ *Prime Broker Transactions*

(1) A Prime Broker shall have the right to have the Facility cancel any Prime Broker Transaction within 48 hours after the execution of such transaction if such transaction was executed in excess of a Prime Broker Limit established by the Prime Broker with respect to the Prime Broker Transaction.