



**NEX SEF LIMITED**

# **Facility Rulebook**

**Version 2.5**

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**FACILITY RULEBOOK**

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## DEFINITIONS

Except where the context requires otherwise, the following terms shall have the following meanings when used in the Rules. Use of the singular shall include the plural and vice versa, unless the context requires otherwise.

**Act** means the U.S. Commodity Exchange Act, as amended from time to time.

**Active Region** means the following regions according to the relevant time in UTC:

Tokyo: 10:30 p.m. – 5:59 am

London: 6:00 a.m. – 1:59 p.m.

New York: 2:00 p.m. – 10:29 p.m.

**Affiliate** means, with respect to any person, any other person who controls, is controlled by or is under common control with such person.

**Affirm** means the process by which the counterparties to a Cleared Contract verify that they agree on the details of the transaction after execution on the Facility but prior to submission to the relevant DCO, which may be done by any means acceptable to the counterparties, including the use of an Affirmation Hub, and "Affirmations" shall be construed accordingly.

**Affirmation Hub** means a third-party service designated by NEX SEF to route Cleared Contracts to DCOs and which may provide Participants with the opportunity to Affirm the Cleared Contracts.

**Answer** shall have the meaning set forth in Rule 505.

**Applicable Law** means, with respect to any person, any statute, law, regulation, rule or ordinance of any Competent Authority applicable to such person, including but not limited to the FCA's rules, any provisions of EU law (including, without limitation, MiFID II, MiFIR and CRD IV), the Act and Commission Regulations.

**Arbitrator Components** means those components of the System that contain the core matching logic, based in London, New York and Tokyo.

**API** means the application programming interface authorised by NEX SEF for accessing an Order Book.

**ASX** means ASX Clear (Futures) PTY Limited.

**ATS Operator** means either (i) a natural person who administers, operates and/or monitors a single Automated Trading System, or (ii) an ATS Team.

**ATS Team** means multiple natural persons who simultaneously work together to administer, operate and/or monitor a single Automated Trading System.

**Authorised Trader** means an individual or ATS Operator designated as such by, and acting on behalf of, a Trading Privilege Holder or an Authorised Trading Firm to enter Bids/Offeres, submit Pre-Arranged Crosses, access a Trading Platform and execute transactions in Contracts.

**Authorised Trading Firm** means an entity designated as such by a Trading Privilege Holder, including an Intermediary, to enter Bids/Offeres, submit Pre-Arranged Crosses, access a Trading Platform and execute as a Participant entering Bids/Offeres on the EBS Order Book in the name of the Trading Privilege Holder.

**Automated Trading System** or **ATS** means a system that automates the generation and routing of Bids/Offeres and/or other messages to an Order Book.

**BASIC** shall have the meaning set forth in Rule 205(g).

**Bid/Offer** means a bid or offer entered into a Trading Platform operated by NEX SEF.

**Board** means the Board of Directors of NEX SEF.

**Breakage Agreement** means an agreement or any other arrangement between the parties that provides for the assessment of liability or payment of damages between the parties to a Cleared Contract in the event that the Cleared Contract is rejected from clearing.

**Broker Component** means an intermediate component of Order routing technology for the System, between the Participant and the Arbitrator Component.

**Business Conduct Committee** means a designated CME Group body that has been authorized to investigate, order sanctions, and determine settlements on the market conduct activity of the participants on CME Group owned or controlled Designated Contract Markets, Designated Clearing Organizations or Swap Execution Facilities.

**Business Day** means any day on which a Contract is available for trading on the Facility.

**CF10** means the person approved by the FCA to perform the CF10 (Compliance Oversight Function) for NEX SEF, or one duly authorised to act with the authority of the CF10.

**Chairman of the Board** means the chairman of the Board.

**Chief Compliance Officer** means the chief compliance officer of NEX SEF, or one duly authorised to act with the authority of such officer.

**Chief Executive Officer** means the chief executive officer of NEX SEF, or one duly authorised to act with the authority of such officer.

**Class** means, with respect to any Swap, a Contract covering the same Underlying Interest.

**Cleared Contract** means any Contract that is listed for clearing by NEX SEF.

**Clearing Firm** means a clearing member of a DCO that is authorised pursuant to the rules of such DCO to clear transactions in any or all Contracts.

**Clearing Firm Representation** shall have the meaning set forth in Rule 204(f).

**CME** means Chicago Mercantile Exchange Inc.

**CME Group** means CME Group Inc.

**Commission** means the U.S. Commodity Futures Trading Commission or any successor regulatory body.

**Commission Regulations** means any rule, regulation, order, directive and any interpretation thereof promulgated by the Commission, as amended.

**Commodity** shall have the same meaning as in the Act.

**Commodity Interest** shall have the meaning set forth in Commission Regulation 1.3.

**Competent Authority** means any domestic or foreign government (or political subdivision), governmental or regulatory authority, agency, court, commission or other governmental or regulatory entity (including any self-regulatory association) with jurisdiction over the operations and activities of NEX SEF.

**Compliance Function** means the Chief Compliance Officer and CF10 together.

**Confirmation** shall have the same meaning as in Commission Regulation 45.1.

**Confidential Information** means all non-public information that is stated to be or that can reasonably be expected to be of a confidential or trade secret nature in any form obtained by a Participant from NEX SEF in accessing or using the Systems, including, but not limited to, any processes, or proprietary data, information or documents regarding the Systems, save to the extent that such information: (i) is already in the public domain at the time of disclosure; (ii) enters the public domain other than by a breach of any obligation of confidentiality; (iii) is required to be disclosed by reason of Applicable Law, provided that, where permitted by Applicable Law, prior notice of such disclosure shall be provided to NEX SEF as soon as practicable in order to permit NEX SEF to seek a protective order or take other appropriate action to safeguard the Confidential Information; or (iv) is permitted to be disclosed pursuant to the Rules.

**Contract** means any Swap listed for trading on the Facility.

**CRD IV** means Directive 2013/36/EU.

**CRR** means Regulation (EU) No. 575/2013.

**Credit Institution** shall have the meaning in Article 4(1)(1) CRR, being "an undertaking the business of which is to take deposits or other repayable funds from the public and to grant credits for its own account" which is authorised in the European Union.

**Customer** means any person (including another Trading Privilege Holder), or such person's agent with the legal ability to direct trading on behalf of such person, that transacts on the Facility through a Trading Privilege Holder or Authorised Trading Firm acting as an Intermediary.

**Customer Type Indicator Codes** shall have the meaning set forth in Rule 208.

**DCO** means, with respect to any Swap, a derivatives clearing organisation authorised to clear such Swap.

**Delivery Month** means, with respect to any Contract, the month in which delivery of an Underlying Interest is to be made pursuant to the terms of such Contract.

**Derived Information** means Information that has been altered, enhanced, modified or from which derivative information has been created.

**Direct Electronic Access** has the meaning given in Article 4(1)(41) MiFID II, being "an arrangement where a member or participant or client of a trading venue permits a person to use its trading code so the person can electronically transmit orders relating to a financial instrument directly to the trading venue and includes arrangements which involve the use by a person of the infrastructure of the member or participant or client, or any connecting system provided by the member or participant or client, to transmit the orders (direct market access) and arrangements where such an infrastructure is not used by a person (sponsored access)".

**Director** means a member of the Board.

**Disorderly Trading Conditions** means where (i) the performance of the Facility being significantly affected by delays and interruptions, which in these Rules means that the Arbitrator Component of the Active Region from time to time is down for more than 5 minutes (during the trading hours defined in Rule 801), resulting in the inability to trade for greater than 40% of EBS Trading Platform trading floor codes; (ii) multiple erroneous Bids/Offer or transactions, which in these Rules means 10 or more erroneous Bids/Offer or transactions occurring as a result of the Facility incorrectly modifying Participants' original Bid/Offer submissions within 5 minutes; or (iii) the capacity of the Facility to provide services becoming insufficient, which in these Rules means that the median round-trip time as measured by point of (A) Bid/Offer entry point to the Arbitrator Component and back exceeds 250 milliseconds over a 60 minute calculation period for immediate-or-cancel ("**IOC**") Bids/Offer, or (B) the Broker Component submitting the Bid/Offer to the

Arbitrator Component acknowledging the Bid/Offer exceeds 25 milliseconds over a 60 minute calculation period for good-till-cancel Bids/Offers.

**DTCC** means DTCC Data Repository (U.S.) LLC.

**EBS** means EBS Dealing Resources Inc., an affiliate of the Facility.

**EBS Order Book** means the Order Book for the EBS Trading Platform.

**EBS Trading Platform** means a Trading Platform operated pursuant to technology licensed from EBS.

**Eligible Counterparty** has the meaning given in the FCA Handbook.

**Eligible Contract Participant (“ECP”)** has the meaning given in the Act.

**Emergency** shall have the meaning set forth in Rule 104.

**Erroneously Cleared Transactions** shall have the meaning set forth in Rule 315(i).

**Error** shall have the meaning set forth in Rule 315(h).

**Eurex** means Eurex Clearing AG.

**Facility** means the venue provided by NEX SEF for the execution of Contracts, as set out in this Facility Rulebook.

**Facility Subject Person** means any person that has consented to the jurisdiction of the Facility and agreed to be bound by and comply with the Rules pursuant to Rule 206(a).

**Fair Usage Policy** means the policy with that name available on the Facility's website.

**FCA** means the UK Financial Conduct Authority, or any successor regulatory body.

**Financial Entity** has the meaning set forth in the Act.

**Governance Policy** means the Governance Policy of NEX SEF available on the Facility's website.

**Hearing Date** shall have the meaning set forth in Rule 506.

**Hearing Panel** shall have the meaning set forth in the Governance Policy.

**Hearing Panel Chairman** shall have the meaning set forth in Rule 506.

**Hearing Record** shall have the meaning set forth in Rule 510.

**ID** shall have the meaning set forth in Rule 302.

**Indemnified Party** shall have the meaning set forth in Rule 108(f).

**Indemnifying Party** shall have the meaning set forth in Rule 108(f).

**Information** shall have the meaning set forth in Rule 107.

**Intellectual Property Rights** means all right, title and interest in and to (i) trademarks, service marks, brand names and other indications of origin and the goodwill associated with the foregoing; (ii) inventions, patents, trade secrets, know-how, processes and systems; (iii) copyright and database rights; and (iv) any other intellectual property or similar proprietary rights in any jurisdiction, in each case whether registrable or not.



**Intermediary** means any person that enters Bids/Offers into a Trading Platform or submits Pre-Arranged Crosses to the Facility as a Trading Privilege Holder or Authorised Trading Firm on behalf of Customers, including without limitation, any futures commission merchant, introducing broker or commodity trading adviser registered with the Commission.

**Intermediated Transaction** means any transaction on the Facility conducted through an Intermediary.

**Investment Firm** shall have the meaning in Article 4(1)(1) MiFID II, being "any legal person whose regular occupation or business is the provision of one or more investment services to third parties and/or the performance of one or more investment activities on a professional basis".

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

**ISDA Reporting Party Rules** means the reporting party rules set forth in the document published by ISDA entitled "Dodd Frank Act – Swap Transaction Reporting Party Requirements" dated July 15, 2013, as set forth in Annex 1.

**Kill Functionality Policy** means the policy with that name available on the Facility's website.

**Last Trading Day** means, with respect to any Swap, the last day on which trading is permitted for such Swap in accordance with the Rules.

**LCH. Clearnet** means LCH.Cleernet, Limited.

**Legal Entity Identifier** or **LEI** shall have the same meaning as in Commission Regulations.

**Losses** shall have the meaning set forth in Rule 102(a).

**Major Swap Participant** shall have the same meaning as in the Act and Commission Regulations.

**MAR** means Regulation (EU) No. 596/2014.

**Market Regulation Advisory Notice** or **MRAN** means a notice published or issued by NEX SEF to Participants from time to time. MRANs form part of the Rules.

**Market Regulation Staff** means the personnel designated by NEX SEF as members of the Market Regulation Staff, any agents of NEX SEF that assist in the implementation, surveillance, and enforcement of its rules and related obligations, and NEX SEF's Regulatory Services Provider.

**MiFID II** means Directive 2014/65/EU.

**MiFIR** means Regulation (EU) No.600/2014.

**MMA** shall have the meaning set forth in Rule 212(b).

**MTF** means a multilateral trading facility, as defined in the FCA Handbook.

**NAL** means Commission No-Action Letter.

**NEX SEF** means NEX SEF Limited (Company Number: 6292563).

**NEX SEF Indemnified Party** shall have the meaning set forth in Rule 108(f).

**NFA** means the National Futures Association.

**Non-Cleared Contract** means a Contract that is not a Cleared Contract.

**Notice** shall have the meaning set forth in Rule 504.

**Order** means an instruction by a Customer to an Intermediary to execute a transaction on behalf of such Customer.

**Order Book** means a Trading Platform in which all Trading Privilege Holders have the ability to enter, observe and transact on multiple Bids/Offers.

**Organisational Requirements CDR** means the European Commission Delegated Regulation (EU) No. 2017/565.

**Package Transaction** means a transaction executed on the Facility or subject to the Rules involving two or more instruments: (i) that is executed between two or more parties that are Participants; (ii) that is priced or quoted as one economic transaction with simultaneous or near simultaneous execution of all components; (iii) for which no component is subject to section 2(h)(8) of the Act; and (iv) where the execution of each component is contingent upon the execution of all other components.

**Participant** means any Trading Privilege Holder, Authorised Trader or Authorised Trading Firm.

**Participant Indemnified Party** shall have the meaning set forth in Rule 108(f).

**Participation Committee** shall have the meaning set forth in the Governance Policy.

**Permitted Transaction** means any transaction involving a Swap that is not subject to the trade execution requirement in section 2(h)(8) of the Act.

**person** means any individual, sole proprietorship, corporation, limited liability company, limited liability partnership, partnership, association, estate, trust, governmental agency, unincorporated organisation or any other legal entity.

**Physical Emergency** shall have the meaning set forth in Rule 104(e).

**Position Limit** means the maximum position, either net long or net short, in one Series or a combination of various Series of a particular Class that may be held or controlled by one person, or subject to aggregation with such person's position, as prescribed by NEX SEF and/or Commission.

**Pre-Arranged Cross** means a Permitted Transaction pre-arranged pursuant to Rule 304(b).

**Pre-Trade Controls** shall have the meaning in Rule 310(c).

**Prime Broker** means a person that has authorised a Trading Privilege Holder to execute Prime Broker Transactions in the name of and on behalf of such person pursuant to a Prime Broker Agreement. A Prime Broker shall not be a Customer of such authorised Trading Privilege Holder; instead all Prime Broker Transactions shall be executed pursuant to Rule 215.

**Prime Broker Agreement** means an agreement between a Prime Broker and a Trading Privilege Holder that governs the performance and settlement of a Non-Cleared Contract that is a Permitted Transaction, including any applicable credit support and default provisions.

**Prime Broker Limit** shall have the meaning set forth in Rule 215.

**Prime Broker Representation** shall have the meaning set forth in Rule 215.

**Prime Broker Transaction** means a transaction executed pursuant to Rule 215: (i) in a Non-Cleared Contract that is a Permitted Transaction; and (ii) where the Prime Broker has no knowledge of such transaction until after the transaction's execution.

**Proceeding** shall have the meaning set forth in Rule 108(f).

**Professional Client** has the meaning given in the FCA Handbook.

**Proprietary Data and Personal Information** means any and all data (whether Bids/Offers, Pre-Arranged Crosses, quotes, Orders, Confirmations or otherwise) and information submitted to the Facility by or through a person with respect to that person, including information that separately discloses business transactions, market positions or trade secrets of a person with respect to that person, but excludes information in a Confirmation that discloses the identity of another person.

**Public Director** means any person who qualifies as a "public director" within the meaning set forth in the Commission Regulations.

**Regulatory Agency** means any Competent Authority, including the FCA, the Commission and the SEC, the NFA and any other SRO, and any organisation, whether domestic or foreign, granted authority under statutory or regulatory provisions to regulate its own activities and the activities of its members, not including NEX SEF.

**Regulatory Oversight Committee** shall have the meaning set forth in the Governance Policy.

**Regulatory Services Provider** means an outside organisation which provides regulatory services to NEX SEF pursuant to an agreement.

**Rejected Leg** shall have the meaning set forth in Rule 315(i).

**Rejected Transactions** shall have the meaning set forth in Rule 315(i).

**Related Parties** shall have the meaning set forth in Rule 107.

**Request for Quote** or **RFQ** means a request by one Participant to at least such minimum number of Participants as may be required by Commission Regulations from time to time for a market quote that shall constitute a Bid/Offer. The SEF does not currently offer RFQ functionality.

**Required Transaction** means any transaction involving a Swap that is subject to the trade execution requirement in section 2(h)(8) of the Act.

**Respondent** shall have the meaning set forth in Rule 504(a).

**Review Panel** shall have the meaning set forth in the Governance Policy.

**Risk-Based Limits** means the risk-based limits established by a Clearing Firm in accordance with Commission Regulation 1.73.

**Rule** or **Rules** means the rules, resolutions, interpretations, statements of policy, decisions, directives and orders of the Facility (including this Rulebook).

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

**SEF** means swap execution facility, as defined in the Act.

**Series** means all Contracts of the same Class having identical terms.

**SRO** means self-regulatory organisation.

**Swap** shall have the same meaning as in the Act and Commission Regulations.

**Swap Data Repository** or **SDR** shall have the same meaning as in the Act.

**Swap Dealer** shall have the same meaning as in the Act and Commission Regulations.

**Systems** means the Trading Platforms, including various proprietary and third party software, firmware, hardware, keypads and supporting documentation to which Participants are granted access by NEX SEF.

**System Protocol** means the terms from time to time in force upon which a Participant may access a specific Trading Platform, including any supplemental written guidelines provided by NEX SEF to the Participant, as amended from time to time. The System Protocols are set forth in confidential Chapter 9 of this Facility Rulebook. In the event of any inconsistency between the provisions of any System Protocol and the Rules, the terms of the System Protocol shall prevail.

**Terms Incorporated by Reference** shall have the meaning set forth in Rule 312.

**Trading Platform** means any of the separate electronic central limit order books and other systems administered by or on behalf of NEX SEF for the trading of Contracts pursuant to specific System Protocols for each such system.

**Trading Privilege Holder** means an individual or entity with Trading Privileges on the Facility granted pursuant to Rule 201 (intermediary an Intermediary), but does not include an Authorised Trading Firm or Authorised Trader.

**Trading Privileges** means permission from NEX SEF given to any Trading Privilege Holder in accordance with Rule 201 to access the Facility, or to any Authorised Trading Firm or Authorised Trader in accordance with Rule 202 to access the Facility.

**Trading Session** means, with respect to any Contract, the period of hours on any Business Day during which such Contract is available for trading, as specified in the Rules governing such Contract.

**Underlying Interest** means the interest which is the subject of a Swap.

**Violation** means a violation of any of the Rules.

**Waiver** shall have the meaning set forth in Rule 309(f).

## GENERAL

### *Regulatory Status*

#### *United Kingdom and the EEA*

NEX SEF Limited (FRN 472944) is regulated by the FCA and is authorised, among other things, to:

- arrange (bring about) deals in investments;
- make arrangements with a view to transactions in investments; and
- operate a MTF (as set in the relevant System Protocol).

NEX SEF has passporting rights under MiFID II in relation to certain of its permissions.

#### *United States of America*

NEX SEF is registered as a SEF with the Commission.

### *Compliance Oversight*

The Chief Compliance Officer and the CF10, both appointed by the Board, assist NEX SEF in meeting its regulatory obligations, as set out by the Commission and the FCA respectively.

References in this Facility Rulebook and any other related document to the Compliance Function is intended to mean, for Commission related considerations, the Chief Compliance Officer and, for FCA related considerations, the CF10. To the extent any of the activities concern both the Commission and FCA, the Chief Compliance Officer and the CF10 will cooperate to ensure compliance with the respective regulations.

**CHAPTER 1****MARKET GOVERNANCE****Rule 101 Board of Directors and Officers**

(a) *Management.* The Board manages, operates and sets policies, including the Governance Policy, for NEX SEF and the Facility. The Board has the power to appoint such officers of NEX SEF as it may deem necessary or appropriate from time to time.

(b) *Governance Policy.* The Governance Policy shall be deemed to be part of the 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.

**Rule 102 Limitation of Liability**

(a) TO THE EXTENT PERMITTED BY APPLICABLE LAW, AND EXCEPT FOR PRIVATE RIGHTS OF ACTION UNDER SECTION 22(B) OF THE ACT OR IN INSTANCES WHERE A NEX SEF PARTY (AS DEFINED BELOW) HAS BEEN FINALLY ADJUDICATED TO HAVE ENGAGED IN NEGLIGENCE, WILFUL DEFAULT OR FRAUD, NEX SEF (INCLUDING ITS RESPECTIVE SUBSIDIARIES AND AFFILIATES) AND THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, CONSULTANTS AND LICENSORS (EACH, A "**NEX SEF PARTY**"), SHALL NOT BE LIABLE TO ANY PERSON FOR ANY LOSSES, DAMAGES, COSTS OR EXPENSES (INCLUDING, BUT NOT LIMITED TO, LOSS OF PROFITS, LOSS OF USE, AND DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES) IN CONTRACT, TORT, OR OTHERWISE AND WHETHER THE CLAIM IS BROUGHT DIRECTLY OR AS A THIRD PARTY CLAIM, ARISING FROM:

(1) ANY FAILURE, MALFUNCTION, FAULT IN DELIVERY, DELAY, OMISSION, SUSPENSION, INACCURACY, INTERRUPTION, TERMINATION, OR ANY OTHER CAUSE, IN CONNECTION WITH THE FURNISHING, PERFORMANCE, OPERATION, MAINTENANCE, USE OF OR INABILITY TO USE ALL OR ANY PART OF ANY OF THE SYSTEMS AND SERVICES OF NEX SEF OR ANY NEX SEF PARTY, OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS AND SERVICES, INCLUDING WITHOUT LIMITATION ELECTRONIC ORDER ENTRY/DELIVERY, TRADING THROUGH ANY ELECTRONIC MEANS, ELECTRONIC COMMUNICATION OF MARKET DATA OR INFORMATION, WORKSTATIONS USED BY PARTICIPANTS, PRICE REPORTING SYSTEMS AND ANY AND ALL TERMINALS, COMMUNICATIONS NETWORKS, CENTRAL COMPUTERS, SOFTWARE, HARDWARE, FIRMWARE AND PRINTERS RELATING THERETO; OR

(2) ANY FAILURE OR MALFUNCTION, FAULT IN DELIVERY, DELAY, OMISSION, SUSPENSION, INACCURACY, INTERRUPTION OR TERMINATION, OR ANY OTHER CAUSE, OF ANY SYSTEM OR SERVICE OF NEX SEF OR ANY NEX SEF PARTY, OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS OR SERVICES, CAUSED BY ANY THIRD PARTIES INCLUDING, BUT NOT LIMITED TO, INDEPENDENT SOFTWARE VENDORS AND NETWORK PROVIDERS; OR

(3) ANY ERRORS OR INACCURACIES IN INFORMATION PROVIDED BY NEX SEF OR ANY NEX SEF PARTY OR ANY OF NEX SEF'S OR NEX SEF PARTY'S SYSTEMS, SERVICES OR FACILITIES; EXCEPT FOR INCORRECT ORDER STATUS; OR

(4) ANY UNAUTHORISED ACCESS TO OR UNAUTHORISED USE OF ANY OF NEX SEF'S OR NEX SEF PARTY'S SYSTEMS, SERVICES OR FACILITIES BY ANY PERSON.

(b) NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS (INCLUDING BUT NOT LIMITED TO WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR

PURPOSE OR USE) ARE PROVIDED BY NEX SEF OR ANY NEX SEF PARTY, THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, CONSULTANTS, OR LICENSORS RELATING TO ANY SYSTEMS OR SERVICES OF NEX SEF OR NEX SEF PARTY OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS OR SERVICES, INCLUDING A TRADING PLATFORM, WHICH ARE PROVIDED "AS IS" TO PARTICIPANTS. NEITHER NEX SEF NOR EBS MAKE ANY REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED THAT ANY SYSTEMS OR SERVICES OF NEX SEF OR EBS (INCLUDING EACH OF THEIR RESPECTIVE SUBSIDIARIES AND AFFILIATES) OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS OR SERVICES, INCLUDING A TRADING PLATFORM, WILL MEET A PARTICIPANT'S REQUIREMENTS, HAVE UNINTERRUPTED OR ERROR-FREE OPERATION, BE AVAILABLE DURING ANY SPECIFIED BUSINESS HOURS (WHETHER ADVERTISED OR NOT) OR OPERATE IN CONJUNCTION WITH OTHER SOFTWARE.

(c) ANY DISPUTE ARISING OUT OF THE USE OF SYSTEMS OR SERVICES OF NEX SEF OR ANY NEX SEF PARTY OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS OR SERVICES IN WHICH NEX SEF OR A NEX SEF PARTY IS A PARTY MUST BE BROUGHT WITHIN ONE YEAR FROM THE TIME THAT A CAUSE OF ACTION HAS ACCRUED. ANY SUCH DISPUTE MAY ONLY BE LITIGATED SUBJECT TO THE RULES OF THIS RULEBOOK AND WILL BE GOVERNED BY THE LAWS SET OUT IN THIS RULEBOOK.

(d) EXCEPT IN INSTANCES WHERE A NEX SEF PARTY HAS BEEN FINALLY ADJUDICATED TO HAVE ENGAGED IN NEGLIGENCE, WILLFUL DEFAULT OR FRAUD, IN NO EVENT SHALL THE NEX SEF PARTIES' TOTAL COMBINED AGGREGATE LIABILITY FOR ALL CLAIMS ARISING OUT OF ANY NEGLIGENCE, FAILURES, MALFUNCTIONS, FAULTS IN DELIVERY, DELAYS, OMISSIONS, SUSPENSIONS, INACCURACIES, INTERRUPTIONS, TERMINATIONS, ORDER STATUS ERRORS OR ANY OTHER CAUSES, IN CONNECTION WITH THE FURNISHING, PERFORMANCE, OPERATION, MAINTENANCE, USE OF OR INABILITY TO USE ALL OR ANY PART OF ANY OF NEX SEF'S OR A NEX SEF PARTY'S SYSTEMS OR SERVICES, OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS AND SERVICES, OR THE NEGLIGENCE OF NEX SEF OR A NEX SEF PARTY STAFF, EXCEED \$50,000 FOR ALL LOSSES FROM ALL CAUSES SUFFERED BY ALL PERSONS ON A SINGLE DAY; \$200,000 FOR ALL LOSSES SUFFERED BY ALL PERSONS FROM ALL CAUSES IN A SINGLE CALENDAR MONTH; AND \$500,000 FOR ALL LOSSES FROM ALL CAUSES SUFFERED BY ALL PERSONS IN A SINGLE CALENDAR YEAR.

(e) A CLAIM AGAINST NEX SEF OR A NEX SEF PARTY ARISING OUT OF ANY FAILURE OR MALFUNCTION SHALL ONLY BE ALLOWED IF SUCH CLAIM IS BROUGHT IN ACCORDANCE WITH THIS RULE.

(f) NOTWITHSTANDING THE FOREGOING, THE LIMITATION OF LIABILITY PURSUANT TO THIS RULE 102 IS LIMITED TO CLAIMS ARISING OUT OF NEX SEF'S AND A NEX SEF PARTY'S OPERATION OF THE FACILITY AND/OR PROVISION OF SERVICES TO NEX SEF.

### **Rule 103 Confidentiality**

(a) NEX SEF shall not, and shall cause its Affiliates not to, use for business or marketing purposes any Proprietary Data or Personal Information it or any of its Affiliates collects or receives, from or on behalf of any person, for the purpose of fulfilling NEX SEF's regulatory obligations, unless the person who provided such data or information provides prior written consent to NEX SEF's use of such data or information for such purposes. In furtherance of Applicable Law, NEX SEF may share such data and information with its Affiliates, the Commission, the FCA, one or more SEFs, SDRs, DCOs or Designated Contract Markets registered with the Commission, and, to the extent permitted by Applicable Law, other Competent Authorities, including those in countries outside the U.S. and UK. NEX SEF may, upon request of a Trading Privilege Holder, provide a list of current Trading Privilege Holders on a confidential basis. The receiving Trading Privilege Holder shall not disclose the contents of the list without the prior consent of NEX SEF. Proprietary Data and Personal Information shall not include aggregated price and volume information



not identified with a specific Participant or Customer, and NEX SEF may use such aggregated information for business and marketing purposes.

- (b) No NEX SEF employee shall trade, directly or indirectly, in any:
- (1) Contract;
  - (2) Commodity Interest related to a Contract;
  - (3) Commodity Interest traded on designated contract markets or SEFs or cleared by DCOs if the employee has access to material, non-public information concerning such Commodity Interest; or
  - (4) Commodity Interest traded on or cleared by a linked exchange if the employee has access to material, non-public information concerning such Commodity Interest.

(c) No NEX SEF Affiliate, member of the Board or any committee established by the Board or by or pursuant to the Rules of the Facility, or any officer or other employee or consultant of NEX SEF shall, either during or after service with NEX SEF:

- (1) trade for such person's own account, or for or on behalf of any other account, in any Contract or Commodity Interest, on the basis of any material information or, non-public information obtained through special access related to the performance of such person's official duties;
- (2) absent prior written consent of NEX SEF, use, directly or indirectly, information that is deemed to be non-public information, or disclose non-public information to others, except (i) to others within NEX SEF, NEX SEF's Affiliates or to outside advisers thereof or other service providers for NEX SEF, provided that such advisers and service providers are subject to confidentiality obligations, and that, in each case, such disclosure is necessary for the performance of Facility-related duties by the individual or entity, (ii) if required by a Regulatory Agency, or (iii) if compelled to do so by valid legal process, provided that the individual or entity notifies NEX SEF in advance thereof to the extent permitted; and
- (3) enter into any Contract where they have a direct or indirect material interest in the outcome of that Contract, other than obtaining a fee or commission for its execution.

(d) Subject to Rule 103(a), NEX SEF shall not, except as reasonably necessary to operate any Trading Platform, to fulfill its obligations under this Rulebook or to comply with Applicable Law or any request of the Commission or the FCA, without the prior written consent of a Trading Privilege Holder in each instance, (i) use in advertising, publicity, marketing or other promotional materials, the name, trade name, trademark, trade device, service mark or symbol of such Trading Privilege Holder or any of its Affiliates, or (ii) represent that any product or any service provided by NEX SEF has been approved or endorsed by such Trading Privilege Holder or any of its Affiliates.

(e) For purposes of this Rule 103, the terms "**employee**", "**material information**" and "**non-public information**" have the meanings ascribed to them in Commission Regulation § 1.59.

#### **Rule 104 Emergency Action**

- (a) *Definitions.* As used in this section:

The term "**Emergency**" shall mean any occurrence or circumstance which, in the opinion of NEX SEF, requires immediate action and threatens or may threaten such things as the fair and orderly trading in, or the liquidation of, or delivery pursuant to, any Contracts on the Facility, including any manipulative or attempted manipulative activity; any actual, attempted, or threatened corner, squeeze, congestion, or



undue concentration of positions; any circumstances which may significantly affect the performance of Contracts traded on the Facility, including failure of the payment system or the bankruptcy or insolvency of any Participant; any action taken by any Competent Authority, or any other board of trade, swap execution facility, market or facility which may have a direct impact on trading on the Facility and any other circumstance which may have a severe, adverse effect upon the functioning of the Facility.

(b) *Emergency action may be taken by the following:*

- (1) by the Board in the case of any Emergency;
- (2) by any two members of the Board in the case of any Emergency where it is impracticable in the opinion of the Chairman of the Board or in his or her absence, any two members of the Board, to call a meeting of the Board to deal with the Emergency; or
- (3) by any committee of NEX SEF pursuant to powers conferred on said committee under the Rules or by the Board.

(c) *Vote Required.* The vote required of the Board or committee authorised to take any Emergency action hereunder shall be:

- (1) in the case of action by the Board, the affirmative vote of a majority of the members of the Board present and voting at a meeting at which there is a quorum; or
- (2) in the case of action by a committee, the affirmative vote of two or more persons constituting not less than a majority of the members of said committee present and voting at a meeting at which there is a quorum.

The consent in writing to any Emergency action of all members of the Board or of a committee, as applicable, shall be sufficient to take such Emergency action without a meeting. A member of the Board or of a committee shall be deemed present or in attendance at a meeting if such a person participates in the meeting by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time.

(d) *Action which may be taken:*

(1) In the event of an Emergency, NEX SEF may, subject to Part 40 of the Commission Regulations under the Act, place into immediate effect a Rule which may provide for, or may authorise NEX SEF, or any committee, to undertake actions which, in the opinion of NEX SEF are necessary or appropriate to meet the Emergency, including, but not limited to, such actions as:

- (i) extending or shortening the expiration date for trading in Contracts;
- (ii) extending the time of delivery under or expiration of Contracts;
- (iii) extending, limiting or changing hours of Trading Sessions;
- (iv) imposing or modifying price limits;
- (v) imposing or modifying Position Limits;
- (vi) imposing or modifying intraday market restrictions;
- (vii) ordering the liquidation or transfer of open positions in any Contract;
- (viii) ordering the establishment of a settlement price;

- (ix) suspending trading pursuant to Rule 105 or curtailing trading in any Contract;
- (x) removing any one or more Contracts from trading on the facility;
- (xi) cancelling any Bid/Offer;
- (xii) altering any Contract's settlement terms or conditions prior to execution and adjusting or cancelling any executed transaction pursuant to Rule 315;
- (xiii) modifying or suspending any provision of the Rules; and
- (xiv) adjusting, winding down or closing the Facility.

(2) In the event of an Emergency when a quorum of the Board is not available, all trading on the Facility may be suspended by an affirmative vote of a majority of the Directors present, or by action of one Director if only one Director is present, for such period of time as in their or his or her judgment is necessary. In the event of an Emergency which prevents normal attendance at a meeting of the Board, when no Director is present, any authorised officer of NEX SEF shall have authority to order suspension of trading on the Facility for such period of time as in his or her judgment is necessary. Any action taken under this paragraph (d) shall be subject to review and modification by the Board.

(3) Whenever any action is taken under this Rule pursuant to which trading is suspended or other changes in procedure are made, all matters relating to notices, deliveries and other obligations may be suspended or deferred in such manner as the Board or committee, as the case may be, may determine.

(4) NEX SEF may be required to take an Emergency action when directed by the FCA or the Commission. If a Contract is traded both on the Facility and on one or more other SEFs, any Emergency action to liquidate or transfer of open positions in any Contract will be made in consultation with the Commission or Commission staff.

(e) *Physical Emergencies*

(1) In the event the physical functions of the Facility or NEX SEF are, or are threatened to be, severely and adversely affected by a physical emergency, such as fire or other casualty, bomb threat, substantial inclement weather, power failure, communication or transportation breakdown, computer malfunction, screen-based Trading Platform break-down, malfunction of plumbing, heating, ventilation and air conditioning systems, or a backlog or delay in clearing or in the processing of data related to clearing Cleared Contracts (a "**Physical Emergency**"), the Chairman of the Board, or in his or her absence the Chief Executive Officer, or in both of their absences any other authorised officer may take any action which, in the opinion of such officer is necessary or appropriate to deal with the Physical Emergency, including, but not limited to, suspending trading in any one or more Contracts, delaying the opening of trading in any one or more Contracts, extending the Last Trading Day and/or the time of trading.

(2) In the event a designated officer has ordered suspension of trading, the Chairman of the Board or the Chief Executive Officer, or in their absence any other authorised officer may order restoration of trading on the Facility, or may remove other restrictions so imposed, if such officer determines that the Physical Emergency has sufficiently abated to permit the physical functions of NEX SEF or the Facility to continue in an orderly manner.

(f) NEX SEF will promptly submit a written report detailing any action taken hereunder to the Commission and the FCA and such written report shall explain the decision-making process, the reasons for the exercise of emergency authority and how any conflicts of interest were addressed. Any emergency

Rule or Rule amendment shall be filed with the Commission in accordance with Part 40 of the Commission Regulations under the Act.

(g) In exercising its authority under this Rule 104, NEX SEF shall, in its reasonable discretion, and where appropriate, permitted by Applicable Law and not precluded by exigent circumstances, consult and coordinate with DCOs, other swap execution facilities, boards of trade, relevant Participants, and other parties in considering what actions to take hereunder.

(h) In exceptional circumstances and following a request from a Participant, NEX SEF may decide, in its absolute discretion, to authorise a specific order or set of orders which exceed the parameters of the Pre-Trade Controls. Any such request by a Participant must be in written or electronic form and must be sent to the Compliance department of NEX SEF. NEX SEF shall communicate its decision as to authorisation in written or electronic form. Any authorisation given pursuant to this sub-paragraph shall be temporary and shall be restricted to the order(s) specified by NEX SEF.

### **Rule 105 Suspension of Trading**

The Board may, in its discretion, by an affirmative vote of a majority of the Directors present at a meeting at which there is a quorum (which, in an Emergency other than a Physical Emergency, may be held without previous notice):

(a) suspend or remove any one or more of the Contracts in accordance with its business needs; and

(b) suspend or remove from trading any one or more Contracts which no longer complies with the Rules unless such suspension or removal would be likely to cause significant damage to the interests of Participants or Customers or the orderly functioning of the market.

Any decision made by the Board in accordance with this Rule 105 to suspend or remove from trading any one or more Contracts shall be made public on the Facility's website and shall be communicated to the relevant Competent Authority.

### **Rule 106 Risk Controls for Trading**

The Regulatory Oversight Committee may impose controls to reduce the potential risk of market disruption, including, but not limited to, market restrictions that pause, halt or constrain trading in specified market conditions.

### **Rule 107 Market Data**

(a) Subject to Rule 103, and each Participant's and Customer's rights in its own Proprietary Data and Personal Information, NEX SEF owns all rights, title and interest in and to all intellectual property and other proprietary rights (including all copyrights, database rights, trademarks and trade secrets, or similar proprietary rights in any jurisdiction whether or not registrable) in and to any data, analytics, research or other information (including without limitation Bids/Offered, Pre-Arranged Crosses, the contents of Confirmations, such Confirmations themselves, prices and volumes of transactions) contained in, displayed on, generated by or derived from the Facility and the Trading Platforms (collectively the "**Information**"). NEX SEF shall not decompile or reverse engineer any of a Participant's or Customer's Proprietary Data and Personal Information for the purpose of ascertaining such Participant's or Customer's trading strategies, except to the extent reasonably necessary for NEX SEF's operations, to perform its surveillance and monitoring functions or to otherwise comply with Applicable Law. Subject to each Participant's or Customer's rights in its own Proprietary Data and Personal Information, each Participant and Customer (i) agrees to keep the Information confidential and cause each of its employees, Affiliates, Authorised Trading Firms, Customers, agents, consultants, independent software vendors and other persons affiliated with any of the foregoing, as applicable (collectively "**Related Parties**"), to keep the Information confidential,

and (ii) agrees not to, and shall cause its applicable Related Parties not to, sell, lease, license, transfer, provide or otherwise make available to any third party any form of access to or use of any of the Information.

(b) Subject to paragraph (c) of this Rule 107, each Participant and Customer agrees that it shall not, and shall cause its Related Parties not to, license, sublicense, transfer, redistribute, resell, alter, enhance, make derivative works of, download to computer or reverse engineer all or any part of the Information (other than such Participant's and Customer's Proprietary Data and Personal Information).

(c) Notwithstanding paragraph (b) of this Rule 107, solely (i) for use in connection with a Trading Privilege Holder's own trading activity (and not, for the avoidance of doubt, for use by a Trading Privilege Holder's sales, risk management (except for use by such Trading Privilege Holder's compliance and other risk departments for regulatory purposes), research, wealth management or asset management departments/functions) or (ii) to the extent necessary for a Trading Privilege Holder's information technology department to perform transaction-related support functions for such Trading Privilege Holder, Trading Privilege Holders that pay the required monthly fees, as described in NEX SEF's Trade Execution Fee Card, as amended from time to time, shall be entitled to (x) download Information to a computer, (y) create Derived Information, and/or (z) redistribute Derived Information (and only Derived Information).

(d) NEX SEF shall bear no liability for any Derived Information, and each Trading Privilege Holder shall defend, indemnify and hold harmless each NEX SEF Indemnified Party (as defined in Rule 108) from and against any Losses to which any NEX SEF Indemnified Party may become subject, insofar as such Losses arise out of or in connection with, or are based upon any Proceeding against a NEX SEF Indemnified Party that arises out of or relates to any Derived Information created by or on behalf of such Trading Privilege Holder or any of its Related Parties.

#### **Rule 108 Intellectual Property**

(a) The Systems are the exclusive Intellectual Property of NEX SEF or its affiliates or licensors. Participants have no access to the Systems and no rights with respect to the Systems, except as expressly granted by NEX SEF. Subject to any required approvals from any applicable Regulatory Agency, NEX SEF shall have the right to modify at any time a System's functionality, configuration, appearance, content and the Swaps made available for trading via a System.

(b) Upon granting Trading Privileges to a Participant, NEX SEF grants to that Participant a revocable, non-exclusive, non-transferable license to access and use the Systems in accordance with the Rules for the sole purpose of (i) entering into Swaps via the Systems, and (ii) receiving and transmitting information generated by or made available through the Systems from time to time. Such license shall terminate when the Participant's Trading Privileges terminate.

##### *(c) Intellectual Property Rights*

(1) By becoming a Participant, each Participant acknowledges and agrees that the Intellectual Property Rights in the Systems are a valuable asset of NEX SEF or its affiliates or licensors or their respective successors. Each Participant shall protect and safeguard the Intellectual Property Rights in and to the Systems by using the same degree of care that the Participant generally uses to protect its own Intellectual Property Rights and business assets, but in any event with no less than a reasonable degree of care.

(2) Each Participant shall promptly notify NEX SEF upon becoming aware of any infringement or misappropriation of any Intellectual Property Rights of NEX SEF or its affiliates or licensors. Each Participant shall comply with all reasonable requests made by NEX SEF (at NEX SEF's reasonable expense) to protect and enforce the Intellectual Property Rights of NEX SEF or its affiliates or licensors in the Systems.

(d) *Restrictions*

(1) Subject to Rule 102, a Participant shall not sell, lease, license, transfer, provide or otherwise make available to any third party (including an affiliate of Participant), any form of access to or use of the System.

(2) A Participant shall not alter, enhance, make derivative works of, download to computer, decompile, disassemble or reverse engineer all or any part of the Systems except solely to the extent (i) expressly required by Applicable Law or permitted by the Rules, or (ii) necessary in direct connection with support functions related to transactions on or subject to the Rules.

(e) Notwithstanding Rule 102, NEX SEF represents and warrants that it owns or is licensed all Intellectual Property Rights in or to the Systems.

(f) *Indemnities*

(1) NEX SEF shall defend, indemnify and hold harmless each Participant and its officers, directors, employees and agents (each a "**Participant Indemnified Party**") from and against all Losses as a result of any third party claim or proceeding of any nature ("**Proceeding**") against a Participant Indemnified Party determining that the Systems (other than the EBS Trading Platform, which includes but is not limited to the technology known as EBS Dealing Service and Brokernet), or the use thereof by the Participant Indemnified Party as authorised hereunder, violates any Intellectual Property Rights of any third party provided that such Losses do not result from (i) any Participant Indemnified Party's fraud, gross negligence or willful misconduct; (ii) violation of Applicable Law by the Participant Indemnified Party; or (iii) the Participant's breach of the Rules.

(2) Each Participant shall defend, indemnify and hold harmless NEX SEF and each NEX SEF Party (each a "**NEX SEF Indemnified Party**") from and against any Losses to which any NEX SEF Indemnified Party may become subject, insofar as such Losses arise out of or in connection with, or are based upon any Proceeding against a NEX SEF Indemnified Party that arises out of or relates to any access, use or misuse of the Systems by the Participant or by any person accessing the Systems using the Participant's ID provided that such Losses do not result from: (i) a NEX SEF Indemnified Party's fraud, gross negligence or willful misconduct; (ii) violation of Applicable Law by the NEX SEF Indemnified Party; or (iii) the NEX SEF Indemnified Party's breach of the Rules.

(3) If a Proceeding is commenced against a party entitled to indemnification under this Rule 108 (the "**Indemnified Party**"), notice shall be given to the party obligated to provide such indemnification (the "**Indemnifying Party**") as soon as reasonably practicable. The Indemnifying Party shall be entitled to take control of the Proceeding and any settlement of it, and the Indemnified Party shall give the Indemnifying Party, at the Indemnifying Party's reasonable cost, all reasonable assistance in relation to the Proceeding.

(4) Notwithstanding anything to the contrary contained in Rule 102 or a System Protocol, no limitation or exclusion of liability shall apply with respect to any direct losses or claims based on confidentiality, or to NEX SEF's intellectual property infringement indemnification obligations set forth in this Rule 108.

(g) *Confidentiality*

Each Participant shall keep confidential all Confidential Information of NEX SEF or NEX SEF's affiliates or licensors, both during the term and after termination of the license granted by this Rule 108. Each Participant may disclose Confidential Information to its professional advisers but otherwise may only disclose Confidential Information to those of its employees and representatives who need to know such Confidential Information for the purposes of exercising or performing the rights and obligations of Participant

under the Rules and have been informed of the confidential nature of the Confidential Information divulged. No Participant will disclose Confidential Information to any third party except as follows: (i) with the consent of NEX SEF; (ii) as necessary to a DCO of which such Participant is a member or in connection with the clearing of a Swap; (iii) subject to appropriate confidentiality requirements no less stringent than the confidentiality provisions hereunder, to any person providing services to such party relating to transactions on or subject to the Rules; or (iv) to NEX SEF's Regulatory Services Provider.

(h) Each Participant shall maintain commercially available virus checking software to protect itself and the Systems from viruses, notify NEX SEF immediately of any defect in the System or any unauthorised access or change to the System of which the Participant becomes aware and comply with any security measures and procedures for authentication required by NEX SEF from time to time.

**CHAPTER 2****TRADING PRIVILEGES****Rule 201 Trading Privilege Holders****(a) Trading Privileges**

(1) General Privileges. Subject to the requirements and procedures set forth in this Chapter 2, Trading Privileges will be granted on an impartial basis to all applicants from time to time approved by NEX SEF as eligible to be Trading Privilege Holders, subject to any limitations or restrictions from time to time imposed by NEX SEF. Trading Privileges are non-transferable (except under certain limited circumstances which must be approved by NEX SEF), non-assignable and may not be sold or leased. Circumstances under which Trading Privileges may be transferred, subject to NEX SEF approval, include, for example, transfers due to corporate reorganisations. Each Trading Privilege Holder will have the right to access the Facility (including, subject to the applicable System Protocol, any Trading Platform) including the right to:

- (i) place Bids/Offers and Pre-Arranged Crosses for itself as principal or for the accounts of Customers as an Intermediary pursuant to Rule 201(a)(2); and
- (ii) appoint other persons to act on its behalf as an Authorised Trader or Authorised Trading Firm pursuant to Rule 202.

(2) Approved Capacities. As approved by NEX SEF and where permitted under this Rulebook and by Applicable Law, a Trading Privilege Holder may also act as:

- (i) a Customer, and in this capacity may appoint one or more other entities to act on its behalf as an Authorised Trading Firm pursuant to Rule 202;
- (ii) an Intermediary, and in this capacity may place Bids/Offers and Pre-Arranged Crosses in the name of and on behalf of Customers; or
- (iii) a Prime Broker, and in this capacity may permit another Trading Privilege Holder to enter into transactions in the name of and on behalf of the Prime Broker pursuant to Rule 215.

(3) By virtue of obtaining Trading Privileges, a Trading Privilege Holder will not obtain any equity or other interest in NEX SEF or the Facility, including voting rights or rights to receive any dividends or other distributions, whether arising from a dissolution, merger or consolidation involving NEX SEF, the Facility or otherwise.

(4) In granting Trading Privileges, NEX SEF may impose such restrictions or limitations as it may deem necessary or appropriate, and in accordance with Applicable Law. NEX SEF shall apply such restrictions or limitations to applicants in an impartial, non-discriminatory manner, consistent with Applicable Law. NEX SEF will deny the grant of Trading Privileges where an applicant has failed to meet any requirements for such grant.

**(b) Financial Requirements**

(1) Any person that wishes to have Trading Privileges must have sufficient resources to guarantee the adequate settlement of transactions and must meet the other financial and related reporting requirements set forth in this Rule 201.



(2) Each Trading Privilege Holder must provide a signed written or electronic representation, prior to being granted access to the Facility, that it qualifies as an ECP upon initial application for Trading Privileges.

(3) Each Trading Privilege Holder shall, no less frequently than annually, provide NEX SEF either with (i) its annual financial report that it provides to the Commission or (ii) a written or electronic representation providing that such Trading Privilege Holder has been, and continues to be as of such date, an "eligible contract participant" as defined in the Act.

(4) Each Trading Privilege Holder must notify NEX SEF's Compliance Function immediately upon becoming aware that it fails to satisfy the minimum financial requirements applicable to it.

(5) Unless and until a Trading Privilege Holder is able to demonstrate to NEX SEF that it is in compliance with the minimum financial requirements applicable to it, such Trading Privilege Holder may not engage in any transactions subject to the Rules of the Facility, except for the purpose of closing open positions that were opened on the Facility.

(c) *Fitness Standards*

(1) NEX SEF may deny the grant of Trading Privileges, or may prevent a person from becoming an Intermediary or a Trading Privilege Holder, if such person:

- (i) is unable satisfactorily to demonstrate a capacity to adhere to all applicable Rules of the Facility or any Regulatory Agency, Rule of any DCO to which the Trading Privilege Holder submits Cleared Contracts for clearing; Commission Regulations and SRO regulations, including those concerning recordkeeping, reporting, financial requirements and trading procedures;
- (ii) would bring NEX SEF or the Facility into disrepute; or
- (iii) is otherwise not fit and proper to be a Trading Privilege Holder or Intermediary.

(2) NEX SEF may determine not to permit a Trading Privilege Holder or Intermediary to keep its, his or her Trading Privileges or maintain its, his or her association with a Trading Privilege Holder, as the case may be, if such Trading Privilege Holder or Intermediary:

- (i) fails to meet any of the qualification requirements for Trading Privileges or Intermediary status after such Trading Privileges or Intermediary status have been approved;
- (ii) fails to comply with any limitation placed by NEX SEF or under Applicable Law on such Trading Privileges or Intermediary status; or
- (iii) commits a material Violation.

(3) Any decision made by NEX SEF pursuant to this Rule 201 must be consistent with both the provisions of this Rule and the Act and the requirements of Applicable Law.

(d) *Regulatory status*

Any person applying for Trading Privileges, and on an ongoing basis, must be an Investment Firm or a Credit Institution; or satisfy the following criteria:



- (1) be of sufficiently good repute;
- (2) have a sufficient level of trading ability, competence and experience;
- (3) have adequate organizational arrangements; and
- (4) have sufficient resources for the role they are to perform in accordance with Rule 201(b)(1).

(e) NEX SEF may (i) deny the grant of Trading Privileges, (ii) prevent a person from becoming an Intermediary, or (iii) determine not to permit a Trading Privilege Holder or any Intermediary that is not a Trading Privilege Holder to keep its, his or her Trading Privileges or maintain its, his or her association with a Trading Privilege Holder, as the case may be, if such Trading Privilege Holder or Intermediary causes or would cause NEX SEF to be in violation of Applicable Law.

(f) *Intermediation*

(1) A Trading Privilege Holder may not act as an Intermediary for any other entity or person, unless the Trading Privilege Holder does so in accordance with Applicable Law.

(2) A Trading Privilege Holder may not transact as an Intermediary for any Customer unless the Trading Privilege Holder has submitted a signed representation to NEX SEF that each of its Customers is an ECP and as an Eligible Counterparty.

(3) A Trading Privilege Holder must periodically verify its Customers' ECP status and pursuant to Rule 210(f) notify NEX SEF of any changes immediately.

(4) A Trading Privilege Holder may appoint an Authorised Trading Firm to act as an Intermediary upon the approval of NEX SEF.

## **Rule 202 Authorised Traders and Authorised Trading Firms**

(a) Each Trading Privilege Holder may from time to time permit one or more persons to enter Bids/Offers, submit Pre-Arranged Crosses, access a Trading Platform and effect transactions in Contracts on the Facility. Such authority may be granted to one or more Authorised Traders or Authorised Trading Firms.

(1) Authorised Traders.

(i) Each Trading Privilege Holder which is trading for its own account as a principal may permit one or more individuals as Authorised Traders to enter Bids/Offers and Pre-Arranged Crosses on its behalf. In such case, the Trading Privilege Holder shall be principal to any resulting transactions made on its behalf by such Authorised Traders or by one or more Authorised Trading Firms.

(ii) Each Trading Privilege Holder which is an Intermediary trading for the accounts of Customers may permit one or more individuals as Authorised Traders to enter Bids/Offers and Pre-Arranged Crosses for such Customers. In such cases, the Trading Privilege Holder has responsibility for all actions and failures to act of such Authorised Traders, but the Customer on whose behalf each transaction is made shall be the principal to any transactions made on its behalf by such Authorised Traders.

(iii) Each Trading Privilege Holder that is authorised by a Prime Broker under a Prime Broker Agreement to enter into transactions in the name of and

on behalf of a Prime Broker and for which a Prime Broker Representation has been accepted by the Facility may designate Authorised Traders to enter Bids/Offers and Pre-Arranged Crosses on behalf of the Prime Broker.

- (iv) The Trading Privilege Holder shall be responsible to NEX SEF for acting with reasonable care in granting Authorised Trader status.

(2) Authorised Trading Firms.

- (i) Each Authorised Trading Firm which is an Intermediary trading for the accounts of Customers may permit one or more individuals as Authorised Traders to enter Bids/Offers and Pre-Arranged Crosses for such Customers. In such cases, the Authorised Trading Firm has responsibility for all actions and failures to act of such Authorised Traders, but the Customer on whose behalf each transaction is made shall be the principal to any transactions made on its behalf by such Authorised Traders.
- (ii) Each Trading Privilege Holder which is a Customer may designate one or more Authorised Trading Firms to enter Bids/Offers and Pre-Arranged Crosses on its behalf as an Intermediary. In such cases, the Trading Privilege Holder has responsibility for all actions and failures to act of such Authorised Trading Firm and its Authorised Traders.
- (iii) The Trading Privilege Holder shall be responsible to NEX SEF for acting with reasonable care in granting Authorised Trading Firm status.
- (iv) Each Trading Privilege Holder shall obtain a signed written or electronic representation, prior to being granted access to the Facility, that each of its Authorised Trading Firms qualifies as an ECP and provide such representation to NEX SEF. Additionally, each Trading Privilege Holder shall at least on an annual basis submit a signed written or electronic representation that each of its Authorised Trading Firms continues to qualify as ECP and shall notify NEX SEF if any Authorised Trading Firm no longer qualifies as an ECP.

(b) *NEX SEF Approval*

(1) No person may act as an Intermediary, Authorised Trader or Authorised Trading Firm before being approved to do so by NEX SEF, which NEX SEF will do on an impartial basis.

(2) Each prospective Intermediary, Authorised Trader and Authorised Trading Firm, or the Trading Privilege Holder on their behalf, will, prior to being permitted by NEX SEF to act as an Intermediary, Authorised Trader or Authorised Trading Firm, as the case may be, submit an application in the form required by NEX SEF and will satisfy such requirements as may be prescribed by NEX SEF from time to time.

(3) Each prospective Authorised Trading Firm, or the Trading Privilege Holder on its behalf, must provide a written or electronic representation, prior to being granted access to the Facility, that the Authorised Trading Firm qualifies as (x) an ECP, and (y) a Professional Client or an Eligible Counterparty, and that it has all registrations, licenses and consents required by its constituent documents and Applicable Law to transact in Contracts. The foregoing representation may be provided directly to NEX SEF by the Authorised Trading Firm in a form provided by NEX SEF or, alternatively, the Trading Privilege Holder may provide NEX SEF evidence satisfactory to NEX SEF that the Authorised Trading Firm has provided such consents, agreements and representations to the Trading Privilege Holder.

(c) *Responsibilities to NEX SEF*

(1) Each Trading Privilege Holder shall notify NEX SEF in writing if its relationship with an Authorised Trader or Authorised Trading Firm has been terminated, and such Trading Privilege Holder may at any time revoke any authorisation granted by it to any Authorised Trader or Authorised Trading Firm by providing written notice of such revocation to NEX SEF.

(2) By permitting any of its Authorised Traders and/or Authorised Trading Firm to access and use the Facility (including any Trading Platform) from any jurisdiction or to act as an Intermediary for trades on behalf of Customers located in any jurisdiction, each Trading Privilege Holder represents and warrants that each such access to or use of the Facility, or action as an Intermediary, does not violate any law applicable to the Trading Privilege Holder, the Authorised Trader, the Authorised Trading Firm or, to such Trading Privilege Holder's knowledge, NEX SEF.

(d) *Fitness Standards*

(1) NEX SEF may prevent a person from becoming an Intermediary, Authorised Trader or Authorised Trading Firm, if such person:

- (i) is unable satisfactorily to demonstrate a capacity to adhere to all applicable Rules of the Facility or any Regulatory Agency, Rules of any DCO to which the Trading Privilege Holder submits Cleared Contracts for clearing, Commission Regulations and SRO regulations, including those concerning recordkeeping, reporting, financial requirements and trading procedures;
- (ii) would bring NEX SEF or the Facility into disrepute; or
- (iii) is otherwise not fit and proper and of sufficiently good repute to be an Intermediary, Authorised Trader or Authorised Trading Firm.

(2) NEX SEF may determine not to permit an Authorised Trader or Authorised Trading Firm to maintain its, his or her association with a Trading Privilege Holder or Authorised Trading Firm, as the case may be, if such Authorised Trader or Authorised Trading Firm:

- (i) fails to meet any of the qualification requirements for Authorised Trader or Authorised Trading Firm status after such Authorised Trader or Authorised Trading Firm status has been approved;
- (ii) fails to comply with any limitation placed by NEX SEF on such Authorised Trader or Authorised Trading Firm status; or
- (iii) commits a material Violation.

(3) NEX SEF may prevent a person from becoming an Authorised Trader or Authorised Trading Firm, if they do not have a sufficient level of trading ability and competence or adequate organisational arrangements.

(4) Any decision made by NEX SEF pursuant to this Rule 202 must be consistent with both the provisions of this Rule and the Applicable Law.

(e) *Intermediation*

(1) An Authorised Trading Firm may not act as an Intermediary for any other entity or person, unless the Authorised Trading Firm does so in accordance with Applicable Law.

(2) An Authorised Trading Firm may not transact as an Intermediary for any Customer unless the relevant Trading Privilege Holder has submitted a signed representation to NEX SEF that each of the Authorised Trading Firm's Customers is an ECP and as an Eligible Counterparty.

(f) NEX SEF may (i) prevent a person from becoming an Authorised Trader or Authorised Trading Firm, and (ii) determine not to permit an Authorised Trader or Authorised Trading Firm to maintain its, his or her association with a Trading Privilege Holder or Authorised Trading Firm, as the case may be, if such Authorised Trader or Authorised Trading Firm causes or would cause NEX SEF to be in violation of Applicable Law.

### **Rule 203 Financial Integrity**

(a) Each Trading Privilege Holder, Customer and Authorised Trading Firm must be an ECP and a Professional Client or an Eligible Counterparty (i) prior to obtaining access to the Facility, and (ii) at the time that such person enters into each transaction on the Facility or subject to the Rules.

(b) For Cleared Contracts:

(1) each Trading Privilege Holder or Authorised Trading Firm transacting on the Facility as a principal is required to demonstrate to NEX SEF, with appropriate documentary evidence as required by NEX SEF from time to time, that such Trading Privilege Holder or Authorised Trading Firm is a Clearing Firm or that it has clearing arrangements in place with a Clearing Firm, including having the Clearing Firm Representation required by Rule 204 (f); and

(2) each Trading Privilege Holder and Authorised Trading Firm acting as an Intermediary shall confirm that each of its Customers has clearing arrangements in place with a Clearing Firm and obtain from its Customers any documentary evidence as required by NEX SEF from time to time to that effect, including any Clearing Firm Representation required by Rule 204 (f). In either case, the Trading Privilege Holder shall provide such documentary evidence to NEX SEF.

(c) For Contracts listed on the Facility as bilateral Contracts, each Participant that enters into such Contracts as a principal must undergo such credit checks and provide such credit information as the Facility may require from time to time.

### **Rule 204 Clearing**

(a) All Contracts executed on the Facility that are subject to mandatory clearing under Section 2(h) of the Act must be cleared through a DCO by a Clearing Firm. Any other Contracts executed on the Facility may be cleared at the discretion of the parties to such transaction; provided that such Contracts are able to be cleared through a DCO by a Clearing Firm. After being submitted to and accepted by the relevant DCO, each Cleared Contract will be subject to the rules, policies and procedures of such DCO.

(b) *Pre-Execution Credit Check / Risk Screening.*

(1) In advance of submitting each Bid/Offer or Pre-Arranged Cross to the Facility for any Cleared Contract, each Trading Privilege Holder or Authorised Trading Firm shall identify the Clearing Firm to which any resulting transaction will be submitted for clearing at the relevant DCO and:

(i) if acting as principal, shall ensure that it has sufficient credit with such Clearing Firm for the resulting transaction and that the resulting transaction satisfies such Clearing Firm's Risk-Based Limits; and

- (ii) if acting as an Intermediary, shall confirm that its Customer has sufficient credit with the Customer's Clearing Firm for the resulting transaction and that the resulting transaction satisfies such Clearing Firm's Risk-Based Limits.

In the event that there is insufficient credit or the transaction does not satisfy a Clearing Firm's Risk-Based Limits, the Trading Privilege Holder or Authorised Trading Firm may not submit such Bid/Offer or Pre-Arranged Cross to the Facility.

(2) Each Clearing Firm that provides a Clearing Firm Representation for a Participant or Customer may notify NEX SEF of the Risk-Based Limits it has established for such Participant or Customer, and such Risk-Based Limits shall become effective upon acknowledgment of receipt by NEX SEF. Any change to such Risk-Based Limits shall become effective only upon acknowledgment of receipt by NEX SEF.

(c) A Clearing Firm that seeks to effect transactions on the Facility for its own account or the account of any Customer must be a Trading Privilege Holder.

(d) NEX SEF may share information with any DCO that would assist such DCO in evaluating and monitoring a Clearing Firm's compliance with these criteria. A Clearing Firm agrees to cooperate with NEX SEF and each relevant DCO in any such monitoring.

(e) Clearing Firms shall clear Cleared Contracts in accordance with all applicable Rules and DCO rules.

(f) *Clearing Firm Representation*

(1) Each Trading Privilege Holder or Authorised Trading Firm that is not a Clearing Firm and is transacting in Cleared Contracts on the Facility as a principal shall obtain a representation from a Clearing Firm, in form and substance satisfactory to, and approved by, NEX SEF (a "**Clearing Firm Representation**"). Under such representation, the Clearing Firm must accept for clearing all Cleared Contracts of each Trading Privilege Holder or Authorised Trading Firm for which it clears Cleared Contracts, subject to any Risk-Based Limits that are in effect pursuant to Rule 204(b)(2). Where a Trading Privilege Holder or Authorised Trading Firm uses the services of multiple Clearing Firms, a Clearing Firm shall be responsible only to the extent that it has been designated by such Trading Privilege Holder or Authorised Trading Firm to clear a particular Cleared Contract.

(2) Each Trading Privilege Holder and Authorised Trading Firm acting as Intermediary shall obtain from the Customer a Clearing Firm Representation from a Clearing Firm pursuant to which the Clearing Firm accepts for clearing all transactions in Cleared Contracts entered into by the Customer, subject to any Risk-Based Limits that are in effect pursuant to Rule 204(b)(2). Where a Customer uses the services of multiple Clearing Firms, a Clearing Firm shall be responsible only to the extent that it has been designated by such Customer to clear a particular Cleared Contract.

(3) Every Contract that is subject to a Clearing Firm Representation and results from a Bid/Offer or Pre-Arranged Cross that is within any Risk-Based Limits that are in effect pursuant to Rule 204(b)(2) is deemed accepted for clearing by the Clearing Firm upon execution.

(4) A Clearing Firm may at any time (but on prior written notice to NEX SEF) revoke any Clearing Firm Representation made by it to a Trading Privilege Holder, Authorised Trading Firm or Customer (as applicable) in accordance with paragraph (1) and/or (2) above, by providing prior written notice of such revocation to NEX SEF. The Clearing Firm Representation will remain in effect for all Contracts for which Bids/Offer or Pre-Arranged Crosses were submitted to a Trading Platform prior to NEX SEF's acknowledgment of the revocation, which NEX SEF shall undertake to effectuate as promptly as practicable.

(5) Each Trading Privilege Holder, Authorised Trading Firm or, if applicable, Customer must assist its Clearing Firm and the DCO in the clearing of its Cleared Contracts.

(6) Upon notice that a Clearing Firm has revoked any authorisation granted and Clearing Firm Representation made by it to a Trading Privilege Holder, Authorised Trading Firm or Customer pursuant to this Rule 204(f), the right of such Trading Privilege Holder, Authorised Trading Firm or Customer (as applicable) to enter into Cleared Contracts will be automatically terminated, and such Trading Privilege Holder, Authorised Trading Firm or Customer must obtain another Clearing Firm Representation from a Clearing Firm before the Trading Privilege Holder's, Authorised Trading Firm's or Customer's right to access to trade Cleared Contracts via the Facility will be reinstated.

(g) A DCO may be given access to the Facility for the purpose of obtaining any information required by the DCO to clear contracts, including, without limitation, real-time data regarding Bids/Offers, Pre-Arranged Crosses and the execution of transactions. NEX SEF may impose such restrictions on a DCO's access that it determines, in its sole discretion, are necessary and appropriate.

(h) *Failure to Clear*

(1) Subject to a Clearing Firm's obligation to accept for clearing all Contracts resulting from Bids/Offers or Pre-Arranged Crosses that satisfy the Risk-Based Limits in effect for a Participant or Customer, any Cleared Contract, including one leg of a Package Transaction, that is rejected for clearing by a Clearing Firm or DCO for any reason, including an error by NEX SEF in permitting a Bid/Offer or Pre-Arranged Cross to be made that did not satisfy the Risk-Based Limits in effect at the time the Bid/Offer or Pre-Arranged Cross was made, shall be void *ab initio* and will be cancelled by NEX SEF. For the avoidance of doubt, any component leg of a Package Transaction that was accepted for clearing will not be affected by the rejection of another leg of the same Package Transaction.

(2) Any Contract, including any component leg of a Package Transaction, that was executed on the Facility without the intent to be cleared, but later determined by the parties to the transaction to be cleared, will not be void if rejected for clearing by a DCO to which the Contract or component leg of the Package Transaction was submitted.

(3) In the event a Cleared Contract, including one leg of a Package Transaction, is cancelled by NEX SEF pursuant to this Rule 204(h), NEX SEF will report such cancellation to the relevant SDR pursuant to Part 43 of the Commission Regulations.

(4) Any transaction cancelled under this Rule 204(h) (except for transactions rejected by a DCO for credit reasons) may be re-executed pursuant to the procedures set forth in Rule 315(i).

(i) *Submission of Cleared Contracts to DCOs*

(1) NEX SEF shall route each Cleared Contract executed on the Facility and accepted for clearing by a Clearing Firm to the DCO identified pursuant to Rule 208(d) as soon as technologically practicable after execution, and in no event later than ten (10) minutes after execution. NEX SEF may do so either by submitting the Cleared Contract directly to the DCO or by routing the Cleared Contract through an Affirmation Hub.

(2) Cleared Contracts that are routed through an Affirmation Hub shall be routed in accordance with the following procedures:

(i) All Cleared Contracts executed as Pre-Arranged Crosses or on the Order Book with the assistance of a NEX SEF customer service representative, must be Affirmed by Participants or Customers, as applicable, as soon as



technologically practicable after execution, and in no event later than ten (10) minutes after execution; and

- (ii) All other Cleared Contracts shall be automatically submitted by the Affirmation Hub to the relevant DCO as soon as technologically practicable after receipt from NEX SEF, without Participants or Customers being provided the opportunity to Affirm.

(3) Failure by a Participant or Customer to Affirm a Cleared Contract routed through an Affirmation Hub within the ten (10) minute time frame required by this Rule 204(i) shall be a Violation; provided that:

- (i) such failure shall be a Violation only by the Participant(s) or Customer(s), as applicable, that failed to Affirm the Cleared Contract in accordance with this Rule; and
- (ii) no such failure shall be a Violation where the failure was substantially the result of, as determined in NEX SEF's discretion, any errors or delays caused by NEX SEF or any customer service representative.

(4) The Compliance Function or a designated member of the Market Regulation Staff shall, on a periodic basis, review Affirmations by Participants and Customers for compliance with this Rule 204(i). Notwithstanding such reviews, the Compliance Function or any member of the Market Regulation Staff may investigate possible Violations of this Rule 204(i) at any time upon becoming aware of such possible Violation. Investigations of possible Violations of this Rule 204(i) shall be conducted in accordance with 502, including that the Compliance Function may determine to impose summary fines in accordance with Rule 516. The Compliance Function or a designated member of the Market Regulation Staff shall review each possible Violation of this Rule 204(i) in light of all the facts and circumstances, including whether any errors or delays were caused by NEX SEF or any customer service representative.

(j) *Breakage Agreements Prohibited.* Participants and Customers are prohibited from requiring a Breakage Agreement from any other Participant or Customer as a condition of trading with that other Participant or Customer.

#### **Rule 205 Application for and Grant of Trading Privileges; Access Denial Actions**

(a) *Application Requirement.* Each applicant for Trading Privileges will submit an application to NEX SEF in a form and manner prescribed by NEX SEF. Each applicant will promptly update the application materials if any of the information provided therein becomes inaccurate or incomplete after the date of submission and prior to any approval of the application. NEX SEF will act upon, and approve or disapprove, any such application without unreasonable delay.

(b) *Due Diligence Review.* Prior to granting Trading Privileges, NEX SEF will conduct a due diligence process against the conditions for using the Facility as described in a MRAN available on NEX SEF's website.

(c) *Grant of Trading Privileges.* Upon submission of an application and satisfaction of the requirements and procedures set forth in this Chapter 2, and approval by NEX SEF, a person applying for Trading Privileges will be granted Trading Privileges. If the application process is not completed by the applicant within six months of submission of an application and payment of any applicable fee, the application will be deemed to be withdrawn.

(d) *Denial of Trading Privileges.* If NEX SEF disapproves an application for Trading Privileges, NEX SEF will promptly provide notice of such rejection. Any applicant who has been denied Trading Privileges or Authorized Trader or Authorized Trading Firm status with a Trading Privilege Holder, and any

Trading Privilege Holder or Authorised Trader or Authorised Trading Firm of a Trading Privilege Holder who is not permitted to keep its, his or her Trading Privileges or maintain his, her or its status as an Authorised Trader or Authorised Trading Firm may request an appeal of NEX SEF's decision pursuant to the procedures set forth in Rule 205(f). If no request for an appeal is made within seven days after receiving notice of the disapproval of the relevant application or suspension or termination of access to NEX SEF, the disapproval, suspension or termination shall be the final determination of NEX SEF. No determination of NEX SEF to discontinue a person's Trading Privileges or Authorised Trader or Authorised Trading Firm status will take effect until the review procedures hereunder have been exhausted or the time for review has expired.

(e) *Re-application.* Any applicant to become a Trading Privilege Holder who has been denied Trading Privileges pursuant to this Rule 204(a) will not be eligible for re-application during the six months immediately following such denial.

(f) *Appeal of Denial of Trading Privileges or Suspension or Termination of Access*

(1) If NEX SEF, pursuant to this Rule, denies an application for Trading Privileges or association with a Trading Privilege Holder as an Authorised Trader or Authorised Trading Firm, or determines not to permit a person to keep its Trading Privileges or maintain its association as an Authorised Trader or Authorised Trading Firm, or suspends or revokes a Participant's or Customer's access to the Facility pursuant to Rule 206(c) or (g), then, in any such case, the affected applicant, Trading Privilege Holder, Authorised Trader, Authorised Trading Firm, Participant or Customer, as the case may be, within seven days after receiving written notice of such decision, may request in writing that NEX SEF provide the reasons therefor in writing. Within 14 days of receiving any such written request, NEX SEF will provide the applicant, Trading Privilege Holder, Authorised Trader, Authorised Trading Firm, Participant or Customer, as the case may be, with such reasons in writing. Within 14 days of receiving NEX SEF's written response, the applicant, Trading Privilege Holder, Authorised Trader, Authorised Trading Firm, Participant or Customer, as the case may be, may request, in writing, that the Participation Committee reconsider NEX SEF's initial decision and may provide any written representations or other information that the applicant, Trading Privilege Holder, Authorised Trader, Authorised Trading Firm, Participant or Customer, as the case may be, believes is relevant to the reconsideration.

(2) Within 28 days of receiving either a written request for reconsideration or written representations or information from the applicant, Trading Privilege Holder, Authorised Trader, Authorised Trading Firm, Participant or Customer, as the case may be, or a statement from such person that no such representation or information is to be made or supplied, the Participation Committee will either confirm, reverse or modify the initial decision and will promptly notify the applicant, Trading Privilege Holder, Authorised Trader, Authorised Trading Firm, Participant or Customer, as the case may be, accordingly. The Participation Committee may in its discretion schedule a hearing or establish any other process that it believes is necessary and appropriate to consider the request for reconsideration. Any decision by the Participation Committee pursuant to this subparagraph (2) constitutes the final action of NEX SEF with respect to the matter in question and is not subject to appeal.

(3) Any action that may be taken by the Participation Committee under this Rule 205(f) or (g) may be taken by the Board if no Participation Committee has been established.

(g) *Effective Date of Denial of Trading Privileges or Suspension or Termination of Access*

(1) If NEX SEF makes a final determination to deny an application for Trading Privileges or association with a Trading Privilege Holder as an Authorised Trader or Authorised Trading Firm, or determines not to permit a person to keep its Trading Privileges or maintain its association as an Authorised Trader or Authorised Trading Firm pursuant to Rule 205(d) or (f), or suspends or revokes a Participant's or Customer's access to NEX SEF pursuant to Rule 206(c) or



(g), then the Participation Committee (or Board acting in such capacity) shall provide written notice within thirty (30) days of its determination to the applicant, Participant or Customer, as applicable. The written notice must include the information required by Part 9 of the Commission Regulations. Unless otherwise determined by NEX SEF in accordance with Part 9 of the Commission Regulations, the written notice will include:

- (i) the name of the applicant, Participant or Customer;
- (ii) a statement of the Participation Committee's (or Board's when acting in such capacity) reasons for the denial of Trading Privileges, suspension or revocation of access to NEX SEF, including details regarding the Contracts involved, if any, and a listing of any Rules the Participation Committee determined were Violated and whether the Violation resulted in any financial harm to Customers;
- (iii) a statement of the conclusions and findings of the Participation Committee (or Board acting in such capacity) with respect to each Violation, or, in the event of a settlement, a statement specifying the alleged Violations;
- (iv) the terms of the denial of Trading Privileges, suspension or revocation of access to NEX SEF;
- (v) the date on which the determination was made and the effective date of the determination; and
- (vi) a statement informing the applicant, Participant or Customer that the denial of Trading Privileges, suspension or revocation of access to NEX SEF may be appealed to the Commission pursuant to Part 9 of the Commission Regulations.

(2) NEX SEF shall also provide the written notice to the NFA through the NFA's Background Affiliation Status Information Center ("**BASIC**").

(3) Any decision by NEX SEF to deny Trading Privileges or to suspend or revoke access to NEX SEF pursuant to this Rule shall be the final decision of NEX SEF and shall become effective in accordance with the timeline set forth in Rule 513(b).

(4) If NEX SEF denies Trading Privileges or suspends or revokes access to the Facility pursuant to this Rule, it must publicly publish and maintain on its website the information contained in the written notice provided pursuant to Rule 205(g)(1).

## **Rule 206 Participant and Customer Obligations; Suspension or Termination of Access**

(a) *Consent to Facility Rules.* Prior to obtaining access to the Facility and each time a Participant or Customer initiates or executes a transaction on the Facility, directly or through an Intermediary, each Participant or Customer shall be deemed to have expressly consented to the jurisdiction of the Facility and agreed to be bound by and comply with the Rules. At the time any Clearing Firm provides a Clearing Firm Representation, each such Clearing Firm shall expressly consent to the jurisdiction of the Facility and agree to be bound by and comply with the Rules.

(b) NEX SEF shall perform an annual risk-based assessment of the compliance by each Participant and Customer with these Rules. Where necessary, NEX SEF shall undertake additional assessments of compliance by a Participant or Customer.

(c) Each Participant and Customer must comply with these Rules and the provisions of Applicable Law. Each Participant and Customer must also cooperate promptly and fully with NEX SEF, its

agents, its Regulatory Services Provider, and/or a Regulatory Agency in any due diligence process, assessment, investigation, call for information, inquiry, audit, examination, or proceeding. Such cooperation shall include a duty to provide supplemental verbal or other information if the Participant or Customer learns that a previous response is incomplete or incorrect in any material respect. Additionally, each Trading Privilege Holder must update its email address promptly after any change and update all other material information provided in its application for Trading Privileges within five days after that information has changed. If any Participant or Customer fails to satisfy these obligations, NEX SEF may revoke or suspend the Participant's or Customer's access to the Facility in full or in part, including by revoking or suspending the access to the Facility of a specific Automated Trading System.

(d) Each Participant and Customer consents to allow NEX SEF to provide all information NEX SEF has about the Participant or Customer, including the Participant's or Customer's trading activity, to the Regulatory Services Provider, the Commission or any other Regulatory Agency, law enforcement authority, or judicial tribunal, including (as may be required by information sharing agreements or other contractual, regulatory, or legal provisions) foreign regulatory or self-regulatory bodies, law enforcement authorities, judicial tribunals and any other service provider to NEX SEF solely in connection with the service provider's performance of services to NEX SEF and subject to the service provider's agreeing to maintain such information as confidential, including that such service provider shall not:

(1) use such information for any purpose other than in connection with providing services to the Facility (including that it may not otherwise use such information for its own business or marketing purposes), unless specifically required in order to fulfill such service provider's regulatory obligations; or

(2) disclose such information to any other person, except (i) to its employees or Affiliates, provided that the employees or Affiliates are subject to confidentiality obligations at least as stringent as those applicable to the service provider, and that, in each case, such disclosure is necessary for the performance of services to the Facility by the service provider, or (ii) if compelled to do so by valid legal or regulatory process, provided that the service provider notifies NEX SEF in advance thereof to the extent permitted.

(e) Each Participant is required to review the "Notices" section of the Facility's website to make itself aware of material changes to these Rules or other notices (including MRANs) that may affect their rights and obligations as a Participant.

(f) Each Trading Privilege Holder must diligently supervise all activities of the Trading Privilege Holder's employees and/or agents, including all Authorised Traders and Authorised Trading Firms relating to transactions effected on the Facility. Any Violation by any employee of a Trading Privilege Holder, including an Authorised Trader or Authorised Trading Firm, shall constitute a Violation by such Trading Privilege Holder.

(g) NEX SEF may revoke or suspend a Participant's access to the Facility in full or in part if the Participant acts as an Intermediary on behalf of a Customer and such Customer maintains a position in any Contract that, when considered in light of the other positions maintained by the Participant through which such Customer accesses the Facility, and any other factors that NEX SEF reasonably deems relevant, NEX SEF reasonably believes could jeopardise the financial safety of such Participant or any of such Participant's Customers. In making this determination, NEX SEF may consider any relevant factors, including, as applicable, (i) the positions maintained by such Participant, such Participant's Authorised Traders, Authorised Trading Firms and Customers, (ii) financial information provided by such Participant; and (iii) in consultation and coordination with the relevant DCOs, the level of margin maintained by such Participant at such Participant's Clearing Firm.

(h) Each Participant must undertake conformance tests within the NEX SEF testing environment to ensure that the basic functioning of the Participant's trading system (including any

Automated Trading System), algorithm and strategy complies with these Rules prior to the deployment, or a substantial update of:

- (1) the access to the Facility; or
- (2) the Participant's trading system (including any Automated Trading System), trading algorithm or trading strategy.

The conformance testing shall verify the following:

- (1) the ability of the system or algorithm to interact as expected with the Facility's matching logic and the adequate processing of the data flows from and to the Facility;
- (2) the basic functionalities such as submission, modification or cancellation of an order or an indication of interest, static and market data downloads and all business data flows; and
- (3) the connectivity, including the cancel on disconnect command, market data feed loss and throttles, and the recovery, including the intra-day resumption of trading and the handling of suspended instruments or non-updated market data.

Each Participant shall access the testing environment provided by NEX SEF in accordance with the Fair Usage Policy.

NEX SEF shall deliver a report of the results of the conformance testing to the actual or prospective Participant.

(i) Each Participant shall carry out appropriate testing of its algorithms to ensure that its algorithmic trading systems cannot create or contribute to Disorderly Trading Conditions on the Facility and each Participant shall certify that the algorithms that it develops have been tested to avoid contributing to or creating Disorderly Trading Conditions prior to the deployment of or substantial update to a trading algorithm or trading strategy and explain the means used for that testing. NEX SEF provides a testing environment for the purposes of paragraph (h).

(j) Each Participant shall ensure that its business clocks used to record the time of transactions adhere to the level of accuracy specified in a MRAN available on NEX SEF's website.

(k) Each Participant shall provide information on its organizational requirements and any trading controls to NEX SEF on request.

(l) Each Trading Privilege Holder which is a Swap Dealer or Major Swap Participant and enters into or facilitates a Swap that is subject to mandatory clearing under Section 2(h) of the Act shall be responsible for compliance with the mandatory trading requirement under Section 2(h)(8) of the Act.

#### **Rule 207 Customers**

(a) No Trading Privilege Holder or Authorised Trading Firm shall act as an Intermediary unless the Trading Privilege Holder or Authorised Trading Firm, as applicable, has entered into an agreement with the Customer that provides that the Customer agrees that all Contracts shall be governed by the Rules, the Act and the Commission Regulations and FCA rules, insofar as they are applicable to that Contract,

although no such agreement shall be required by these Rules when the Customer of a Trading Privilege Holder is another Trading Privilege Holder.

(b) Where a Customer and Intermediary are both Trading Privilege Holders, the Customer shall provide NEX SEF with such notice of the relationship as NEX SEF may require from time to time.

(c) Each Customer shall be the principal to all executed transactions resulting from any Bids/Offer or Pre-Arranged Crosses entered on behalf of the Customer. Where a Trading Privilege Holder or Authorised Trading Firm is acting as an Intermediary on behalf of a Customer, the Trading Privilege Holder or Authorised Trading Firm shall have no liability, whether or not the identity of the Customer has been disclosed, in respect of any transactions executed on behalf of a Customer, to any other party, including any other Trading Privilege Holder or Authorised Trading Firm or the Customer of any other Trading Privilege Holder or Authorised Trading Firm.

(d) Except to the extent that NEX SEF sends Confirmations of Contracts directly to the relevant Customer, each such Customer authorises NEX SEF to send Confirmations of Contracts entered into through an Intermediary to the Intermediary and authorises such Intermediary to accept such Confirmations on behalf of the Customer.

#### **Rule 208 Recordkeeping**

(a) Each Participant and Customer must prepare and keep current all books, ledgers and other similar records required to be kept by it pursuant to Applicable Law and the Rules of the Facility.

(b) Each Participant and Customer shall keep records of the Swaps it trades on or subject to the Rules, and of its trading in each index, instrument or commodity underlying such Swaps, as well as of its trading of other derivatives that are based on any such index, instrument or commodity. These records shall include records of purchases, sales, ownership, production, processing and use of such Swaps, indices, instruments, commodities and derivatives, and may be in the form customarily generated in accordance with sound commercial practices in the relevant markets.

(c) Each Participant and Customer must keep all books and records required to be kept by it pursuant to the Rules for a period of five years from the date on which they are first prepared, unless otherwise provided in the Rules or required by Applicable Law. Such books and records must be readily accessible at all times. During such five- year period, all such books and records must, where Applicable Law requires it, be made available for inspection by, and copies thereof must be delivered to NEX SEF, NEX SEF's Regulatory Services Provider, the Commission, the U.S. Department of Justice, the FCA, any other European Union regulatory agency governing a Participant and/or Customer and the authorised representatives of the foregoing, upon request.

(d) The following information must be provided to NEX SEF by each Participant prior to entering a Bid/Offer or Pre-Arranged Cross with respect to any Swap traded on the Facility:

- Authorised Trader ID;
- Trading Privilege Holder ID;
- Swap;
- Series, if applicable;
- DCO where Swap is to be cleared;
- Price;
- Quantity;

- Side of the Bid/Offer;
  - Customer Type Indicator Code (defined below);
  - Trading account and other relevant account information, including Clearing Firm;
  - LEI of the Participant placing the Bid/Offer;
  - For Intermediated Transactions, the LEI of the Customer;
  - Yes/no indication of whether the Participant or Customer is a Swap Dealer for that Swap;
  - Yes/no indication of whether the Participant or Customer is a Major Swap Participant;
  - Yes/no indication of whether the Participant or Customer is a Financial Entity;
  - Yes/no indication of whether the Participant or Customer is a U.S. person as defined by the Commission;
  - Yes/no indication of whether the Contract is a Prime Broker Transaction;
  - If a Prime Broker Transaction, the identity of the relevant Prime Broker;
  - For Cleared Contracts, confirmation of the availability of credit at the Clearing Firm to which any resulting transaction will be submitted for clearing at the relevant DCO;
  - Any information required by the applicable System Protocol; and
  - If the Swap will be allocated:
    - an indication that the Swap will be allocated;
    - the LEI of the Account Manager;
    - if the Swap is a pre-execution allocated Swap, the account and LEI for each Customer that will receive allocations;
    - an indication of whether the Swap is a post-execution allocation Swap; and
    - if the Swap is a post-execution allocation Swap, the unique Swap identifier of the original transaction between the reporting counterparty and the agent.
- (1) For purposes of this Rule 208, the "**Customer Type Indicator Codes**" are as follows:
- (i) **CTI 1** – Bid/Offer for the proprietary account of a Trading Privilege Holder that is a natural person.
  - (ii) **CTI 2** – Bid/Offer for the proprietary account of a Trading Privilege Holder that is not a natural person.
  - (iii) **CTI 3** – Bid/Offer which an individual Trading Privilege Holder or Authorized Trader executes for the proprietary account of another Trading Privilege Holder or for an account which the other Trading Privilege Holder controls or has an ownership or financial interest in.

- (iv) **CTI 4** – Any Bid/Offer not meeting the definition of CTI 1, 2 or 3, including those entered on behalf of Customers.

(e) The Rules regarding the recordkeeping obligations set forth in this Rule 208 shall be promulgated to achieve the purposes and requirements of Applicable Law. While NEX SEF will have sole discretion, subject to Applicable Law, to determine such Rules, NEX SEF will take into consideration in doing so comparable requirements applicable to Participants.

#### **Rule 209 Communications of NEX SEF with Participants**

(a) *Written Notices*

NEX SEF will publish a notice with respect to each addition to, modification of, or clarification of the Rules, or of any action taken to implement any Rule, in a form and manner that is reasonably designed to enable each Trading Privilege Holder 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; provided that any failure of NEX SEF to so publish a notice will not affect the effectiveness of the addition or modification in question. Each Trading Privilege Holder will provide its respective Authorised Traders, Authorised Trading Firms and Customers with copies of any such notice. For purposes of publication in accordance with the first sentence of this Rule 209(a), it will be sufficient (without limiting the discretion of NEX SEF as to any other reasonable means of communication) if a notice is (a) sent to each Trading Privilege Holder by mail, recognised courier service, facsimile or electronic mail (including by means of a hyperlink included in an electronic mail message), to the address, facsimile number or electronic mail address (as applicable) provided by such Trading Privilege Holder for such purpose or (b) published on the Facility's website. Each Trading Privilege Holder, on its own behalf, and on behalf of its Authorised Traders, Authorised Trading Firms and Customers, as applicable, must monitor the Facility's website for any notices published under this Rule 209(a).

(b) *Recording of Communications*

(1) NEX SEF and Trading Privilege Holders may record conversations and retain copies of electronic communications between officers, employees or agents of NEX SEF, on the one hand, and Trading Privilege Holders (including their Affiliates), Authorised Traders, Authorised Trading Firms or Customers, on the other hand. Any such recordings or other records may be retained by NEX SEF or such Trading Privilege Holder, as the case may be, in such manner and for such periods of time as NEX SEF, or such Trading Privilege Holder, as the case may be, may deem necessary or appropriate.

(2) NEX SEF shall retain records of telephone conversations and other electronic communications for a period of 5 years (7 years at the request of the FCA). Copies of such records pertaining to a Trading Privilege Holder's or Customer's Bids/Offers are available to that Trading Privilege Holder or Customer upon request. NEX SEF reserves the right to charge a fee for the provision of such records.

#### **Rule 210 Required Disclosures to NEX SEF**

Each Trading Privilege Holder and Customer must promptly notify NEX SEF in writing upon becoming aware:

(a) that the Trading Privilege Holder, any of the Trading Privilege Holder's officers or any of the Trading Privilege Holder's Authorised Traders or Authorised Trading Firms has been the subject of a material sanction, penalty or other adverse action by any Regulatory Agency which is related to transactions in Swaps, futures, options on futures, securities, commodities, or Swaps-related banking;

(b) that the Trading Privilege Holder, any of the Trading Privilege Holder's officers or any of the Trading Privilege Holder's Authorised Traders or Authorised Trading Firms has been convicted of, pled

guilty or no contest to, or entered in a plea agreement of a material nature in any domestic, foreign or military court which involves:

(1) embezzlement, theft, extortion, fraud, fraudulent conversion, forgery, counterfeiting, false pretences, bribery, gambling, racketeering, or misappropriation of funds, securities or properties; or

(2) any transaction in or advice concerning Swaps, futures, options on futures, securities, commodities, or Swaps-related banking;

(c) that the Trading Privilege Holder, any of the Trading Privilege Holder's officers or any of the Trading Privilege Holder's Authorised Traders or Authorised Trading Firms is subject to material regulatory proceedings before any Regulatory Agency which are related to transactions in Swaps, futures, options on futures, securities, commodities, or Swaps-related banking;

(d) that the Trading Privilege Holder, any of the Trading Privilege Holder's officers or any of the Trading Privilege Holder's Authorised Traders or Authorised Trading Firms have been denied or withdrawn any application for registration or license submitted to any Regulatory Agency, and of any material revocation, suspension or conditioning of any registration or license granted by any Regulatory Agency, which in each case is related to transactions in Swaps, futures, options on futures, securities, commodities, or Swaps-related banking;

(e) that any of the Trading Privilege Holder's Authorised Traders or Authorised Trading Firms have:

(1) had their status as an Authorised Trader or Authorised Trading Firm permanently revoked by the Trading Privilege Holder, whether due to employment termination, termination of status as a Customer or otherwise; or

(2) had their access to the Facility temporarily revoked by the Trading Privilege Holder;

(f) of any material change:

(1) in any information contained in the Trading Privilege Holder's membership application, or in an Authorised Trader's or Authorised Trading Firm's application pursuant to Rule 202, including a Trading Privilege Holder's or Authorised Trading Firm's status as (i) an ECP or (ii) a Professional Client or an Eligible Counterparty; or

(2) to a Trading Privilege Holder's or Authorised Trading Firm's signed representation to NEX SEF that each of its Customers is an ECP pursuant to Rule 202(e).



(g) of any withdrawal from membership by the Trading Privilege Holder, any of the Trading Privilege Holder's officers or any of the Trading Privilege Holder's Authorised Traders or Authorised Trading Firms, in any SRO, designated contract market, DCO or swap execution facility;

(h) of any damage to, or failure or inadequacy of, the systems, facilities or equipment used to effect transactions or perform financial obligations under or in connection with Contracts of the Trading Privilege Holder or any of its Authorised Traders or Authorised Trading Firms;

(i) of any change in the location of the principal office of the Trading Privilege Holder or any of the Trading Privilege Holder's Authorised Traders or Authorised Trading Firms;

(j) of any failure to maintain segregated funds as required by the Commission when the Trading Privilege Holder is a futures commission merchant registered with the Commission;

(k) of becoming subject to early warning reporting under Commission Regulation 1.12; and

(l) of becoming the subject of a bankruptcy proceeding or being unable to meet any financial obligation as it becomes due.

#### **Rule 211 Dues, Fees and Expenses**

(a) The Board has the sole power to set the payment dates and amounts of any dues, assessments or fees to be levied on Trading Privilege Holders, which dues, assessments or fees will be paid to NEX SEF when due. Fees will be levied on a non-discriminatory basis and will therefore be comparable for Trading Privilege Holders receiving comparable access to, or services from, NEX SEF.

(b) If a Trading Privilege Holder fails to pay when due any NEX SEF dues, assessments or fees levied on such Trading Privilege Holder, and such payment obligation remains unsatisfied thirty (30) days after its due date, NEX SEF may suspend, revoke, limit, condition, restrict or qualify the Trading Privileges of such Trading Privilege Holder as it deems necessary or appropriate.

#### **Rule 212 Market Maker Programs**

(a) NEX SEF may from time to time adopt one or more programs under which one or more Trading Privilege Holders or others may be approved and designated as market makers with respect to one or more Contracts in order to provide liquidity and orderliness in the market or markets for such Contract or Contracts. Any such program may provide for any or all of the following:

(1) qualifications, including any minimum net capital requirements, that any such market maker must satisfy;

(2) the procedure by which Trading Privilege Holders or others may seek and receive designation as market makers;

(3) the obligations of such market makers, including any applicable minimum bid and offer commitments;

(4) the benefits accruing to such market makers, including priority in the execution of transactions effected by Trading Privilege Holders or others as approved by NEX SEF in their capacity as market makers, reduced transaction fees or the receipt of compensatory payments from NEX SEF;

(5) the requirement that such designated market makers agree to abide by the Rules and are subject to the jurisdiction of the Facility; and



(6) any pre-trade trade transparency requirements that may apply to the best Bid/Offer prices and volumes of any such market makers.

(b) In accordance with article 17(3) of MiFID II, a Trading Privilege Holder pursuing a "market making strategy" by way of algorithmic trading on the Facility will be deemed to have accepted the terms of the "Market Making Agreement between NEX SEF Limited and Market Makers on the NEX SEF" that is available on the Facility's website (the "**MMA**", which is a Market Maker Programme), where (in accordance with article 1(1) of the Market Making CDR), during half the trading days over a one month period, in execution of its market making strategy, they:

(1) post Firm, Simultaneous Two-Way Quotes of Comparable Size and Competitive Prices; and

(2) deal on their own account in at least one Instrument for at least 50% of the daily trading hours of continuous trading on the Facility, excluding opening and closing auctions.

(c) Capitalised terms used in Rule 212(b) that are not otherwise defined in this Rulebook have the meaning given to them in the MMA (and for the purposes of Rule 212(b), to the extent of any inconsistency between the terms of the MMA and this Rulebook, the terms of the MMA shall prevail).

#### **Rule 213 Independent Software Vendors**

NEX SEF shall provide impartial access to independent software vendors who enter into a development and maintenance agreement with NEX SEF (an "**ISV Development and Maintenance Agreement**"). Fees will be comparable for independent software vendors receiving comparable access to, or services from, NEX SEF. Each independent software vendor that enters into an ISV Development and Maintenance Agreement must satisfy the following criteria, which NEX SEF shall apply in a fair and non discriminatory manner:

(a) if required to be registered in any capacity under Applicable Law, it has duly registered in such capacity and such registration is in effect and has not lapsed or been revoked, suspended or withdrawn;

(b) it complies with the applicable technical access standards, system compatibility requirements, security protocols and technical specifications for connection to NEX SEF's electronic systems as may be specified by NEX SEF from time to time;

(c) it must ensure that each person that uses the independent software vendors to access the Facility is a Participant or a Customer of a Participant authorised as such in accordance with these Rules;

(d) it may provide data obtained from the Facility solely to such Participants or Customers of Participants in connection with their actual and proposed trading activity in Contracts and similar contracts, and shall not provide such data to any other SEF, security-based swap execution facility, designated

contract market, national securities exchange or other trading facility or system without the prior written consent of NEX SEF;

(e) in the case of any Bid/Offer submitted to NEX SEF through an independent software vendor, the independent software vendor will provide sufficient detail to identify the Participant (and, in the case of an Intermediated Transaction, the Intermediary and Customer) as required by NEX SEF; and

(f) it satisfies such other impartial and transparent criteria as NEX SEF may specify from time to time, subject to Applicable Law.

#### **Rule 214 Withdrawal of Participant**

(a) To withdraw from the Facility, a Participant must notify NEX SEF in writing, following such procedures as may be established by NEX SEF.

(b) NEX SEF may, in its reasonable discretion, refuse to accept a Participant's withdrawal request or may postpone the effective date of withdrawal of a Participant if NEX SEF considers it necessary for the protection of the Participant's Customers, other Participants or otherwise in the interests of NEX SEF.

(c) Based on the information provided to, and other information gathered by, NEX SEF regarding a Participant's withdrawal request, NEX SEF will determine whether to: (i) accept the withdrawal request; (ii) postpone the effective date of the withdrawal; or (iii) impose any terms or conditions before or after the effective date of withdrawal.

(d) If NEX SEF refuses to accept a Participant's withdrawal request or postpones the effective date of withdrawal of a Participant, NEX SEF may waive the obligation to pay some or all of the fees, costs and charges that NEX SEF would have imposed during the period after the date on which the requested withdrawal would have otherwise taken effect.

(e) When NEX SEF accepts the withdrawal of a Participant, all rights and privileges of such Participant terminate (including the Trading Privileges and ability to access a Trading Platform). The accepted withdrawal of a Participant shall not affect the rights of NEX SEF under the Rules or relieve the former Participant of its obligations with respect to previously executed transactions (including any contractual obligations relating to any Contracts entered into by such Participant, or the payment of any fees, costs, or charges incurred prior to such withdrawal). Notwithstanding the accepted withdrawal of a Participant, the withdrawn Participant remains subject to the jurisdiction of the Facility for acts done and omissions made while a Participant, and must cooperate in any proceeding under Chapter 5 as if such withdrawal had not taken place.

(f) Upon delivery of a withdrawal notice:

(1) the Participant shall promptly notify its Authorised Traders and Authorised Trading Firms that they may no longer access the Facility on behalf of such Participant, and the Participant shall with reasonable diligence, to the extent practicable, terminate electronic access of its Authorised Traders and Authorised Trading Firms to the Facility; and

(2) NEX SEF shall suspend the Participant's access to the Facility, promptly notify its relevant personnel that Participant and its Authorised Trading Firms may no longer access the Facility on behalf of such Participant, and with reasonable diligence, to the extent practicable, terminate electronic access of the Participant's Authorised Traders to the Facility.

## Rule 215 Prime Broker Transactions

### (a) *General*

- (1) All Prime Broker Transactions shall be executed pursuant to this Rule 215.
- (2) A Prime Broker must be a Trading Privilege Holder approved to act as a Prime Broker by NEX SEF in accordance with Rule 201(a)(2)(iii).
- (3) Each Trading Privilege Holder that is the subject of a Prime Broker Representation may enter Bids/Offers or Pre-Arranged Crosses with respect to Non-Cleared Contracts in the name of and on behalf of the Prime Broker that provided the Prime Broker Representation.
- (4) A Prime Broker is not a Customer of another Trading Privilege Holder with respect to any Prime Broker Transaction.

### (b) *Prime Broker Obligations*

(1) Prime Broker Representation. Each Trading Privilege Holder shall obtain a representation from a Prime Broker, in a form and substance satisfactory to, and approved by, the Facility (a "**Prime Broker Representation**") that the Prime Broker:

- (i) may make its credit available to the Trading Privilege Holder pursuant to a Prime Broker Agreement;
- (ii) will be financially responsible for any Prime Broker Transactions executed in its name, subject to any Prime Broker Limits that are in effect pursuant to this Rule 215; and
- (iii) may cancel any Prime Broker Transaction only in accordance with Rule 315(i).

(2) Prime Broker Limits. Each Prime Broker that provides a Prime Broker Representation to a Trading Privilege Holder shall notify the Facility of any applicable limits, terms or trading parameters it has established for such Trading Privilege Holder, including credit limits and any categories of permissible Contracts ("**Prime Broker Limits**"), and such Prime Broker Limits shall become effective upon acknowledgment of receipt by the Facility. Any change to such Prime Broker Limits shall become effective only upon acknowledgment of receipt by the Facility.

(3) Revocation of Prime Broker Representation and Notice to Facility. A Prime Broker may revoke any Prime Broker Representation at any time by providing prior written notice of such revocation to the Facility. The Prime Broker Representation will remain in effect for all Non-Cleared Contracts for which Bids/Offers or Pre-Arranged Crosses were submitted to a Trading Platform prior to the Facility's acknowledgement of the revocation.

(4) No Supervisory Responsibilities. A Prime Broker has no responsibility to supervise the Trading Privilege Holder to which the Prime Broker provided the Prime Broker Representation.

(5) Cooperation with the Facility. In the event the Facility is investigating the trading activity of a Trading Privilege Holder to which the Prime Broker provided the Prime Broker Representation, the Prime Broker shall cooperate promptly and fully with NEX SEF, its agents, its Regulatory Services Provider, and/or a Regulatory Agency in any investigation, call for information, inquiry, audit, examination, or proceeding, including by providing verbal or other information to NEX SEF in connection with the trading activity under review. Such cooperation shall include a duty to provide supplemental verbal or other information if the Prime Broker learns that a previous response is incomplete or incorrect in any material respect.

(c) *Trading Privilege Holder Obligations*

(1) Each Trading Privilege Holder must notify its Prime Broker as soon as technologically practicable after execution of each Prime Broker Transaction executed on or pursuant to the rules of the Facility to which the Prime Broker is a counterparty, and provide to the Prime Broker the Confirmation for the Prime Broker Transaction issued by the Facility.

(2) In advance of submitting each Bid/Offer to the Facility for any Non-Cleared Contract pursuant to this Rule 215, each Trading Privilege Holder shall ensure the Bids/Offer or Pre-Arranged Crosses comply with its Prime Broker Limits. In the event that the Bid/Offer does not comply with Prime Broker Limits, the Trading Privilege Holder shall not submit such Bid/Offer to the Facility.

(3) Upon receiving notice that a Prime Broker has revoked any Prime Broker Representation made with respect to a Trading Privilege Holder, the Trading Privilege Holder shall cancel any unfilled Bids/Offer and Pre-Arranged Crosses and shall not submit any additional Bids/Offer or Pre-Arranged Crosses with respect to Prime Broker Transactions.

**CHAPTER 3****TRADING PROCEDURES****Rule 301 Trading Sessions**

Except as otherwise provided in these Rules or determined by the Board, transactions in any Contract will only be executed during the Trading Session for such Contract. NEX SEF may from time to time modify its regular Trading Session and establish Trading Sessions, in addition to the regular Trading Sessions, as it deems appropriate.

**Rule 302 Information about, and access to, NEX SEF's Order Book****(a) User Identifications and Passwords**

(1) Each Authorised Trader and each Trading Privilege Holder that is an individual will receive a user identification ("**ID**") and password. As a Trading Privilege Holder or Authorised Trader, such person will be able to access NEX SEF's Order Book, which functions as an electronic central limit order book and provides the highest priority to Bids/Offeres with the best price, for trading in the Swap asset classes or sub-products approved for such Trading Privilege Holder or Authorised Trader, enter and accept Bids/Offeres, and otherwise access information regarding, or perform functions for, such person's account using its ID and password.

(2) Each ID shall represent an Authorised Trader that is:

- (i) a natural person physically responsible for manually accessing an Order Book through either (A) NEX SEF's web-based portal or (B) a NEX SEF work station; or
- (ii) an ATS Operator of an Automated Trading System accessing an Order Book through an API.

(3) Each ID issued:

- (i) for a natural person manually accessing an Order Book may only be used by that natural person and may not be used by any other natural person or entity and may not be used as the ID for an Automated Trading System; and
- (ii) for an ATS Operator of an Automated Trading System may only be used by that ATS Operator for a single Automated Trading System and may not be used as the ID for any other natural person or entity. An ATS Operator that operates multiple Automated Trading Systems must obtain a separate and unique ID for each Automated Trading System that the ATS Operator operates.

(4) For an ATS Operator that consists of an ATS Team, the Trading Privilege Holder or Authorised Trading Firm of such ATS Operator, as the case may be, shall collect and maintain accurate, complete and up-to-date records for the ATS Operator's ID, including the time period that each natural person was monitoring the Automated Trading System.

(5) Each Trading Privilege Holder will be responsible for protecting from improper disclosure its ID and password, and the IDs and passwords of its Authorised Traders. In addition, a Trading Privilege Holder may not knowingly or negligently permit any person not authorised by NEX SEF and by the Trading Privilege Holder to use the ID and password to access the Order

Book. Each Trading Privilege Holder is required to immediately notify NEX SEF if it knows, or has reason to believe, that its ID and/or password, or the ID and/or password of any Authorised Trader have been disclosed to any person not authorised by NEX SEF and the Trading Privilege Holder to use such ID and/or password.

- (6) Except as otherwise provided in Rule 102:
  - (i) each Trading Privilege Holder will be liable for all costs and any losses that it may incur from transactions executed on the Facility by any person, authorised or not, using its ID and password or the ID and/or password of any of its Authorised Traders; and
  - (ii) NEX SEF will not be responsible in any way for unauthorised transactions for a Trading Privilege Holder's account.

(b) For account security and audit trail purposes, each Trading Privilege Holder and Authorised Trader agrees that NEX SEF may maintain logs of the IP address used to log on to any Order Book.

(c) Each Trading Privilege Holder is responsible for contracting with a network provider through which it will access the Facility and for having a backup service provider if the Trading Privilege Holder deems it necessary. Each Trading Privilege Holder is also responsible for maintaining a network connection speed adequate for its needs. NEX SEF will not be responsible in any way for any Bids/Offers delayed or transactions missed or not executed in a timely fashion because of failure of the Trading Privilege Holder's Internet service provider or slowness of its network connection speed. No communication from a Trading Privilege Holder will be deemed to have been received by NEX SEF until that communication is logged by the Order Book server.

### **Rule 303 Required Transactions**

NEX SEF does not currently offer any Contracts that are Required Transactions. Separately, NEX SEF does not currently offer RFQ functionality.

### **Rule 304 Permitted Transactions**

(a) Participants may enter Bids/Offers for Permitted Transactions directly into the Facility's Order Book for that Contract.

(b) Participants may submit to the Facility's pre-arranged crossing Trading Platform for execution Permitted Transactions negotiated and agreed to outside the Facility's Order Book, at prices mutually agreed, with regard to Contracts that have been designated by NEX SEF for such purpose (each such transaction a "**Pre-Arranged Cross**"). Pre-Arranged Crosses that are submitted to the Trading Platform for execution must be submitted by the seller, unless otherwise agreed to by the parties; however, in the case of an Intermediated Transaction, the Participant acting as the Intermediary shall have the obligation to submit the Pre-Arranged Cross to the Trading Platform. The Participant submitting the Pre-Arranged Cross to the Trading Platform must provide the information required by Rule 208(d).

(c) A NEX SEF customer service representative may facilitate the negotiation and execution of a Pre-Arranged Cross by two Participants only as follows: upon request of a Participant, the customer service representative may, without using any Trading Platform or Order Book, contact one or more other Participants to determine interest in a Pre-Arranged Cross.

(d) Upon execution of the Permitted Transaction on the Facility, NEX SEF will report the transaction to the SDR as soon as technologically practicable after execution in accordance with Rule 309.

(e) Each Participant that is party to, or Intermediary in, a Pre-Arranged Cross executed pursuant to section (b) of this Rule 304 must record the following details of the transaction: the Contract

(including the Delivery Month) to which such transaction relates; the number of Contracts traded; the price of execution or premium; the identity of the counterparty; and, if applicable, details regarding the Customer for which the transaction was executed, as well as, if applicable, the Underlying Interest and whether the transaction involved a put or a call and the strike price. Upon request by NEX SEF, such Participant must produce satisfactory evidence, including the transaction information referred to in the preceding sentence that the transaction meets the requirements set forth in this Rule.

**Rule 305 [Reserved]**

**Rule 306 [Reserved]**

**Rule 307 Acceptable Bids and Offers**

The Bid/Offer types shall be as specified in the appropriate System Protocol.

**Rule 308 [Reserved]**

**Rule 309 Reporting and Data Collection**

(a) In furtherance of Applicable Law, NEX SEF will capture and retain all transaction data, so as to be able to reconstruct all transactions within a reasonable period of time and to provide evidence of any Violations.

(b) In furtherance of Applicable Law, NEX SEF will retain records for all transactions executed on the Facility. This includes (but is not limited to) all Bids/Offers and Pre-Arranged Crosses, whether accepted, unaccepted, cancelled or modified, and all acceptances of such transactions.

(c) In furtherance of Applicable Law, NEX SEF shall maintain an electronic transaction history database, which includes a history of all Bids/Offers, Pre-Arranged Crosses and transactions, and also includes: (i) all data that are input into the trade entry system; (ii) the categories of Participant or Customer for which each transaction is executed, including whether the Participant or Customer executed the transaction for its own account or the transaction was executed by an Intermediary; (iii) timing and sequencing data adequate to reconstruct trading; and (iv) subject to Rule 309(h), identification of each Participant or Customer to which fills are allocated.

(d) NEX SEF will use the electronic transaction history database to reconstruct trading and identify possible Violations. In furtherance of Applicable Law, NEX SEF will conduct an annual review of compliance by all Participants and Customers that are responsible for, or in control of, the creation of audit trail records with its audit trail and recordkeeping requirements and will identify Participants and Customers that may have failed to comply with such requirements. Such Participants and Customers will be subject to investigation by the Market Regulation Staff for possible disciplinary action. The annual review must include, but is not limited to, reviews of randomly-selected samples of front end audit trail data for order routing systems; a review of the process by which user identifications are assigned and user identification records are maintained; a review of usage patterns associated with user identifications to monitor for violations of user identification Rules; and reviews of account numbers and Customer Type Indicator Codes in transaction records to test for accuracy and improper use.

(e) All such information will be maintained by NEX SEF in a manner that protects it from unauthorised alteration, as well as from accidental erasure or other loss.

(f) NEX SEF will publish trading information as required by:

(1) Core Principle 9, Commission Regulation § 37.901 and Part 16 of the Commission Regulations; and

(2) FCA rules and MiFIR.



Under certain conditions, the FCA may grant a trading venue permission not to make public current Bid and Offer prices for a Contract and the depth of trading interest at those prices (a "**Waiver**"). NEX SEF will notify Participants of any such Waiver obtained from the FCA.

(g) *Reporting to SDRs*

(1) NEX SEF will report all transactions in Contracts executed on the Facility or pursuant to the Rules to an SDR of NEX SEF's choice as soon as technologically practicable after the execution of such transaction. NEX SEF will report such transactions as set forth below:

- (i) For Cleared Contracts, including all legs of a Package Transaction, in all asset classes: NEX SEF reports to DTCC.
- (ii) For Non-Cleared Contracts, including all legs of a Package Transaction, in all asset classes: NEX SEF reports to DTCC.

(2) As soon as technologically practicable after the execution of a Contract, NEX SEF will report to both counterparties and to the DCO, if any, that will clear the Contract: (i) the identity of the SDR to which the Contract was reported; and (ii) the Contract's unique Swap identifier.

(3) All real-time data required by Part 43 of the Commission Regulations and all creation data, including primary economic terms and confirmation data, required by Part 45 of the Commission Regulations will be reported to the relevant SDR as provided for under Part 43 and Part 45 of the Commission Regulations.

(4) NEX SEF will disseminate swap transaction and pricing data relating to Contracts to Participants no earlier than the transmittal of such information to the relevant registered SDR.

(5) After becoming aware of or being notified of any errors or omissions in the transaction or pricing data set forth in a Confirmation by a Participant pursuant to Rule 312(d), the Facility shall then promptly submit corrected data to the relevant SDR.

(6) Neither the Facility nor any Participant may submit or agree to submit a cancellation or correction for the purposes 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 the reporting requirements of Part 43 of the CFTC Regulations.

(h) *Post Trade Allocations*

(1) In reliance on NAL 17-54, expiring November 15, 2020, NEX SEF will not capture post-trade allocations in its audit trail data or conduct associated audit trail reviews of post-trade allocations.

(2) Each Participant and Customer shall provide NEX SEF post-trade allocation information to the SEF upon the request of NEX SEF.

(3) During the course of any trade practice surveillance or market surveillance investigation into any trading activity involving post-trade allocations, upon the request of the CFTC or otherwise, NEX SEF shall ascertain whether a post-trade allocation was made. Upon determining that such an allocation was made, NEX SEF shall request, obtain and review the post-trade allocation information as part of its investigation.

**Rule 310 Bid/Offer Cancellation**

(a) A Participant can submit instructions to either cancel or modify a Bid/Offer which that Participant has placed on the Facility if that Bid/Offer has not yet been accepted. Upon receipt of



instructions to cancel a Bid/Offer that has not been executed, a Trading Platform will withdraw the Bid/Offer and confirm the cancellation of the Bid/Offer. If a Participant modifies a Bid/Offer that has not been executed, NEX SEF will treat the modified Bid/Offer as a new Bid/Offer.

(b) NEX SEF will attempt to cancel or modify an existing Bid/Offer after a Participant enters a cancellation or modification instruction. However, the Bid/Offer may be executed before NEX SEF is able to cancel or modify it. If a Bid/Offer has been filled in whole or in part, a Participant may modify or cancel only that portion of the Bid/Offer (if any) that has not been executed. Any portion of a Bid Offer that has been executed may only be modified or canceled pursuant to Rule 315. Once cancelled by NEX SEF, a Bid/Offer will not be executed.

(c) NEX SEF shall automatically reject Bids/Offers which exceed pre-determined volume and price thresholds or are clearly erroneous ("**Pre-Trade Controls**"). Further details on the Pre-Trade Controls are provided by means of a MRAN available on NEX SEF's website. Any further detail on the Pre-Trade Controls shall be communicated to Trading Privilege Holders by means of an additional MRAN.

(d) NEX SEF may cancel unexecuted Bid/Offer in the following circumstances:

(1) upon request of a Participant where the Participant is technically unable to delete its own Bids/Offers or Bids/Offers it submitted on behalf of a Customer;

(2) where the Order Book contains erroneous duplicated Bids/Offers; and

(3) following a suspension of trading on the Facility initiated either by NEX SEF or by a Competent Authority.

NEX SEF shall ensure that when cancelling unexecuted Bids/Offers in accordance with this Rule 310 (d), it acts in accordance with the Kill Functionality Policy.

(e) Each Participant shall be able to cancel immediately, as an emergency measure, any or all of its unexecuted Bids/Offers submitted to the Facility, including Bids/Offers it submitted on behalf of a Customer.

(f) Upon suspension or revocation of a Participant's trading privileges by NEX SEF, any unaccepted Bid/Offer on the Facility for such Participant shall be cancelled by NEX SEF.

### **Rule 311 [Reserved]**

### **Rule 312 Enforceability of Transactions**

(a) *Settlement*

(1) Each Participant or, where a transaction is on behalf of a Customer, the relevant Customer, is obligated to settle all transactions executed, pursuant to the Rules in this Chapter 3.

(2) A transaction executed on the Facility or subject to the Rules shall not be void, voidable, subject to rescission, otherwise invalidated or rendered unenforceable as a result of:

(i) a violation by the Facility of Section 5h of the Act or Part 37 of the Commission Regulations;

(ii) any Commission proceeding to alter or supplement a rule, term or condition under Section 8a(7) of the Act or to declare an emergency under Section 8a(9) of the Act; or

(iii) any other proceeding the effect of which is to: (A) alter or supplement a specific term or condition or trading rule or procedures; or (B) require the

Facility to adopt a specific term or condition, trading rule or procedure, or to take or refrain from taking a specific action.

(b) *Issuance of Facility Confirmations for Cleared Contracts.* Participants and Customers are obligated to submit for clearing all Contracts so required by the Act, Commission Regulations and any other Applicable Law. For Cleared Contracts, NEX SEF will provide the Trading Privilege Holder a Confirmation of all the terms of each transaction executed on the Facility at the time of execution; provided that where a Trading Privilege Holder is a Customer in an Intermediated Transaction, the confirmation will be provided to the Intermediary in accordance with Rule 313 (c). The Confirmation provided by NEX SEF for Cleared Contracts will be the final legally binding confirmation of the terms of any transaction executed on the Facility and will supersede any conflicting confirmation or agreement provided to, or between, as applicable, Participants and Customers, regardless of when such other confirmation is provided.

(c) *Issuance of Facility Confirmations for Uncleared Transactions*

(1) With respect to an uncleared transaction, the Facility will issue to each applicable Participant and/or Customer a written communication when a transaction is executed on the Facility which will serve as the Confirmation for the transaction. The Confirmation will contain the economic terms specific to the transaction agreed by each Participant on the Facility and it will incorporate by reference 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 each Participant and/or Customer are party (the "**Terms Incorporated by Reference**").

(2) In satisfaction of the obligations imposed on NEX SEF under Commission Regulation 37.6(b), (i) each Confirmation is deemed to incorporate the Terms Incorporated by Reference set forth in this Rule 312(b) upon issuance of the Confirmation, (ii) each Participant and Customer hereby agrees that the provisions of Rule 312(c)(3) shall govern any conflicting terms, and (iii) the resulting Confirmation takes place at the time of execution of, and contains all the terms of, the transaction.

(3) In the event of any conflict between (x) the Confirmation and (y) the Terms Incorporated by Reference, the Confirmation shall prevail to the extent of any inconsistency and each Confirmation shall state the same.

(4) In accordance with NAL 17-17, expiring on the effective date of any changes in Commission Regulation 37.6(b), upon the request of NEX SEF, each Participant and Customer shall provide copies of the Terms Incorporated by Reference to NEX SEF.

(5) In accordance with NAL 17-17, expiring on the effective date of any changes in Commission Regulation 37.6(b), upon the request of the Commission, NEX SEF shall request the Terms Incorporated by Reference from the relevant Participant or Customer and shall provide such Terms Incorporated by Reference to the Commission as soon as possible after receipt from the Participant or Customer.

(d) *Review of Confirmations.* Each Participant shall review the contents of each Confirmation issued to it pursuant to this Rule 312 and shall promptly report any errors or omissions in the transaction or pricing data therein to the counterparty to the Contract. Each Participant that is the reporting counterparty for such Contract, as determined pursuant to Rule 316, shall report all such errors or omissions to the Facility as soon as technologically practicable after becoming aware of the errors or omissions.

### **Rule 313 Intermediated Transactions**

(a) Participants who are Intermediaries shall immediately submit all Orders to the Facility to be immediately entered into a Trading Platform and shall immediately submit all Pre-Arranged Crosses to

the Facility. If an Order or Pre-Arranged Cross cannot be immediately entered into a Trading Platform or submitted to the Facility, as applicable, an electronic record which includes the account identifier that relates to the account owner, time of receipt, and terms of the Order or Pre-Arranged Cross must immediately be 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.

(d) Intermediated Transactions may be canceled for clerical or operations errors pursuant to Rule 315(k).

#### **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), (i), (j) or (k). 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.

(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.

(3) Nothing in this Rule prohibits the Participants from mutually deciding to amend or cancel the trade, notwithstanding Rules 315(a), 315(c), and 315(d). Any bilateral post execution amendment, cancellation, assignment, or novation to a trade that was initially executed on NEX SEF must be reported to the same SDR to which NEX SEF reported the original transaction, consistent with requirements of CFTC Part 45. Such reporting obligations rest with the reporting counterparty pursuant to Rule 316.

(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)(1) and (d)(2), parties to a transaction that is cancelled or that has had its price adjusted may mutually agree to a cash adjustment.

(4) Any proposed cancellation or adjustment made pursuant to sections (d)(1), (d)(2) or (d)(3) 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 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) 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.

(j) *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.

(2) The Prime Broker shall communicate the cancellation request directly to the Facility and the counterparty and indicate which Prime Broker Limit was exceeded with respect to the Prime Broker Transaction.

(3) In the event a Prime Broker Transaction is canceled by the Facility pursuant to this Rule 315(j), the Facility will report such cancellation to the relevant SDR pursuant to Part 43 of the Commission Regulations.

(4) In the event the counterparty to the canceled Prime Broker Transaction disputes the right of the Prime Broker to have the Facility cancel such transaction, the dispute will be resolved in accordance with the procedures of Chapter 7.

(k) *Cancellation of Intermediated Transactions for Errors.* Transactions subject to this Rule 315(k) are those Pre-Arranged Crosses that are not submitted in connection with a bulk risk mitigation service and are not Cleared Contracts. The errors that qualify a transaction for cancellation under this rule are limited to clerical or operational errors including errors in Customer static data, obvious errors in trade terms, such as tenor or price, and expressly exclude the trade cancellations and price adjustments for the Errors discussed in Rule 315 (h) and (i) .

(1) An Intermediary may request that the Facility cancel any Intermediated Transaction the same business day of the execution of such transaction if such transaction was executed with errors described in this Rule 315(k).

- (i) The Intermediary shall communicate the cancellation directly to the Facility and indicate the Customers involved in the transaction and which error is driving the request; and
- (ii) Immediately following cancellation of the transaction by the Facility, the Intermediary shall submit a corrected Pre-Arranged Cross. The Facility shall report the cancellation of the old transaction and the execution of the new transaction to the SDR using the execution time of the original transaction, as well as any other fields necessary to show that the cancellation and new Pre-Arranged Cross act to amend the transaction executed with an error; or
- (iii) As an alternative to Rule 315(k)(1)(i)-(ii) above, the Intermediary may cancel the transaction directly by using API connectivity, provided the trade is cancelled the same business day, a corrected Pre-Arranged Cross is immediately submitted following such cancellation, and the fields reported to the SDR properly reflect that the cancellation and new Pre-Arranged Cross act to amend the transaction executed with an error.

(2) For any transaction executed with any errors described in this Rule 315(k) that is discovered after the business day on which the transaction was executed, but within 24 hours post execution, the Intermediary must submit a request to cancel the transaction to the Facility, which the Facility may approve in its discretion.

- (i) The request to the Facility must indicate the errors driving the requested cancellation and whether the counterparties to the transaction were notified of the request to the Facility.
- (ii) Upon approval by the Facility, the Facility shall cancel the transaction, and immediately following cancellation of the transaction by the Facility the Intermediary shall submit a new corrected Pre-Arranged Cross to the Facility.
- (iii) The Facility shall then:
  - (1) report the cancellation of the transaction and the new Pre-Arranged Cross to the SDR using the execution time of the original transaction as well as any other fields necessary to show that the cancellation and new Pre-Arranged Cross act to amend the transaction executed with an error, and

(2) charge the Intermediary \$500 USD per each such cancelled transaction.

#### **Rule 316 Reporting Counterparty**

(a) For each Contract executed on or subject to the Rules, NEX SEF shall report all required data to an SDR in accordance with Rule 309(g), and shall include in such creation data the identification of the reporting counterparty. The reporting counterparty will be determined by NEX SEF, if possible, in accordance with Commission Regulation 45.8 (a) – (f) and in the event the counterparties to the Contract are of the same hierarchy level, the ISDA Reporting Party Rules, the relevant portion of which is attached to this Rulebook as Annex 1, and identify to the counterparties which is the reporting counterparty. If NEX SEF is unable to determine the reporting counterparty in accordance with Commission Regulation 45.8(a) – (f) and the ISDA Reporting Party Rules, NEX SEF will identify the buyer of the Contract as the reporting counterparty in the creation data. By executing the Contract on the Facility, the counterparties agree to the use of the ISDA Reporting Party Rules and where necessary, the identification of the buyer as reporting counterparty, and waive the opportunity to agree separately upon a reporting counterparty and to receive notice from NEX SEF, as provided in Commission Regulation 45.8(d) and 45.8(f).

(b) For each Contract executed on or subject to the Rules, the reporting counterparty and/or the relevant DCO is responsible for reporting continuation data to the SDR to which the creation data for the Contract was first reported in accordance with Commission Regulations 45.4 and 45.10.

#### **Rule 317 Direct Electronic Access**

No Participant may provide Direct Electronic Access to the Facility to its underlying clients.

**CHAPTER 4****TRADING STANDARDS****Rule 401 Fraudulent Statements and Acts**

(a) No Participant or Customer shall make or attempt to make any untrue or misleading statement of a material fact or to omit to state a material fact necessary in order to make the statements made not untrue or misleading, in connection with or related to any transaction on or other activity related to NEX SEF or the Facility.

(b) No Participant or Customer may engage in or attempt to engage in any fraudulent act, or engage in or attempt to engage in any manipulative device, scheme or artifice to cheat, defraud or deceive, in connection with or related to any transaction on or other activity related to NEX SEF or the Facility.

**Rule 402 Abusive Trading Practices**

(a) No Participant or Customer shall create fictitious or wash transactions on the Facility or execute any Bid/Offer for a fictitious or wash transaction with knowledge of its nature.

(b) No Participant or Customer shall engage in trading on the Facility or subject to the Rules for the purpose of passing money or transferring equity from one account to another.

(c) No Participant trading as an Intermediary on behalf of a Customer shall engage in trading ahead of a Customer Order, trading against a Customer Order without the Customer's consent, front running a Customer Order, accommodation trading or improper cross trading.

**Rule 403 Good Faith Bids/Offers**

(a) A Participant or Customer shall not knowingly enter, or cause to be entered, a Bid/Offer into the Facility other than in good faith for the purpose of executing bona fide transactions.

(b) A Participant or Customer shall not knowingly enter, or cause to be entered, a Bid/Offer unless such Participant or Customer has sufficient funds to provide the required collateral for the related Contract should the Contract be executed.

**Rule 404 Pre-Execution Discussions and Pre-Arranged Transactions**

No Participant or Customer shall prearrange or pre-negotiate or non-competitively execute any transaction on the Facility except as follows:

(a) Permitted Transactions executed pursuant to Rule 304 are not subject to this prohibition.

(b) Where a transaction is executed pursuant to Rule 315(i), communications concerning such transaction shall not be considered pre-execution communications prohibited by this Rule 404.

**Rule 405 Manipulation and Price Distortion**

(a) Any manipulation or attempted manipulation of the price of any Contract is prohibited.

(b) Bids/Offers or Pre-Arranged Crosses entered into a Trading Platform for the purpose of upsetting the equilibrium of the market in any Contract or creating a condition in which prices do not or will not reflect fair market values are prohibited and it shall also be prohibited for any Participant or Customer to make or assist in entering any such Bid/Offer or Pre-Arranged Cross with knowledge of the purpose

thereof or, with such knowledge, to assist in carrying out any plan or scheme for the entering of any such Bid/Offer or Pre-Arranged Cross.

(c) Any other manipulative and disruptive behaviour not otherwise prohibited by the Rules is prohibited to the extent prohibited by the Act or Commission Regulations, including but not limited to Sections 6(c)(1) and (3), 9(a)(2), 4c(a)(5)(A) and (C) of the Act and Commission Regulations 180.1(a) and 180.2.

#### **Rule 406 Disruptive Trading Practices**

(a) No Participant or Customer shall enter or cause to be entered any Bid/Offer or Pre-Arranged Cross or other message with the intent to adversely impact, or with reckless disregard for the adverse impact on, the orderly conduct of trading or the fair execution of transactions.

(b) No Participant or Customer shall enter or cause to be entered any Bid/Offer or Pre-Arranged Cross or other message with the intent to:

- (1) mislead other Participants;
- (2) overload, delay, or disrupt the Order Book, any Trading Platform or any other systems of the Facility or other Participants; and
- (3) cancel any Bid/Offer before execution or to modify the Bid/Offer to avoid execution.

(c) No Participant or Customer shall engage in any trading, practice or conduct on the Facility or subject to the Rules that (i) violates Bids/Offers; (ii) demonstrates intentional or reckless disregard for the orderly execution of transactions during the closing period; (iii) is, is of the character of, or is commonly known to the trade as, "spoofing" (entering a Bid/Offer with the intent to cancel the Bid/Offer before execution); or (iv) is any other manipulative or disruptive trading practice prohibited by the Act or Commission Regulations.

#### **Rule 407 General Offences**

It will be an offence for a Participant or Customer to:

(a) violate any Rule regulating the conduct or business of a Participant or Customer or any agreement made with NEX SEF;

(b) engage in any act detrimental to NEX SEF's operations or self-regulatory function or NEX SEF's ability to enforce its Rules or is detrimental to the interest or welfare of the Facility;

(c) fail to observe the proper standards of conduct expected of market participants;

(d) engage in any conduct which tends to impair the dignity or good name of the Facility;

(e) engage in conduct inconsistent with just and equitable principles of trade;

(f) engage in dishonourable or uncommercial conduct;

(g) aid or abet the commission of any Violation by another person;

(h) fail to supervise its employees or agents in the conduct of the Participant's or Customer's business related to the Facility; and

(i) engage in conduct in violation of Applicable Law or the rules of any DCO which clears a Cleared Contract in connection with or related to any transaction on or other activity related to the Facility.

**Rule 408 Position Limits and Position Accountability**

(a) To reduce the potential threat of market manipulation or congestion, the Facility shall adopt for each Contract, as is necessary and appropriate, Position Limits or position accountability levels for speculators.

(b) NEX SEF hereby adopts the Commission's Position Limits for any Contract for which the Commission has adopted a Position Limit. In no event will NEX SEF set its Position Limits at a level higher than the Commission's Position Limits.

(c) For Permitted Transactions, NEX SEF may set and enforce position accountability levels or send the Commission a list of the Permitted Transactions transacted on the Facility.

(d) All Participants and Customers must comply with all NEX SEF and Commission requirements regarding Position Limits or position accountability levels.

(e) Each Participant required to file any report, statement, form or other information with the Commission pursuant to Commission Regulations concerning a Position Limit on any Contract or commodity underlying a Contract must simultaneously file a copy of such report, statement, form or other information with NEX SEF. Such information shall include, for Participants who are Intermediaries, information concerning the Customers for which transactions are made on the Facility.

(f) Any Participant or Customer who exceeds a NEX SEF or Commission Position Limit by entering into a transaction on the Facility shall be deemed in Violation. In addition, any Participant or Customer entering bids or offers, if accepted, which would cause that Participant or Customer to exceed the applicable NEX SEF or Commission Position Limit, shall be in Violation.

(g) Without limiting any provision of these Rules, NEX SEF shall have the authority to obtain from any Participant or Customer, on request, information with respect to all positions of such Participant or Customer in Contracts which are equivalent, for purposes of NEX SEF or Commission Position Limits, to those transacted in by the Participant on the Facility.

**CHAPTER 5****RULE ENFORCEMENT****Rule 501 Jurisdiction**

(a) NEX SEF shall have the authority to initiate and conduct investigations, and prosecute Violations committed by Facility Subject Persons, and to impose sanctions for such Violations as provided in these Rules.

(b) Each Participant and Clearing Firm, upon becoming a Participant and Clearing Firm and thereafter upon any change of address shall file with NEX SEF a written notice designating an address for receiving service of documents. If a Participant or Clearing Firm fails to designate such an address, service by mail to its address on file with NEX SEF shall be good service, and delivery thereof shall be deemed to have occurred as of the date of such mailing.

**Rule 502 Facility Market Regulation Staff Powers and Duties**

(a) It shall be the duty of the Compliance Function to enforce these Rules, and shall have the authority to inspect the books and records of all Facility Subject Persons and the authority to require any Facility Subject Person to appear before it to answer questions regarding matters being investigated by the Market Regulation Staff. The Compliance Function may also delegate such authority to Market Regulation Staff who shall consist of personnel of NEX SEF, and such other Regulatory Services Providers as NEX SEF may hire on a contract basis. The Compliance Function shall ensure that surveillance systems are established to monitor trading to prevent manipulation, price distortion and any other form of market abuse, identify system disruptions in relation to the Contracts and Disorderly Trading Conditions and otherwise ensure compliance with these Rules. Such monitoring may be done by the Market Regulation Staff or a third party provider, and shall include real-time monitoring and the ability to conduct comprehensive and accurate transaction reconstructions.

(b) The Market Regulation Staff shall conduct investigations of possible Violations, prepare written reports respecting such investigations, furnish such reports to the Review Panel and conduct the prosecution of such Violations. An investigation must be commenced upon receipt of a request from any Regulatory Agency, its staff or receipt of information (such as data produced by automated surveillance systems) by NEX SEF that in the judgment of the Market Regulation Staff indicates a reasonable basis for finding that a Violation may have occurred or will occur. Absent mitigating factors, each investigation will be completed no later than 12 months after the investigation is opened. Mitigating factors 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 analysed by Market Regulation Staff.

(c) If, in any case, the Compliance Function or another member of the Market Regulation Staff, designated for this purpose by the Compliance Function, concludes that there is a reasonable basis for finding a Violation, he or she shall (i) present an investigation report concerning the matter to the Review Panel or (ii), in the case of Violations subject to summary suspension under Rule 514 or summary fines under Rule 516 proceed in accordance with Rule 514 or Rule 516, as applicable. The investigation report must include the reason the investigation was initiated; a summary of the complaint, if any; the relevant facts; Market Regulation Staff's analysis and conclusions; and a recommendation as to whether disciplinary action should be pursued. The report may also include the Facility Subject Person's disciplinary history at the Facility, including copies of any warning letters. The Market Regulation Staff may issue a warning letter, including for minor transgressions. However, no more than one warning letter may be issued to the same person found to have committed the same Violation more than once in a rolling 12-month period.

(d) If, in any case, the Compliance Function or another member of the Market Regulation Staff, designated for this purpose by the Compliance Function, concludes that no reasonable basis exists for



finding a Violation, he or she must prepare a written investigation report including the reason the investigation was initiated; a summary of the complaint, if any; the relevant facts; and Market Regulation Staff's analysis and conclusions. The Compliance Function or another member of the Market Regulation Staff may issue a warning letter in any case where it is concluded that no reasonable basis exists for finding a Violation, without limitation on the number of warning letters issued to a person.

(e) Before presenting an investigation report to the Review Panel, the Market Regulation Staff may, in its sole discretion, inform the prospective Respondent that it intends to submit the matter to the Review Panel, and at such time the proposed Respondent may submit an offer of settlement to the Hearing Panel, in accordance with the procedures of Rule 509, prior to presentation of the investigation report to the Review Panel.

(f) NEX SEF has contracted with NFA to act as Regulatory Services Provider to provide certain regulatory services to NEX SEF, including reviews of the Facility's audit trail information for potential Violations. NEX SEF will retain ultimate decision-making authority with respect to any regulatory services to be provided by NFA.

(g) NEX SEF or its Regulatory Services Provider shall have the right with such prior reasonable advance notice as is practicable under the circumstances (unless in furtherance of regulatory purposes in which case without prior notice to Facility Subject Persons), in connection with determining whether all Rules are being, will be, or have been complied with by the Facility Subject Person, to:

- (i) inspect systems, equipment and software of any kind operated by the Facility Subject Person in connection with accessing, and the Facility Subject Person's transacting on, the Facility, wherever located;
- (ii) access, either physically or electronically, the systems, equipment, software, and the premises on which the systems, equipment, and software are located, any data stored in any of the systems or equipment, during the regular business hours; and/or
- (iii) copy or reproduce any data to which NEX SEF has access under this Rule. Each Facility Subject Person shall provide the Regulatory Services Provider with the same access to its books and records and offices as it is required to provide to NEX SEF under the Rules and Applicable Law.

### **Rule 503 The Review Panel**

(a) The Review Panel shall have the power to direct that an investigation of any suspected Violation be conducted by the Market Regulation Staff, and shall hear any matter referred to it by the Market Regulation Staff regarding a suspected Violation.

(b) The Review Panel shall be appointed by the Board, and shall be comprised of five persons, including at least two Participants and at least two non-Participants. In the case where the subject of the investigation is a Clearing Firm, at least one member of the Review Panel shall be a Clearing Firm. The Board shall appoint as chairman (the "**Review Panel Chairman**") of the Review Panel a person who would not be disqualified from serving as a "Public Director" as defined in Commission Regulations. Three panel members shall constitute a quorum for any action, so long as they are in attendance at the time of the relevant action. The Review Panel may not include any members of the Market Regulation Staff, any person involved in adjudicating any other stage of the same Proceeding, or any person with a history of disciplinary offenses that would be disqualifying under CFTC Regulation § 1.63(c). The Review Panel shall include at least one member that is not a member of NEX SEF whenever the Review Panel is: (i) acting with respect to a disciplinary action in which the Respondent is a member of the Board, the Review Panel or the Hearing Panel; or (ii) when the suspected Violation involves manipulation (or attempted manipulation) of the price of a Contract or conduct which directly results in financial harm to a non-member of NEX SEF.

The Review Panel shall include sufficient different membership interests so as to ensure fairness and to prevent special treatment or preference for any person.

(c) All information, records, and documents provided to the Review Panel, and all related records and documents shall be treated as confidential and shall not be disclosed, except as necessary to further a NEX SEF investigation or as required by Applicable Law.

(d) Upon receipt of an investigation report, the Review Panel shall promptly review the report and, within thirty (30) days of receipt, take one of the following actions:

(1) if the Review Panel determines that additional investigation or evidence is needed, it shall promptly direct the Market Regulation Staff to conduct further investigation;

(2) if the Review Panel determines that no reasonable basis exists for finding a Violation or that prosecution is otherwise unwarranted, it may direct that no further action be taken. Such determination must be in writing and must include a written statement setting forth the facts and analysis supporting the decision; or

(3) if the Review Panel determines that a reasonable basis exists for finding a Violation and adjudication is warranted, it must direct that the Facility Subject Person alleged to have committed the Violation be served with a notice of charges as set forth in Rule 504.

(e) If the Review Panel determines that there may have been a Violation but that no adjudication is warranted, the Review Panel may issue a warning letter to the Facility Subject Person informing it that there may have been a Violation and that such continued activity may result in disciplinary sanctions. Where a Violation is determined to have occurred, no more than one warning letter for the same potential Violation may be issued to the same person during a rolling 12 month period.

#### **Rule 504 Notice of Charges**

(a) If the Review Panel determines that a reasonable basis exists for finding a Violation and adjudication is warranted, the Compliance Function shall serve a notice of charges (a "**Notice**") on the Facility Subject Person alleged to have been responsible for the Violation (such Facility Subject Person, the "**Respondent**"). Such Notice shall state:

(1) the acts, practices or conduct with which the Respondent is charged;

(2) the Rules allegedly violated and how such acts, practices or conduct constitute a Violation of such Rules;

(3) that the Respondent is entitled, upon written request filed with NEX SEF, within thirty (30) days of service of the Notice, to a formal hearing on the charges;

(4) that the failure of the Respondent to request a hearing within thirty (30) days of service of the Notice, except for good cause shown, shall be deemed a waiver of its right to a hearing;

(5) that the failure of the Respondent to file an Answer (as defined in Rule 505) with the Market Regulation Staff within thirty (30) days of service of the Notice shall be deemed an admission of all of the acts, practices or conduct alleged in the Notice; and

(6) that the failure of the Respondent to expressly deny a particular charge contained in the Notice shall be deemed an admission of such acts, practices or conduct.

(7) A Respondent shall have the right to be represented by legal counsel or any other representative of its choosing in all succeeding stages of the disciplinary process, except by any

member of the Board, Review Panel or Hearing Panel, any employee of NEX SEF or any person substantially related to the underlying investigation, such as a material witness or Respondent.

#### **Rule 505 Answer; Request for Hearing; Failure to Answer or Deny Charges**

(a) The Respondent shall serve on the Compliance Function a written answer (an "**Answer**") to the Notice and a written request for a hearing on the charges within thirty (30) days of the date of service of the Notice. The Answer must include a statement that the Respondent admits, denies, or does not have and is unable to obtain sufficient information to deny each allegation. A statement of lack of sufficient information shall have the effect of a denial of the allegation.

(b) The Respondent's failure to file an Answer within such thirty (30) day period shall be deemed an admission of all allegations contained in the Notice.

(c) The Respondent's failure to expressly deny a particular charge contained in the Notice shall be deemed an admission of such acts, practices or conduct.

(d) The Respondent's failure to request a hearing within such thirty (30) day period, absent good cause shown, shall be deemed a waiver of Respondent's right to a hearing.

#### **Rule 506 Selection of Hearing Panel**

(a) Formal hearings on any Notice shall be conducted by the Hearing Panel selected by the Board. The Hearing Panel shall include at least two Participants and at least two non-Participants. In the case where the subject of the investigation is a Clearing Firm, at least one member of the Hearing Panel shall be a Clearing Firm. The Board shall also select, as chairman of the Hearing Panel ("**Hearing Panel Chairman**"), a person who would not be disqualified from serving as a "Public Director" as defined in Commission Regulations. The Hearing Panel Chairman, in his or her sole discretion, shall set a date for the hearing (the "**Hearing Date**"). The Hearing Panel may not include any members of the Market Regulation Staff, any person involved in adjudicating any other stage of the same Proceeding, or any person with a history of disciplinary offenses that would be disqualifying under CFTC Regulation § 1.63(c). The Hearing Panel shall include at least one member that is not a member of NEX SEF whenever the Hearing Panel is: (i) acting with respect to a disciplinary action in which the Respondent is a member of the Board, the Review Panel or the Hearing Panel; or (ii) when the suspected violation involves manipulation (or attempted manipulation) of the price of a Contract or conduct which directly results in financial harm to a non-member of NEX SEF. The Hearing Panel shall include sufficient different membership interests so as to ensure fairness and to prevent special treatment or preference for any person.

(b) The Hearing Panel Chairman shall notify the Market Regulation Staff and the Respondent of the Hearing Date and the names of the members of the Hearing Panel at least fifteen (15) days prior to the Hearing Date.

(c) No member of the Hearing Panel shall hear a case in which that member has a direct financial, personal or other interest in the matter under consideration.

#### **Rule 507 Challenge to Members of the Hearing Panel**

Within ten (10) days after service on the Respondent of notice of the Hearing Date and names of the members of the Hearing Panel, the Respondent may challenge, in writing, the inclusion of any member of the Hearing Panel for cause, including without limitation, if the member has a direct financial, personal or other interest in the matter under consideration. The merits of such challenge shall be finally decided by the Regulatory Oversight Committee. If said written challenge is not received within such ten (10) day period, absent good cause shown, any such right to challenge is deemed waived.

**Rule 508 Hearing on Sanctions in the Event of Failure to Deny Charges; Failure to Request Hearing Deemed Acceptance of Sanctions**

In the event the Respondent fails to file an Answer or admits or fails to deny the charge of a Violation contained in the Notice, the Hearing Panel shall find the Respondent guilty of each such Violation and may impose a sanction for each such Violation subject to the limitations set forth in Rule 511(b)(7). The Hearing Panel shall promptly notify the Respondent of any such sanction and of the Respondent's right to a hearing on the sanction within the period of time which shall be stated in the notice, after the imposition of such sanction. Failure to request a hearing on the sanction in a timely manner, absent good cause shown, shall be deemed to be acceptance of the sanction.

**Rule 509 Settlement Prior to Commencement of Hearing**

(a) Prior to the commencement of the hearing, the Hearing Panel may accept a written offer of settlement from the Respondent, whereby the Respondent, without either admitting or denying any Violations, may agree to:

- (1) a cease and desist order;
- (2) a fine for each Violation plus the monetary value of any benefit received as a result of the Violation (provided that in no case shall any fine exceed \$100,000 per Violation);
- (3) restitution of any counterparty harm; and/or
- (4) revocation or suspension of Trading Privileges or Customer or Clearing Firm status of the Respondent.

(b) If the Hearing Panel accepts an offer of settlement, it must issue a written decision specifying each Violation it has reason to believe was committed, including the basis for the Hearing Panel's conclusions. The sanctions must include full counterparty restitution where counterparty harm is demonstrated, except where the amount of restitution or to whom it should be provided cannot be reasonably determined. If an offer of settlement is accepted without the support of the Market Regulation Staff, the decision must adequately support the Hearing Panel's acceptance of the settlement. Where applicable, the decision must include a statement that the Respondent has accepted the sanctions imposed without either admitting or denying any Violations. Any sanctions imposed pursuant to an offer of settlement must take into account the Respondent's disciplinary history.

(c) The Respondent may withdraw an offer of settlement at any time before final acceptance by the Hearing Panel. If an offer is withdrawn after submission, or is rejected by the Hearing Panel, the Respondent may not be deemed to have made any admissions by reason of the offer of settlement and may not be otherwise prejudiced by having submitted the offer of settlement.

**Rule 510 Hearing Procedures**

(a) In every instance where a Respondent has requested a hearing on a charge that is denied, or on a sanction set by the Hearing Panel pursuant to Rule 508, the Respondent will have the opportunity for a hearing in accordance with the procedures of this Rule.

(b) The Hearing Panel shall determine the procedures to be followed in any hearing before it, except that the following shall apply in every case:

- (1) The hearing must be fair and must be promptly convened after reasonable notice to the Respondent.
- (2) The prosecution shall be conducted by the Market Regulation Staff.

(3) The Respondent shall be allowed to appear personally at the hearing, and to be represented by legal counsel or any other representative of its choosing and, either personally or through such representative, to present witnesses and documentary evidence and to cross-examine witnesses.

(4) The Market Regulation Staff and the Respondent shall deliver to each other a statement listing the witnesses expected to be called and the documents expected to be introduced into evidence, together with copies of such documents, by ten (10) days' prior notice to the hearing or as the Hearing Panel may reasonably specify. Unless the Hearing Panel, in its discretion, waives compliance with this requirement, no witness may testify and no documentary evidence may be introduced into evidence unless listed in and, in the case of documents, furnished with such statement. On written request, the Market Regulation Staff shall provide the Respondent with access to all books, documents or other tangible evidence in the possession or under the control of NEX SEF which are to be relied upon by the Market Regulation Staff or which are relevant to the charges; provided, however, that protected attorney work product, attorney-client communications and investigative work product, including the investigation report, are neither discoverable by a Respondent nor subject to review by a Respondent as part of the investigation file.

(5) NEX SEF shall require that persons within its jurisdiction who are called as witnesses participate in the hearing and produce evidence, and will make reasonable efforts to secure the presence of all other persons called as witnesses whose testimony would be relevant. Failure by a Facility Subject Person to so participate and produce evidence when requested by NEX SEF shall be a Violation.

(6) No formal rules of evidence shall apply, and the Hearing Panel shall be free to accept or reject any and all evidence it considers proper, but the hearing may not be so informal as to deny a fair hearing.

(7) Neither the Market Regulation Staff, the Respondent, any witnesses testifying before the Hearing Panel nor any other person within the Facility's jurisdiction shall engage in conduct that may impede the progress of a hearing or the fair and just resolution of the subject matter thereof, and any such conduct may itself constitute a Violation.

(8) Ex parte contacts by any of the parties with members of the Hearing Panel shall not be permitted.

(9) A substantially verbatim record capable of being accurately transcribed shall be made of the Proceeding, provided, however, that such record need not be transcribed, unless the transcript is requested by the Respondent or an applicable regulator, or unless the decision is appealed to the Commission or reviewed by the Commission on its own motion. In all other instances, a summary record of the hearing is permitted.

(10) The cost of transcribing the record of the hearing must be borne by a Respondent who requests the transcript, or whose application for Commission review of the disciplinary action has been granted. In all other instances, the cost of transcribing the record will be borne by NEX SEF.

(11) The Notice, the Answer, any stenographic transcript of the hearing, the documentary evidence and any other material presented to the Hearing Panel by either party with notice to the other shall constitute the record of the hearing (the "**Hearing Record**").

(12) The burden of proof shall be on the prosecution to prove a Violation by a preponderance of the evidence. A finding of a Violation shall be made by majority vote based on the Hearing Panel's decision as to the weight of the evidence contained in the Hearing Record.

(13) All sanctions imposed by the Hearing Panel must be commensurate with the Violations committed and must be clearly sufficient to deter additional similar Violations by the Respondent and similar Violations by other Facility Subject Persons. All sanctions must take into account the Respondent's disciplinary history. In the event of demonstrated counterparty harm, any sanctions must include full counterparty restitution, except where the amount of restitution or to whom it should be provided cannot be reasonably determined.

#### **Rule 511 Written Decision of Hearing Panel**

(a) Promptly following a hearing conducted in accordance with Chapter 5 of the Rules, the Hearing Panel shall render a written decision based upon the weight of evidence in the Hearing Record and must provide a copy to the Respondent within thirty (30) days of such decision.

(b) The written decision shall include:

- (1) the name of the Respondent;
- (2) the Notice or a summary of the charges alleged in the Notice;
- (3) the Answer, if any, or a summary of the Answer;
- (4) a summary of the evidence produced at the hearing or, where appropriate, incorporation by reference of the investigation report;

(5) a statement of the findings and conclusions of the Hearing Panel with respect to each charge, and a complete explanation of the evidentiary and other basis for such findings and conclusions with respect to each charge, or in the event of a settlement, a statement specifying the alleged Violations;

(6) an indication of the Contract involved, if any, and each specific Rule that the Respondent was found to have violated and whether the Violation resulted in any financial harm to any Participants or Customers;

(7) an order stating any sanctions imposed, including the basis for the sanctions, any terms of the sanctions, the date the determination to impose sanctions was made and the effective date of such sanctions; the sanctions that may be imposed on the Respondent shall be one or more of the following:

- (i) a cease and desist order;
- (ii) a fine for each Violation plus the monetary value of any benefit received as a result of the Violation (provided that in no case shall any fine exceed \$100,000 per Violation);
- (iii) restitution of counterparty harm, except where the amount of restitution or to whom it should be provided cannot be reasonably determined; and/or
- (iv) the issuance of a suspension or revocation of Trading Privileges or Customer or Clearing Firm status of the Respondent; and

(8) a statement informing the respondent that the imposition of sanctions may be appealed to the Commission pursuant to Part 9 of the Commission Regulations.

(c) The Hearing Panel shall take into consideration the Respondent's disciplinary history prior to imposing any disciplinary sanctions.

(d) NEX SEF shall also provide the written decision to the NFA through BASIC.



(e) If NEX SEF suspends or revokes the Trading Privileges or Customer or Clearing Firm status of the Respondent, or otherwise disciplines the Respondent, it must publicly publish and maintain on its website the information contained in the written notice pursuant to Rule 511(b).

#### **Rule 512 Liability for Expenses**

Any Respondent that, after notice and opportunity for hearing, has been found to have committed a Violation may, in the discretion of the Hearing Panel appointed in the matter, be required to pay to NEX SEF an amount equal to any and all reasonable and documented out-of-pocket expenses incurred by NEX SEF in connection with the prosecution of such Violations, in addition to any fine or other monetary sanction which may be imposed upon such Respondent by virtue of the Violations found by the Hearing Panel.

#### **Rule 513 Effective Date of Sanctions**

(a) If a Respondent submits an offer of a settlement to the Hearing Panel, any sanction included as a part of such settlement shall become final and effective on the date that the Hearing Panel approves such settlement, or on such other date as is specified in the decision.

(b) Subject to Rule 513(c) and (d), any decision (including any sanctions) by a Hearing Panel pursuant to this Chapter 5 or the Participation Committee (or Board acting in such capacity) pursuant to (a) shall be the final decision of NEX SEF and shall become effective fifteen (15) days, or such longer time as the Hearing Panel or Participation Committee (or Board acting in such capacity) may specify, after a copy of the written decision of the Hearing Panel or Participation Committee (or Board acting in such capacity) has been served on the Respondent, applicant, Participant or Customer as applicable.

(c) In any case where a Respondent, applicant, Participant or Customer has consented to the action taken and to the timing of its effectiveness, the Hearing Panel or Participation Committee (or Board acting in such capacity) may cause the decision involving any disciplinary action (including any sanctions) to become effective prior to the fifteen (15) day period.

(d) Any decision (including any sanctions) by a Hearing Panel or the Participation Committee (or Board acting in such capacity) may become effective prior to the time set forth in Rule 513(b) if:

(1) NEX SEF reasonably believes, and so states in its written decision, that immediate action is necessary pursuant to Rule 514(a);

(2) NEX SEF determines and so states in its written decision, that the actions of a Facility Subject Person have impeded the progress of a disciplinary hearing; or

(3) NEX SEF determines a Facility Subject Person has violated Rules relating to timely submission of accurate records required for clearing or verifying each day's transactions or other similar activities.

(e) If a decision is to become effective earlier than the time set forth in Rule 513(b) pursuant to Rule 513(c) or (d), NEX SEF shall notify the Respondent, applicant, Participant or Customer in writing stating the reasons for the determination and shall notify the Commission in accordance with the requirements of Part 9 of the Commission Regulations.

(f) Any fine or other monetary sanction imposed by a Hearing Panel shall be due and payable on the effective date of the decision imposing such fine or sanction, or on such later date as the Hearing Panel may specify.

#### **Rule 514 Summary Suspension**

(a) *General.* A Facility Subject Person (as identified by Market Regulation Staff in an investigation or by a Trading Privilege Holder acting as an Intermediary for such Facility Subject Person)



may be summarily and immediately suspended from trading on the Facility, upon a written determination based on a reasonable belief, by the Chairman of the Regulatory Oversight Committee that such immediate action is necessary to protect the best interest of the market place.

(b) *Violations of Specified Rules.* The Market Regulation Staff shall have the authority to impose summary suspensions on Participants and Customers without the need for any formal disciplinary procedures with respect to Violations of any Rule listed in this Rule 514(b). Pursuant to Rule 202(a)(2), a Participant that is an Intermediary may be held responsible for a Violation by its Customer. Investigations of possible Violations of such a Rule shall be conducted in accordance with Rule 502, but otherwise actions taken pursuant to this Rule 514(b) shall be made in accordance with the procedures set forth in Rule 514 rather than the procedures set forth in the remainder of this Chapter 5. The authority to impose a summary suspension under this Rule 514(b) does not prevent the Market Regulation Staff from submitting a Violation of any rule listed in this Rule 514(b) to the Review Panel in accordance with the formal disciplinary procedures of this Chapter 5. The following schedule lists the permissible actions that the Market Regulation Staff may impose:

Rule Violation	Action Taken Per each Violation in a Rolling 12-month period			
	First Violation	Second Violation	Third Violation	Fourth Violation
Rule 901(i)(4) & Rule 406, as interpreted by a MRAN	Warning Letter	Two Week Suspension of Trading for the relevant Currency Pair	Four Week Suspension of Trading for the relevant Currency Pair	Referral to Review Panel for formal disciplinary procedures.

(c) *Notice and Hearings.*

(1) The Facility Subject Person against whom such summary action is taken pursuant to paragraph (a) or (b) of this Rule 514 shall be served with a notice of the action either before the action is taken or at the earliest possible opportunity thereafter. The notice shall state the action taken, the reasons for the action, the effective date and time, and the duration of the action.

(2) The Facility Subject Person may, upon written request, have a hearing as soon as practicable before the Hearing Panel pursuant to the procedures of Rule 510.

(3) Promptly following the hearing, the Hearing Panel shall render a written decision based upon the weight of the evidence in the record and shall provide a copy to the Facility Subject Person. The decision shall include a description of the summary action taken, the reasons for the summary action, a summary of the evidence produced at the hearing, a statement of findings and conclusions, a determination that the summary action should be affirmed, modified or reversed, a declaration of any action to be taken pursuant to the determination, and the effective date and duration of the action.

#### **Rule 515 Extension of Time Limits**

Any time limit provided for in Rule 504, Rule 505, Rule 506, Rule 507, Rule 508, or Rule 510 may be extended by mutual consent of the Respondent and the Market Regulation Staff, or by the Hearing Panel Chairman.

## Rule 516 Summary Fines

(a) Notwithstanding any other provision of this Chapter 5, the Market Regulation Staff shall have the authority to impose summary fines on Participants and Customers without the need for any formal disciplinary procedures with respect to Violations of any Rule listed in this Rule 516. Pursuant to Rule 202(a)(2), a Participant that is an Intermediary may be held responsible for a Violation by its Customer. Investigations of possible Violations of such a Rule shall be conducted in accordance with Rule 502, but otherwise actions taken pursuant to this Rule 516 shall be made in accordance with the procedures set forth in this Rule 516 rather than the procedures set forth in the remainder of this Chapter 5. The authority to impose a summary fine under this Rule 516 does not prevent the Compliance Function from submitting a Violation of any rule listed in this Rule 516 to the Review Panel in accordance with the formal disciplinary procedures of this Chapter 5. The following schedule lists the permissible actions that the Market Regulation Staff may impose:

Rule Violation	Action Taken Per each Violation in a Rolling 12-month period			
	First Violation	Second Violation	Third Violation	Fourth Violation
Rule 204(i)	Warning Letter	\$2,000	\$5,000	Referral to Review Panel for formal disciplinary procedures.

(b) For purposes of imposing fines pursuant to this Rule 516, the Market Regulation Staff shall review all the facts and circumstances prior to determining whether a Violation occurred and may aggregate individual Violations and treat such Violations as a single offense.

(c) The Market Regulation Staff shall set the amount of any fine imposed pursuant to this Rule 516, with the maximum aggregate fine for Violations of the same Rule, or subsection thereof, imposed by the Market Regulation Staff not to exceed \$7,000 in a rolling 12-month period. If, in any case, a member of the Market Regulation Staff concludes that there is a reasonable basis for finding an additional Violation, he or she shall present an investigation report concerning the matter to the Review Panel in accordance with Rule 502, which shall proceed in accordance with Rule 503.

(d) *Notice and Hearings.*

(1) The Facility Subject Person against whom such summary action is taken pursuant to this Rule 516 shall be served with a notice of the action before the action is taken. The notice shall state the action taken, the reasons for the action, the amount of any fine imposed for each Violation, and the date by which the action becomes final (and any fine must be paid) or contested as provided below, which date shall be not less than 30 days after the date the notice of action was served.

(2) The Facility Subject Person may as soon as practicable, upon written request to the Market Regulation Staff, have a hearing before the Hearing Panel pursuant to the procedures of Rule 510 in order to contest the action taken. Any such notice of contest must be submitted to the Market Regulation Staff on or before the date specified in the notice of action that the relevant action becomes final.

Promptly following the hearing, the Hearing Panel shall render a written decision based upon the weight of the evidence in the record and shall provide a copy to the Facility Subject Person. The decision shall include a description of the summary action taken, the reasons for the summary action, a summary of the evidence produced at the hearing, a statement of findings and conclusions, a determination that the

summary action should be affirmed, modified or reversed, a declaration of any action to be taken pursuant to the determination, and the effective date and duration of the action.

#### **Rule 517 Effect of Suspension**

(a) Unless otherwise determined by the Hearing Panel with jurisdiction over such matters, a suspended Participant or Customer of NEX SEF shall not be entitled to any Trading Privileges during the period of such suspension, including but not limited to, the right to:

1. Access any trading floor owned or controlled by CME Group;
2. Direct and indirect access to any Designated Contract Market, DCO, or SEF owned or controlled by CME Group;
3. Obtain Participant or Customer rates; and
4. any additional applicable cross-exchange trading privileges.

(b) For avoidance of doubt, in the event that the Business Conduct Committee with jurisdiction over such matters determines that any member of CME Group owned or controlled exchanges should be suspended of their privileges of membership, those suspended members that are also NEX SEF Participants shall be deemed suspended from participating on NEX SEF during the period of such suspension.

(c) A Participant or Customer that has been suspended may not authorize another party to utilize its Trading Privileges on NEX SEF or on any exchange owned or controlled by CME Group and must relinquish its Trading Privileges within 30 days of the date that the suspension becomes the final decision of the Hearing Panel.

### **CHAPTER 6**

#### **CONTRACTS TO BE TRADED**

##### **Rule 601 Listing Procedures**

Any Trading Privilege Holder may propose to NEX SEF the listing of a Swap on the Facility by submitting a listing application to NEX SEF. The Chief Executive Officer shall have authority, subject to complying with Rule 602 and to objectively justifiable commercial criteria, to submit the contract to the Commission, either with a request for prior approval, or with a self-certification.

##### **Rule 602 Swaps Not Readily Susceptible to Manipulation**

Before the Chief Executive Officer submits a Swap to the Commission for prior approval or with a self-certification, the Chief Compliance Officer shall determine that the Swap is not readily susceptible to manipulation, and shall submit to the Commission the following information required by Appendix C to Part 38 of Commission Regulations to show that the Swap complies with Core Principle 3:

(a) For cash-settled Swaps, documentation demonstrating that the settlement price index is a reliable indicator of market values and conditions, is highly regarded by industry/market agents, and is publicly available on a timely basis.

(b) Where an independent, private-sector third party calculates the referenced price index, verification that the third party utilises business practices that minimise the opportunity or incentive to manipulate the cash settlement prices included in the index.

(c) Where NEX SEF generates the cash settlement prices included in the index, information demonstrating that the calculation procedures safeguard against potential attempts to artificially influence

the price, and a description of how the calculation procedures eliminate or reduce the impact of potentially unrepresentative data.

(d) Appropriate speculative limits to prevent manipulation.

(e) Procedures for intraday market restrictions that pause or halt trading in the event of extraordinary price moves that may result in distorted prices.

## CHAPTER 7

### GOVERNING LAW, JURISDICTION AND DISPUTE RESOLUTION

#### **Rule 701 Choice of Law**

The laws of England and Wales, without regard to its conflict of laws principles, will govern this Rulebook and all disputes arising out of or related to NEX SEF, the Facility or any transaction on the Facility.

#### **Rule 702 Disputes Among Trading Privilege Holders, Authorised Traders, Authorised Trading Firms and Customers**

All disputes between and among Facility Subject Persons that arise out of or relate to NEX SEF or the Facility or any transaction that was made or attempted to be made on the Facility shall be resolved exclusively in the courts of England and Wales, save for in the following circumstance:

- (1) if all parties to the dispute are members or associates of the NFA, the dispute will be resolved in NFA Member Arbitration; or
- (2) if all parties separately agree to another forum, the dispute will be resolved in the other forum.

#### **Rule 703 Complaints to and Disputes With NEX SEF**

(a) Any Facility Subject Persons that are dissatisfied with the Facility may make a complaint in writing to the Head of Compliance EMEA, NEX SEF, London Fruit and Wool Exchange, 1 Duval Square, London E1 6PW, United Kingdom. Details of NEX SEF's complaints management policy can be provided on request.

(b) Subject to Rule 102, all disputes between and among NEX SEF on the one hand, and Facility Subject Persons on the other hand, that arise out of or relate to the Facility, or any transaction that was made or attempted to be made on the Facility, shall be resolved exclusively in the courts of England and Wales. Suit on any such dispute must be brought within one year from the time the cause of action has accrued.

(c) Any current or former Facility Subject Person who does not substantially prevail in a lawsuit or any other type of legal proceeding instituted in a court of law or otherwise against NEX SEF or any of its officers, directors, committee members, volunteers, employees or agents, shall pay to NEX SEF any and all reasonable expenses and disbursements, including reasonable attorneys' fees, incurred by NEX SEF to defend such lawsuit or proceeding.

## CHAPTER 8

### CONTRACT SPECIFICATIONS

#### Rule 801 NDF Product Descriptions

##### *Trading Hours*

The trading hours for all Swaps governed by this Rule 801 are as follows:

- Order Book: 24 Hours, beginning at 6:00 a.m. Wellington Time on Monday (5:00 p.m. UTC on Sunday during NZDT/6:00 p.m. UTC on Sunday during NZST) and ending at 5:00 p.m. New York Time on Friday (10:00 p.m. UTC during EST/9:00 p.m. UTC during EDT).
- Voice RFQ: Not Available.
- All Pre-Arranged Crosses: Not Available.

##### *Products — Rule 801:*

- (1) Non Deliverable Forwards ("**NDFs**")

##### *Product Specifications*

NDFs are synthetic foreign currency forward contracts on non-convertible currencies or are traded on currencies with very little liquidity in the market place. These derivatives allow corporates and other investors to hedge or take positions to local currency movements without actually dealing in the underlying.

A (notional) principle amount, forward exchange rate and forward date are all agreed at the deal's inception. The difference is that there will be no physical transfer of the principle amount in the transaction. The deal is agreed on the basis that net settlement will be made in USD, or another fully convertible currency, to reflect any differential between the agreed forward rate and the actual exchange rate on the agreed forward date. It is a cash-settled outright forward.

The demand for NDFs arises principally out of regulatory and liquidity issues in the underlying currency, where overseas players are essentially barred from access to the domestic market.

When an NDF deal is contracted, a fixing methodology is agreed, which includes the following two methodologies:

1. **Outright.** Under the standard outright NDF contract a fixing spot rate is determined on the fixing date, which is normally two working days before settlement, to reflect the spot value.
2. **Tomorrow's Fixing ("**TOM**").** The TOM methodology permits a currency position to be rolled forward one month on the day before the fixing used to price the contract. The contract is a back-to-back trade with a near leg closing out the original currency position (the "**Original NDF**") and a far leg reestablishing the position the next trading day. The fixing rate applicable to the far leg is the current market rate for the relevant outright NDF contract at the time the contract is entered into. The fixing rate for the near leg is the far leg fixing rate minus a number of basis points agreed upon by the parties (the "**Near Leg Rate**"). The close out of the Original NDF is then calculated as the difference between the fixing rate applicable to the Original NDF and the Near Leg Rate.

In all cases, the fixing spot rate is based on the reference page on either Reuters or Bloomberg. Settlement is made in the major currency, paid to or by the client, and reflects the differential between the agreed upon non-deliverable forward rate and the fixing spot rate.

The NDF is quoted using foreign exchange forward market convention, with two way prices quoted as bid/offer pips, at a premium or discount to the prevailing spot market. As with a normal forward transaction, the market user either buys or sells the NDF, depending on the position to be hedged or according to the view of the underlying currency of interest rates.

NDFs are a risk management tool used to hedge the risk of forward currency convertibility, which can result from a number of factors, including credit risk, sovereign risk, regulatory restrictions, or lack of settlement procedures. NDFs are typically utilized by banks, multinational corporations, investment managers, and proprietary traders to hedge currency risk. NDFs are also used as a tool to facilitate locking in the enhance yields of emerging market currencies.

Currencies		
CLP	KRW	USD
PEN	INR	PHP
COL	IDR	CNY
ARS	MYR	AUD
BRL	TWD	EUR
GBP	NZD	CAD
HKD	JPY	MXN
TRY	RUB	CHF
SEK	ZAR	SGD
SAR	PLN	NOK
NGN	ZMW	GHS
KES		

#### *Holiday Calendar*

- USD, KRW, MYR, TWD, IDR, PHP, CNY, INR, CLP, PEN, COP, ARS, BRL
- Value date must be a good USD day
- Fixing date must be a good local day

#### *Components*

- Notional
  - This is the "face value" of the NDF, which is agreed between the two counterparties\*
- Fixing date
  - This is the day and time whereby the comparison between the NDF rate and the prevailing spot rate is made\*
- Settlement date (or delivery date)
  - This is the day when the difference is paid or received. It is usually one or two business days after the fixing date\*
- Publish Date
  - For CLP only, the mkt refers to the publish date as one day after the fixing date
- Contracted NDF rate
  - The rate agreed on the transaction date, and is essentially the outright forward rate of the currencies dealt
- Effective date
  - The date which the NDF contract takes effect, usually the trade date

#### *Clearing*

- NDFs traded on NEX SEF are not cleared.



**Rule 802 Interest Rate Swaps Products Descriptions*****Trading Hours***

Unless otherwise indicated in a Swap's specifications, the trading hours for all Swaps governed by this Rule 802 are as follows:

- Order Book: 24 Hours, beginning at 6:00 a.m. Wellington Time on Monday (5:00 p.m. UTC on Sunday during NZDT/6:00 p.m. UTC on Sunday during NZST) and ending at 5:00 p.m. New York Time on Friday (10:00 p.m. UTC during EST/9:00 p.m. UTC during EDT).
- Voice RFQ: Not Available.
- All Pre-Arranged Crosses: 24 Hours, beginning at 6:00 a.m. Wellington Time on Monday (5:00 p.m. UTC on Sunday during NZDT/6:00 p.m. UTC on Sunday during NZST) and ending at 5:00 p.m. New York Time on Friday (10:00 p.m. UTC during EST/9:00 p.m. UTC during EDT).

***Products — Rule 802:***

- (1) Fixed for Floating IRS
- (2) Basis Swaps
- (3) Forward Rate Agreements (FRA)
- (4) Non Deliverables Swaps (NDS)
- (5) Inflation Swaps
- (6) Single Period Swaps

### Rule 802(1) — Fixed for Floating IRS

A Fixed for Floating IRS is an Interest Rate Swap for which settlement is in the form of periodic fixed interest payments and a stream of periodic floating interest payments based on an interest rate over a term to maturity. The interest rate payments are exchanged for a specified period based on a notional amount.

Currencies		
AUD	SGD	NZD
ZAR	CAD	HKD
JPY	MXN	THB
USD		

### Specifications

#### Trading Conventions

- Buyer (Payer) pays fixed interest rate and receives floating interest rate.
- Seller (Receiver) receives fixed interest rate and pays floating interest rate.

#### Swap Leg Conventions

- The terms of Fixed versus Floating Interest Rate Swaps are based on a number of combinations of the criteria below.
  - Fixed Leg
    - Payment Frequency
      - Monthly, Quarterly, Semi-Annually, or Annually
    - Day Count Convention
      - Actual/360, actual/365, 360/360, 30/360, 30E/360, Actual Fixed/365, actual /366, actual / actual
    - Holiday Calendar
      - Applied in accordance for the country currency denoted for the instrument
    - Business Day Convention
      - Modified following with adjustment to period end dates. Business days in this convention must be valid business days for the countries denoted by the currency. If not, it will be the next day that is a business day on both calendars.
    - Fixed Rate
      - The traded interest rate yield or basis points on Trade Date
  - Floating Leg
    - Reset Frequency
      - Monthly, Quarterly, Semi-Annual
    - Day Count Convention
      - Actual/360, actual/365, 360/360, 30/360, 30E/360, Actual Fixed/365, actual /366, actual / actual
    - Holiday Calendar
      - Applied in accordance for the country currency denoted for the instrument
    - Business Day Convention
      - Modified Following with adjustment to period end dates. Business days in this convention must be valid business days for the countries denoted by the currency. If not, it will be the next day that is a business day on both calendars.
    - Fixed Rate

- The traded interest rate yield or basis points on Trade Date
- Interest Rate Benchmark

AUD-BBR-BBSW  
SGD-SOR-VWAP  
NZD-BBR-FRA  
ZAR-JIBAR-SAFEX  
CAD-BA-CDOR  
HKD-HIBOR-HKAB  
JPY-LIBOR-BBA  
MXN-TIIE-Banxico  
THB-THBFIX-Reuters  
MYR-KLIBOR-BNM  
USD-LIBOR-BBA

#### Effective Date

- The first date from which fixed and floating interest amounts accrue. It is also referred to as the Start Date or the Value Date. The Effective Date of the Swap must be a business day subject to the appropriate Business Day Convention.

#### Trade Start Type

- Spot Starting
  - A swap whose Effective Date is 2 business days from the Trade Date (T+2).
- Forward Starting
  - A swap whose Effective Date is anything after the Effective Date for a Spot Starting swap.

#### Maturity Date

- The final date until which Fixed and Floating amounts accrue

#### Tenor

- The duration of time from the Effective Date to the Maturity Date. Tenors of any duration greater than 0 years to 50 years.
  - Listed Tenors, also known as On-the-Run, are whole calendar year Spot Starting Contracts with a Tenor of 1 through 50 years.
  - Other Tenors, also known as Off-the-Run, means any partial year Tenor (Months, Weeks, Days).

#### Roll Day Convention

- The date used for determining all fixed and floating Reset Dates. Roll Days define the beginning and end of Fixed and Floating interest accrual periods.
- For On-the-Run Contracts, the Roll Day is the same date of the month as the Effective Date. For Off-the-Run Contracts, it can be any date of the month, subject to the provisions of the Business Day Convention. Roll Day marks the start of a new interest accrual period, and is the date on which a Reset Rate takes effect.

#### Floating Reset Dates

- Dates utilized to determine the Floating Rate amounts for each interest accrual period during the Tenor of the contract. Except in the case of a Stub Period, the Reset Date is aligned with the floating rate frequency as determined.

#### First Period Fixing Date

- For Spot Starting swaps, the Interest Rate for the first interest period is fixed on the Trade Date, for both Floating and Fixed Rates.

- For Forward Starting swaps, the Fixed Rate for the first interest period is fixed on the Trade Date, and the Floating Rate for the first interest period is fixed 2 business days prior to the first floating payment date, taking into account agreed non-working days

#### Stub Period Rate

- For swaps with partial year Tenors, an interest period that is shorter than the standard underlying Floating index interest periods may occur between the Effective Date and the first or last Roll Date (known as a Stub Period). In these cases, the Interest Rate for such Stub Period is determined using linear interpolation based on the two index rates that surround the Stub Period this can be applied either at the start or end of that period: Front or Back.

#### Trade Types

- The Platform may support the following trade types:
  - Outrights
    - An Outright swap is where one party is the payer of the fixed rate and receiver of the floating rate and the other party is the receiver of the fixed rate and payer of the floating rate.
  - Switches or Spreads
    - Is the simultaneous purchase and sale of two different Tenors of the yield curve (e.g. 2 year by 10 year).
  - Butterflies
    - Butterflies are a combination of two spreads/switches (e.g. 2 year by 5 year by 10 year).

#### Contract Size

- Minimum notional size is dependent on currency and tenor

#### Quoting Convention

- Outrights
  - The interest rate yield quoted is dependent on currency
  - Spreads and Butterflies will be quoted in basis points dependent in multiples of the increments of the underlying Outrights

#### Final Settlement Price

- Multiple payments take place during the term of the swap. Settlement price used for the periodic exchange of fixed and floating payments is based on the following factors:
  - Fixed Leg
    - Payment amount on the fixed leg is based on the traded price and notional amounts of the swap on Trade Date. Payment timing on the fixed leg is based on the Payment Frequency, Day Count Convention, Business Day Convention, and Roll Day.
  - Floating Leg
    - Payment on the floating leg is based on the Interest Rate and notional amounts of the swap. Payments on the floating leg are based on the Payment Frequency, Day Count Convention, Business Day Convention, Roll Day Convention and Floating Reset Dates.

#### Clearing

- Contracts for ZAR are clearable at the election of the counterparties on the Effective Date at LCH. Clearnet, CME and ASX. All other Contracts are eligible to be cleared at LCH. Clearnet, CME and ASX. Please see clearable contract definitions at <http://www.lchclearnet.com/>, <http://www.cmegroup.com/>, and <http://www.asx.com.au/services/clearing/asx-clear-futures.htm>.

### Rule 802(2) — Basis Swaps

A Basis Swap is an Interest Rate Swap for which settlement is in the form of periodic floating interest payments and periodic floating interest payments based on interest rate benchmarks over a term to maturity. The interest rate payments are exchanged for a specified period based on a notional amount.

Currencies		
USD		
EUR		

### Specifications

#### Trading Conventions

- Buyer (Payer) pays floating interest rate plus/minus a spread and receives floating interest rate.
- Seller (Receiver) receives floating interest rate plus/minus a spread and pays floating interest rate.

#### Swap Leg Conventions

- The terms of Floating vs. Floating Interest Rate Swaps are based on a number of combinations of the criteria below.
  - Floating Leg 1
    - Payment Frequency
      - Monthly, Quarterly, Semi-Annually, or Annually
    - Day Count Convention
      - Money Market Basis (actual/360), actual/365, actual/actual, actual/366, 360/360, 30/360, 30E/360 or AFI/365
    - Holiday Calendar
      - Applied in accordance for the country currency denoted for the instrument
    - Business Day Convention
      - Modified Following with adjustment to period end dates. Business days in this convention must be valid business days on both the calendars. If not, it will be the next day that is a business day on both calendars.
    - Floating Rate
      - The floating interest rate yield or basis points on Trade Date
  - Floating Leg 2
    - Reset Frequency
      - Monthly, Quarterly, Semi-Annual or Annually
    - Day Count Convention
      - Actual/360, actual/365, 360/360, 30/360, 30E/360, Actual Fixed/365, actual /366, actual / actual
    - Holiday Calendar.
      - Applied in accordance for the country currency denoted for the instrument
    - Business Day Convention
      - Modified Following with adjustment to period end dates
        - Business days in this convention must be valid business days on both calendars
        - If not, it will be the next day that is a business day on calendars.
    - Interest Rate Benchmark
      - LIBOR, EURIBOR

Effective Date

- The first date from which floating interest amounts accrue. It is also referred to as the Start Date or the Value Date. The Effective Date of the Swap must be a business day subject to the appropriate Business Day Convention.

#### Trade Start Type

- Spot Starting
  - A swap whose Effective Date is 2 business days from the Trade Date (T+2).
- Forward Starting
  - A swap whose Effective Date is anything after the Effective Date for a Spot Starting swap.

#### Maturity Date

- The final date until which Floating amounts accrue. The Maturity Date may also be referred to as the Termination Date or End Date.

#### Tenor

- The duration of time from the Effective Date to the Maturity Date. The Exchange will support Tenors of any duration greater than 0 years to 50 years.
- Listed Tenors, also referred to as On-the-Run, means whole year Spot Starting or Same Day Starting Instruments with a Tenor of 1 through 50 years.
- Other Tenors means any whole year Tenors other than the Listed Tenors and any partial year Tenor.

#### Roll Day Convention

- The date used for determining all fixed and floating Reset Dates. Roll Days define the beginning and end of Floating interest accrual periods.
- For On-the-Run Instruments, the Roll Day is the same date of the month as the Effective Date. For Off-the-Run Instruments, it can be any date of the month, subject to the provisions of the Business Day Convention. Roll Day marks the start of a new interest accrual period and is the date on which a Reset Rate takes effect.
  - Note: Subject to good local days – as with all instruments, will never roll forward to the following month.

#### Floating Reset Dates

- Dates utilized to determine the Floating Rate amounts for each interest accrual period during the Tenor of the Instrument. Except in the case of a Stub Period, the Reset Date is 2 business days (USD or EUR) prior to the Roll Date for that interest accrual period.

#### First Period Fixing Date

- For Spot Starting and Same Day Starting swaps, the Interest Rate for the first interest period is fixed on the Trade Date, for both Floating Rates.
- For Forward Starting swaps, the Floating Rate for the first interest period is fixed on the Trade Date, and the Floating Rate for the first interest period is fixed 2 business days prior to the Effective Date.

#### Stub Period Rate

- For swaps with partial year Tenors, an interest period that is shorter than the standard underlying Floating index interest periods may occur between the Effective Date and the first or last Roll Date (known as a Stub Period). In these cases, the Interest Rate for such Stub Period is determined using linear interpolation based on the two index rates that surround the Stub Period this can be applied either at the start or end of that period: Front or Back.

#### Trade Types

- The Platform may support the following trade types:
  - Outrights
    - An Outright swap is where one party is the payer of the floating rate 1 plus/minus a spread and receiver of the floating rate 2 and the other party is the receiver of the floating rate 1 plus/minus a spread and payer of the floating rate 2.
  - Switches
    - Switches are the simultaneous purchase and sale of two different Tenors of the yield curve (e.g. 2 year by 10 year).



- Butterflies
  - Butterflies are the simultaneous purchase(s) and sale(s) of three different tenors of the yield curve (e.g. 2 year by 5 year by 10 year).

#### Instrument minimum and incremental Size.

- Minimum notional size is dependent on currency and tenor
- Block Trades
  - Minimum notional size as stated by the Commission and increments dependent on currency and tenor.

#### Quoting Convention

- Outrights are quoted in interest rate yield is dependent on currency.
- Spreads and Butterflies are quoted in interest rate yield differential in minimum 1/10th basis point increments.
  - Spot Starting
    - Close of business on Trade Date.
  - Forward Starting
    - Close of business three business days prior to the Effective Date of the swap.
  - Block Trades must occur outside the Order Book and in a quantity that meets or exceeds Appropriate Minimum Block Sizes set by the Commission.

#### Clearing

- Contracts are eligible to be cleared at LCH. Clearnet and CME. Please see clearable contract definitions at <http://www.lchclearnet.com/> and <http://www.cmegroup.com/>

## Rule 802(3) — Forward Rate Agreement (FRA)

A Forward Rate Agreement is an Interest Rate Swap for which settlement is in the form of one fixed interest payment and one floating interest payment based on an interest rate benchmark to be paid or received on an obligation beginning at a future start date. The interest rate payments are exchanged based on a notional amount.

Currencies	
USD	DKK
EUR	NOK
GBP	PLN
CHF	CZK
SEK	HUF

### Specifications

#### Trading Conventions

- Buyer (Payer) pays fixed interest rate and receives floating interest rate.
- Seller (Receiver) receives fixed interest rate and pays floating interest rate.

#### Swap Leg Conventions

- The terms of FRAs are based on a number of combinations of the criteria below.
  - Fixed Leg
    - Payment Frequency
      - Once
    - Day Count Convention
      - Money Market Basis (actual/360), or actual/365, 30/360, 30E/360, AFI/360, 360/360
    - Holiday Calendar
      - Applied in accordance with the country relating to the currency of the instrument
    - Business Day Convention
      - Modified Following with adjustment to period end dates. Business days in this convention must be valid business days on both the holiday calendars of that country. If not, it will be the next day that is a business day on both calendars.
    - Fixed Rate
      - The traded interest rate yield or basis points on Trade Date
  - Floating Leg
    - Reset Frequency
      - Once
    - Day Count Convention
      - Money Market Basis (actual/360), or actual/365, 30/360, 30E/360, AFI/360, 360/360
    - Holiday Calendar
      - Applied in accordance with the country relating to the currency of the instrument
    - Business Day Convention
      - Modified Following with adjustment to period end dates. Business days in this convention must be valid business days on both the calendars for each country. If not, it will be the next day that is a business day on both respective country holiday calendars.
    - Interest Rate Benchmark

- LIBOR, EURIBOR, PRIBOR, CIBOR2, BUBOR, NIBOR, WIBOR, STIBOR

#### Effective Date

- The first date from which fixed and floating interest amounts accrue. It is also referred to as the Start Date or the Value Date. The Effective Date of the Swap must be a business day subject to the appropriate Business Day Convention.

#### Trade Start Type

- Spot Starting
  - A swap whose Effective Date is 2 business days from the Trade Date (T+2).
- Forward Starting
  - A swap whose Effective Date is anything after the Effective Date for a Spot Starting swap.

#### Maturity Date

- The final date until which Fixed and Floating amounts accrue. The Maturity Date may also be referred to as the Termination Date or End Date.

#### Tenor

- The duration of time from the Effective Date to the Maturity Date Tenors will be support for any duration greater than 0 month to 12 months.
- Listed Tenors, also referred to as On-the-Run, means whole year Spot Starting or Same Day Starting Instruments with a Tenor of an integer number of months.
- Other Tenors means any Tenors other than the Listed Tenors.

#### Floating Reset Dates

- Dates utilized to determine the Floating Rate amount for the interest accrual period during the Tenor of the Instrument. Except in the case of a Stub Period, the Reset Date is adjusted business days dependent on the currency prior to the Roll Date for that interest accrual period.

#### First Period Fixing Date

- The Fixed Rate for the first interest period is fixed on the Trade Date, and the Floating Rate for the first interest period is fixed 2 business days prior to the Effective Date

#### Trade Types

- The Platform may support the following trade types:
  - Outrights
    - An Outright swap is where one party is the payer of the fixed rate and receiver of the floating rate and the other party is the receiver of the fixed rate and payer of the floating rate.
  - Switches also known as Spreads
    - These are the simultaneous purchase and sale of two different Tenors of the yield curve (e.g.3x6 by 9x12).

#### Instrument minimum and incremental Size.

- Minimum notional size is dependent on currency and tenor
- Block Trades. Minimum notional size as stated by the Commission and increments Dependent on currency and tenor

#### Quoting Convention

- Outrights are quoted in interest rate yield is dependent on currency.
- Spreads/Switches will be quoted in basis points dependent in multiples of the increments of the underlying Outrights

#### Last Trading Day

- Spot Starting
  - Close of business on Trade Date.
- Forward Starting
  - Close of business three business days prior to the Effective Date of the swap.

#### Clearing

- Contracts are eligible to be cleared at LCH, Clearnet and ASX. Contracts in certain currencies, as indicated by the Facility, are eligible to be cleared at Eurex. Please see clearable contract definitions at <http://www.lchclearnet.com/>, <http://www.asx.com.au/services/clearing/asx-clear-futures.htm> and <https://www.eurexclearing.com/clearing-en/resources/rules-and-regulations>.
- Eurex does not provide express or implied warranties or representations to swap counterparties executing Swaps on the Facility's platform relating to any of the services or facilities provided by the Facility, including but not limited to, the warranties of merchantability and fitness for a particular purpose or use. Eurex shall not have any liability or obligation to any swap counterparty using the Facility's platform.

## Rule 802(4) — Non Deliverable Swaps

An ND IRS trade has many trade terms. For example, notional amount, fixed interest rate, floating rate, reference rate, holiday convention, etc. The deal is agreed on the basis that net settlement will be made in USD, or another fully convertible currency, to reflect any differential between the agreed fixed rate and the actual floating rate on the settlement dates. ND IRS are quoted as Offer/Bid. For ND IRS the fixed leg is quoted, hence it is Fixed Income Swap.

### ND IRS

- An agreement between two parties (known as counterparties) where one stream of future interest payments is exchanged for another based on a specified principal amount. Interest rate swaps often exchange a fixed payment for a floating payment that is linked to an interest rate (most often the LIBOR). The interest rate cash flows are net settled in a major currency on fixing date. A company will typically use interest rate swaps to limit or manage exposure to fluctuations in interest rates, or to obtain a marginally lower interest rate than it would have been able to get without the swap.
- Interest rate swaps are simply the exchange of one set of cash flows (based on interest rate specifications) for another. Because they trade OTC, they are really just contracts set up between two or more parties, and thus can be customized in any number of ways.

Currencies	
MYR	CNY

### Specifications

#### Trading Conventions

- Buyer (Payer) pays fixed interest rate and receives floating interest rate.
- Seller (Receiver) receives fixed interest rate and pays floating interest rate.

#### Swap Leg Conventions

- The terms of Non Deliverable Swaps are based on a number of combinations of the criteria below.
  - Fixed Leg
    - Payment Frequency
      - Weekly, Monthly, Quarterly, Semi-Annually, or Annually
    - Day Count Convention
      - Actual/360, actual/365, 360/360, 30/360, 30E/360, Actual Fixed/365, actual /366, actual / actual
    - Holiday Calendar
      - Applied in accordance for the country currency denoted for the instrument
    - Business Day Convention
      - Modified following with adjustment to period end dates. Business days in this convention must be valid business days for the countries denoted by the currency. If not, it will be the next day that is a business day on both calendars.
    - Fixed Rate
      - The traded interest rate yield or basis points on Trade Date
  - Floating Leg
    - Reset Frequency
      - Weekly, Monthly or Quarterly
    - Day Count Convention

- Actual/360, actual/365, 360/360, 30/360, 30E/360, Actual Fixed/365, actual /366, actual / actual
- Holiday Calendar
  - Applied in accordance for the country currency denoted for the instrument
- Business Day Convention
  - Modified Following with adjustment to period end dates. Business days in this convention must be valid business days for the countries denoted by the currency. If not, it will be the next day that is a business day on both calendars.
- Fixed Rate
  - The traded interest rate yield or basis points on Trade Date
- Interest Rate Benchmark
  - KLIBOR
  - CNREPOFIX

#### Effective Date

- The first date from which fixed and floating interest amounts accrue. It is also referred to as the Start Date or the Value Date. The Effective Date of the Swap must be a business day subject to the appropriate Business Day Convention.

#### Trade Start Type

- Spot Starting.
  - A swap whose Effective Date is 2 business days from the Trade Date (T+2).
- Forward Starting
  - A swap whose Effective Date is anything after the Effective Date for a Spot Starting swap.

#### Maturity Date

- The final date until which Fixed and Floating amounts accrue

#### Tenor

- The duration of time from the Effective Date to the Maturity Date. Tenors of any duration, greater than 0 months to 3 months.

#### Roll Day Convention

- The date used for determining all fixed and floating Reset Dates. Roll Days define the beginning and end of Fixed and Floating interest accrual periods.
  - For On-the-Run Contracts, the Roll Day is the same date of the month as the Effective Date.
  - For Off-the-Run Contracts, it can be any date of the month, subject to the provisions of the Business Day Convention
- Roll Day marks the start of a new interest accrual period, and is the date on which a Reset Rate takes effect.

#### Trade Types

- The Platform may support the following trade types:
  - Outrights
    - An Outright swap is where one party is the payer of the fixed rate and receiver of the floating rate and the other party is the receiver of the fixed rate and payer of the floating rate.

#### Clearing

- Non Deliverable Swaps traded on NEX SEF are not cleared.

## Rule 802(5) — Inflation Swaps

The buyer of an inflation swap pays a fixed interest rate and receives the agreed floating inflation rate:

- Tenor
- Fixed Rate (Traded Price)
- Inflation Rate benchmark – this can be any inflation benchmark that settles in the listed currencies
- Optional forward start

Currencies	
GBP	
EUR	
USD	

### Specifications

#### Payment Frequency

- The payment frequency will be an agreed, valid, calendar integer

#### Day Count Convention

- ACT/360
- ACT/365
- 360/360
- 30/360
- 30E/360
- AFI/365
- ACT/361
- ACT/ACT

#### Holiday Calendar Conventions

- NEW YORK
- LONDON
- EUROPE

#### Business Day Conventions

- Modified
- Modified Following

#### Effective Date

- The effective date will be a valid business day

#### Maturity Date

- Effective date + tenor of swap

#### Tenors

- 0 – 10 years inclusive

#### Roll Dates

- 0 – 10 years inclusive

#### Fixing Dates

- The fixing date(s) will be a valid calendar day

#### Settlement

- Are cash settled in line with the payment frequency

#### Contract Size

- Minimum and Incremental Sizes
  - The minimum size for an instrument in this category is 1,000 units of the currency of the underlying index of the trade
  - There is no minimum incremental size for instruments in this category

#### Quoting Convention

- Inflation Swaps are all quoted in basis points

#### Benchmark Interest Rates

- Inflation Swaps will be limited to all or a subset of the following underlying benchmark indices:  
EUR-EXT-CPI



GBP-UKRPI-BBA

GBP-USCPI-BBA

FRC-EXT-CPI

Minimum and Incremental Price

- There is no minimum price
- There is no minimum incremental price

Clearing

- Contracts are eligible to be cleared at LCH. Cleared. Please see clearable contract definitions at <http://www.lchclearnet.com/>.

**Rule 802(6) — Single Period Swaps**

Contract Specification	Details								
<b>Product Description</b>	A Single Period Swap is an interest rate swap for which settlement is in the form of one fixed interest payment and one floating interest payment based on an interest rate benchmark to be paid or received on an obligation beginning at the trade date. The interest rate payments are exchanged based on a notional amount.								
<b>Currencies</b>	<table border="1" data-bbox="548 514 1317 646"> <thead> <tr> <th colspan="4" data-bbox="548 514 1317 598">Available Currencies</th> </tr> </thead> <tbody> <tr> <td data-bbox="548 598 743 646">USD</td> <td data-bbox="743 598 932 646"></td> <td data-bbox="932 598 1120 646"></td> <td data-bbox="1120 598 1317 646"></td> </tr> </tbody> </table>	Available Currencies				USD			
Available Currencies									
USD									
<b>Trading Conventions</b>	<ul style="list-style-type: none"> <li>○ Buyer (Payer) pays fixed interest rate and receives floating interest rate.</li> <li>○ Seller (Receiver) receives fixed interest rate and pays floating interest rate.</li> </ul>								
<b>Swap Leg Conventions</b>	<ul style="list-style-type: none"> <li>○ The terms of Single Period Swaps are based on a number of combinations of the criteria below. <ul style="list-style-type: none"> <li>▪ Fixed Leg <ul style="list-style-type: none"> <li>• Payment Frequency <ul style="list-style-type: none"> <li>○ Once (annually)</li> </ul> </li> <li>• Day Count Convention <ul style="list-style-type: none"> <li>○ Money Market Basis (actual/360)</li> </ul> </li> <li>• Holiday Calendar <ul style="list-style-type: none"> <li>○ Applied in accordance with the country relating to the currency of the Contract.</li> </ul> </li> <li>• Business Day Convention <ul style="list-style-type: none"> <li>○ Modified Following with adjustment to period end dates. Business days in this convention must be valid business days on both the holiday calendars of that country. If not, it will be the next day that is a business day on both calendars.</li> </ul> </li> <li>• Fixed Rate <ul style="list-style-type: none"> <li>○ The traded interest rate yield or basis points on the trade date.</li> </ul> </li> </ul> </li> <li>▪ Floating Leg <ul style="list-style-type: none"> <li>• Payment Frequency <ul style="list-style-type: none"> <li>○ Once. Semi-annually (6-month Tenor) or quarterly (3-month Tenor)</li> </ul> </li> <li>• Reset Frequency <ul style="list-style-type: none"> <li>○ Once. Quarterly (6-month Tenor) or monthly (3-month Tenor)</li> </ul> </li> <li>• Day Count Convention <ul style="list-style-type: none"> <li>○ Money Market Basis (actual/360)</li> </ul> </li> <li>• Holiday Calendar <ul style="list-style-type: none"> <li>○ Applied in accordance with the country relating to the currency of the Contract.</li> </ul> </li> <li>• Business Day Convention <ul style="list-style-type: none"> <li>○ Modified Following with adjustment to period end dates. Business days in this convention must be valid business days on both the calendars for each</li> </ul> </li> </ul> </li> </ul> </li> </ul>								

	<p>country. If not, it will be the next day that is a business day on both respective country holiday calendars.</p> <ul style="list-style-type: none"> <li>• Interest Rate Benchmark <ul style="list-style-type: none"> <li>○ LIBOR</li> </ul> </li> </ul>
<b>Effective Date</b>	<ul style="list-style-type: none"> <li>○ The fixed and floating interest amounts accrue from the trade date. It is also referred to as the Start Date or the Value Date. The Effective Date of the Swap must be a business day subject to the appropriate Business Day Convention.</li> </ul>
<b>Trade Start Type</b>	<ul style="list-style-type: none"> <li>○ Spot Starting – The Effective Date of the Contract is the trade date.</li> </ul>
<b>Maturity Date</b>	<ul style="list-style-type: none"> <li>○ The final date until which Fixed and Floating amounts accrue as agreed by the parties. The Maturity Date may also be referred to as the Termination Date or End Date.</li> </ul>
<b>Tenor</b>	<ul style="list-style-type: none"> <li>○ The duration of time from the Effective Date to the Maturity Date. Tenors will be 3 months or 6 months.</li> </ul>
<b>Floating Reset Dates</b>	<ul style="list-style-type: none"> <li>○ Dates utilized to determine the Floating Rate amount for the interest accrual period during the Tenor of the Contract. Except in the case of a stub period, the Reset Date is adjusted business days dependent on the currency prior to the roll date (depending on Reset Frequency) for that interest accrual period.</li> </ul>
<b>Fixing Date</b>	<ul style="list-style-type: none"> <li>○ The Fixed Rate for the interest period is fixed on the Effective Date, and the Floating Rate for the first interest period is fixed 2 business days prior to the Maturity Date.</li> </ul>
<b>Trade Types</b>	<ul style="list-style-type: none"> <li>• Outrights <ul style="list-style-type: none"> <li>▪ An Outright swap is where one party is the payer of the fixed rate and receiver of the floating rate and the other party is the receiver of the fixed rate and payer of the floating rate.</li> </ul> </li> <li>• Switches also known as Spreads <ul style="list-style-type: none"> <li>▪ These are the simultaneous purchase and sale of two different Tenors of the yield curve (e.g.3x6 by 9x12).</li> </ul> </li> </ul>
<b>Settlement Terms</b>	<ul style="list-style-type: none"> <li>• Bilateral settlement is performed in USD.</li> </ul>
<b>Minimum and Incremental size</b>	<ul style="list-style-type: none"> <li>• Minimum notional size is dependent on currency and tenor.</li> <li>• Block Trades – Minimum notional size as stated by the Commission and increments are dependent on currency and tenor.</li> </ul>
<b>Minimum Price Fluctuation/Price Tick Size</b>	<ul style="list-style-type: none"> <li>• The minimum price change is 0.0001</li> </ul>
<b>Quoting Convention</b>	<ul style="list-style-type: none"> <li>• Outrights are quoted in interest rate yield is dependent on currency.</li> <li>• Spreads/Switches will be quoted in basis points dependent in multiples of the increments of the underlying Outrights.</li> </ul>
<b>Last Trading Day / Time</b>	<ul style="list-style-type: none"> <li>• Close of business on Trade Date.</li> </ul>
<b>Trading Months</b>	<ul style="list-style-type: none"> <li>• Any calendar month.</li> </ul>
<b>Trading Hours</b>	<ul style="list-style-type: none"> <li>• Order Book: 24 Hours, beginning at 6:00 a.m. Wellington Time on Monday (5:00 p.m. UTC on Sunday during NZDT/6:00 p.m. UTC on Sunday during NZST) and ending at 5:00 p.m. New York Time on Friday (10:00 p.m. UTC during EST/9:00 p.m. UTC during EDT).</li> </ul>

	<ul style="list-style-type: none"> <li>• Voice RFQ: Not Available.</li> <li>• All Pre-Arranged Crosses: 24 Hours, beginning at 6:00 a.m. Wellington Time on Monday (5:00 p.m. UTC on Sunday during NZDT/6:00 p.m. UTC on Sunday during NZST) and ending at 5:00 p.m. New York Time on Friday (10:00 p.m. UTC during EST/9:00 p.m. UTC during EDT).</li> </ul>
<b>Settlement Date</b>	<ul style="list-style-type: none"> <li>• Settlement Date is the Maturity Date.</li> </ul>
<b>Contract Size</b>	<ul style="list-style-type: none"> <li>• As agreed by the parties.</li> </ul>
<b>Position Limits</b>	<ul style="list-style-type: none"> <li>• Not Applicable.</li> </ul>
<b>Reportable Levels</b>	<ul style="list-style-type: none"> <li>• Not Applicable.</li> </ul>
<b>Clearing</b>	<ul style="list-style-type: none"> <li>• Single Period Swaps are cleared at LCH.Clearnet. Please see clearable contract definitions at <a href="http://www.lchclearnet.com">http://www.lchclearnet.com</a>.</li> </ul>

**Rule 803 FX Options Products Descriptions*****Trading Hours***

The trading hours for all Contracts governed by this Rule 803 are as follows:

- Order Book: Not Available.
- Voice RFQ: Not Available.
- All Pre-Arranged Crosses: 24 Hours, beginning at 6:00 a.m. Wellington Time on Monday (5:00 p.m. UTC on Sunday during NZDT/6:00 p.m. UTC on Sunday during NZST) and ending at 5:00 p.m. New York Time on Friday (10:00 p.m. UTC during EST/9:00 p.m. UTC during EDT).

**Products — Rule 803:**

- (1) Foreign Exchange Options (FX Options)

**Products — Rule 803:**

## (1) Foreign Exchange Options (FX Options)

<b>Contract Specification</b>	<b>Details</b>																																																																				
Product Description	FX Option: a transaction in which the buyer has the right, but not the obligation, to buy (call option) or sell (put option) a fixed amount of foreign exchange at a fixed exchange rate agreed by the parties for a specified time period.																																																																				
Reference & Settlement Currencies	<table border="1"> <thead> <tr> <th>Reference Currency</th> <th>Counter Currency</th> <th>Settlement Currency</th> <th>Units of Trading</th> </tr> </thead> <tbody> <tr><td>EUR</td><td>USD</td><td>USD</td><td>EUR</td></tr> <tr><td>GBP</td><td>USD</td><td>USD</td><td>GBP</td></tr> <tr><td>EUR</td><td>GBP</td><td>GBP</td><td>EUR</td></tr> <tr><td>USD</td><td>JPY</td><td>USD</td><td>USD</td></tr> <tr><td>EUR</td><td>JPY</td><td>EUR</td><td>EUR</td></tr> <tr><td>USD</td><td>CHF</td><td>USD</td><td>USD</td></tr> <tr><td>USD</td><td>CAD</td><td>CAD</td><td>USD</td></tr> <tr><td>AUD</td><td>USD</td><td>AUD</td><td>AUD</td></tr> <tr><td>USD</td><td>MXN</td><td>USD</td><td>USD</td></tr> <tr><td>USD</td><td>CNH</td><td>USD</td><td>USD</td></tr> <tr><td>USD</td><td>INR</td><td>USD</td><td>USD</td></tr> <tr><td>USD</td><td>SGD</td><td>USD</td><td>USD</td></tr> <tr><td>NZD</td><td>USD</td><td>NZD</td><td>NZD</td></tr> <tr><td>USD</td><td>HKD</td><td>USD</td><td>USD</td></tr> <tr><td>BRL</td><td>USD</td><td>USD</td><td>USD</td></tr> <tr><td>MXN</td><td>USD</td><td>USD</td><td>USD</td></tr> </tbody> </table>	Reference Currency	Counter Currency	Settlement Currency	Units of Trading	EUR	USD	USD	EUR	GBP	USD	USD	GBP	EUR	GBP	GBP	EUR	USD	JPY	USD	USD	EUR	JPY	EUR	EUR	USD	CHF	USD	USD	USD	CAD	CAD	USD	AUD	USD	AUD	AUD	USD	MXN	USD	USD	USD	CNH	USD	USD	USD	INR	USD	USD	USD	SGD	USD	USD	NZD	USD	NZD	NZD	USD	HKD	USD	USD	BRL	USD	USD	USD	MXN	USD	USD	USD
Reference Currency	Counter Currency	Settlement Currency	Units of Trading																																																																		
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USD	HKD	USD	USD																																																																		
BRL	USD	USD	USD																																																																		
MXN	USD	USD	USD																																																																		
Notional Amount	As agreed by the parties																																																																				
Option Style	American and European																																																																				
Option Premium	As agreed by the parties																																																																				
Premium Payment	Spot date relative to option trade date																																																																				
Trading Hours	24 Hours, beginning at 6:00 a.m. Wellington Time on Monday (5:00 p.m. UTC on Sunday during NZDT/6:00 p.m. UTC on Sunday during NZST) and ending at 5:00 p.m. New York Time on Friday (10:00 p.m. UTC during EST/9:00 p.m. UTC during EDT)																																																																				
Quotation	The price quotation is determined as a decimal number with up to five decimal places																																																																				
Units of Trading	See current currency list above.																																																																				
Expiration Date and Time	As agreed by the parties																																																																				
Settlement Terms	Bilateral settlement performed in Settlement Currency																																																																				
Settlement Date	Settlement Date – Spot date relative to Expiration Date (if option is exercised)																																																																				

Minimum Price Fluctuation/Price Tick Size	The minimum price change is 0.0001
Settlement Price	N/A
Strike Prices	As agreed by the parties
Contract Size	As agreed by the parties
Maturity Date	As agreed by the parties
Exercise	Manual. Exercise decision is determined by the buyer of the option.
Last Trading Day / Time	Not Applicable
Trading Conventions	<ul style="list-style-type: none"> <li>a. Buyer of the option has the right, but not the obligation to buy (call option) or sell (put option) the Reference Currency</li> <li>b. Seller of the option must sell (call) or buy (put) the Reference Currency if exercised by the option buyer</li> </ul>
Block Size	1 million notional units of Reference Currency; 2 million units minimum trade size
Position Limits	Not Applicable
Reportable Levels	All FX Option trades are reported
Clearing	FX Options are not cleared



## CHAPTER 9 SYSTEM PROTOCOLS

### Rule 901 NEX SEF NDF System Protocol

#### GLOSSARY

Capitalized terms shall bear the meanings ascribed to them in this Glossary or in the Facility Rulebook unless the context otherwise requires.

<b>ACI Model Code</b>	means the International Code of Conduct and Practice for Financial Markets published by the committee for professionalism of the ACI, which can be found at <a href="http://www.aciforex.com/mktpractice/model_code.htm">www.aciforex.com/mktpractice/model_code.htm</a> , as updated from time to time.
<b>Automatch</b>	an Automatch may occur when a Dealable Bid is submitted which is greater than or equal to a Dealable Offer or a Dealable Offer is submitted which is less than or equal to a Dealable Bid.
<b>Counterparty</b>	means a party to a Deal or Transaction.
<b>Credit Limit</b>	means the maximum outbound amount of credit allocated to other Counterparties with whom a Counterparty is prepared to transact.
<b>Deal</b>	means a contract between a Taker and a Maker that indicates the currencies being bought and sold, the amount of currency involved, and the exchange rate that the two currencies will be traded at.
<b>Deal Ticket</b>	means the document or electronic message(s) setting out the details of a Deal.
<b>Dealable Bid/Offer</b>	a Bid/Offer is dealable only where both Counterparties have assigned and not exhausted sufficient bilateral Credit Limits so that an execution of a Transaction of at least the minimum allowable size can take place.
<b>EBS Ai</b>	means the automated interface to the NEX SEF Dealing Service otherwise known as the EBS Automated FX Interface.
<b>EBS Ai Application</b>	means the application developed by the Facility or its Affiliates provided to the Trading Privilege Holder and any Authorised Trading Firm to enable the Trading Privilege Holder and/or Authorised Trading Firm to develop its EBS Ai Client Application.
<b>EBS Ai Client Application</b>	means the application to be developed by the Trading Privilege Holder or Authorised Trading Firm for its own use which will accept prices from the Trading Privilege Holder's or Authorised Trading Firm's own price feed system, convert them into Bids/Offers and pass them to the NEX SEF Dealing Service.
<b>EBS Ai Developers Guide</b>	means the document which provides the necessary information for the Trading Privilege Holder and any Authorised Trading Firm to code to the application program interface for EBS Ai.
<b>EBS Ai Server</b>	has the meaning given to it in Protocol Rule (i)(1).
<b>EBS Deal Feed Client</b>	has the meaning given to it in Protocol Rule (f)(1)(i)(A).

<b>EBS Guide to Currency Pair Parameters</b>	means the User Guide entitled “Guide to Pair Parameters on the EBS Market Platform”, attached hereto as Exhibit A.
<b>NEX SEF Prime Service</b>	means the service operated by the Facility for Trading Privilege Holders to conclude Prime Broker Transactions on the NEX SEF Dealing Service.
<b>NEX SEF Dealing Service</b>	means the dealing service operated by the Facility for transactions in Products, as described in this System Protocol.
<b>Global Access</b>	means the browser-based trading application that uses the internet and dedicated connections as an alternative access method to the NEX SEF Dealing Service.
<b>Heartbeat</b>	has the meaning given to it in Protocol Rule (c)(4).
<b>Hit</b>	has the meaning given to it in Protocol Rule (d)(2).
<b>Iceberg Order</b>	has the meaning given to it in Protocol Rule (e)(4)(iii).
<b>IOC</b>	has the meaning given to it in Protocol Rule (d)(2)(vi).
<b>Maker</b>	means a Counterparty that places a Bid/Offer which is executed through the NEX SEF Dealing Service, or, if a Transaction is effected by Automatch, the Counterparty that placed the passive Bid/Offer in relation to which a Transaction was executed.
<b>Market View Information</b>	has the meaning given to it in Protocol Rule (i)(6)(i).
<b>Minimum Credit Threshold</b>	has the meaning given to it in Protocol Rule (g)(3)(ii).
<b>Minimum Deal Size</b>	has the meaning given to it in Protocol Rule (g)(3)(ii).
<b>Participant Communications</b>	means any communications sent to Participants by the Facility relating to the NEX SEF Dealing Service.
<b>Pip Discretion</b>	has the meaning given to it in Protocol Rule (e)(4)(i).
<b>Price Discretion</b>	has the meaning given to it in Protocol Rule (e)(4)(ii).
<b>Price Distribution Interval</b>	is the frequency with which Market View Information is updated.
<b>Prime Master Agreement</b>	has the meaning given to it in Protocol Rule (g)(1)(iii).
<b>Product</b>	means a product available for trading on the NEX SEF Dealing Service as detailed in any Product Appendix.
<b>Product Appendix</b>	means an appendix to this System Protocol listing the Products available on the NEX SEF Dealing Service as amended from time to time.
<b>Scaling Factor</b>	has the meaning given to it in Protocol Rule (g)(4)(i)(B).
<b>SEF</b>	has the meaning given to it in Protocol Rule (a)(1).
<b>Taker</b>	means, in relation to any Transaction, either: (1) the Counterparty to a Transaction who accepted the Bid/Offer made on the NEX SEF Dealing Service by a Counterparty, whether as a buyer or seller; or (2) if a Transaction is effected by Automatch, the Counterparty who placed the

aggressive Bid/Offer which directly led to a matching of the passive Counterparty's Bid/Offer by the NEX SEF Dealing Service.

<b>TFA</b>	means Trading Floor Administrator as described in Protocol Rule (g)(1).
<b>Trader ID</b>	means the unique identifier assigned to each Authorised Trader.
<b>Trading Floor</b>	with respect to each Trading Privilege Holder or Authorised Trading Firm, the site or sites from which the Trading Privilege Holder or Authorised Trading Firm accesses the NEX SEF Dealing Service.
<b>Transaction</b>	means a Deal or Deals effected as a result of a Bid/Offer. A Transaction may consist of a number of Deals.
<b>User Guide(s)</b>	means the documents provided to Trading Privilege Holders and Authorised Trading Firms from time to time who utilize the NEX SEF Dealing Service, which documents outline the key functionality and features of each access method which can be used to interface with the NEX SEF Dealing Service.
<b>Value Date</b>	has the meaning given to it in Protocol Rule (c)(5).
<b>Value Date Calendar</b>	has the meaning given to it in Protocol Rule (c)(5).
<b>Volatility Factor</b>	has the meaning given to it in Protocol Rule (g)(4).
<b>Workstation</b>	means the hardware supplied by the Facility or its Affiliates and used by the Trading Privilege Holder or Authorised Trading Firm to access the NEX SEF Dealing Service.
<b>Work the Balance</b>	means that in the event that none or only some of a Bid/Offer is filled, the balance is submitted into the Order Book as a Bid/Offer.

(a) INTRODUCTION

(1) NEX SEF Limited (the “SEF” or “NEX SEF”) offers the NEX SEF Dealing Service on which Trading Privilege Holders and Authorised Trading Firms are permitted to trade, with other Trading Privilege Holders and Authorised Trading Firms Products, identified as Facility Products from time to time, in accordance with the terms of the Facility Rulebook and the NEX SEF Trading Privilege Holder Agreement.

(2) This System Protocol is part of the Facility’s Rulebook. Where the terms of the Facility’s Rulebook and this System Protocol conflict the terms of this System Protocol shall prevail.

(3) For the avoidance of doubt, the EBS Dealing Service for Products which are not identified as Facility Products is offered by EBS Service Company Limited in accordance with the EBS Customer Agreement and the EBS Dealing Rules, and such Products are not executed on or pursuant to the Rules of the Facility. The Products offered by EBS Service Company Limited and covered by the EBS Customer Agreement and the EBS Dealing Rules are Spot FX and Spot Metals.

(4) Trading Privilege Holders and Authorised Trading Firms are permitted to trade directly in their own name. Additionally, Trading Privilege Holders may, subject to the Facility Rulebook, act as a Prime Broker by permitting another Trading Privilege Holder to execute Prime Broker Transactions in such Prime Broker’s name utilizing the NEX SEF Prime Service.

(5) The NEX SEF Dealing Service may be accessed by a number of methods; the possible access methods are as follows:

- (i) Workstation;
- (ii) Global Access; and
- (iii) EBS Ai.

(6) This System Protocol applies to whichever of the access method(s) described in Protocol Rule (a)(5) is adopted by the Trading Privilege holder or Authorised Trading Firm. Additional rules may apply in respect of certain access methods; where this is the case, this will be clearly indicated in this System Protocol or a User Guide. References to Global Access shall be deemed to include Global Access for the NEX SEF Prime Service.

(7) The Facility is not party to any Transaction. It provides the NEX SEF Dealing Service, a facility for Trading Privilege Holders and Authorised Trading Firms to effect Transactions in certain Products, and not for any other reason. The Facility is not subject to any fiduciary duties to any Trading Privilege Holder or Authorised Trading Firm.

(b) AUTHORIZATION TO EXECUTE DEALS ON THE NEX SEF DEALING SERVICE

(1) Each Trading Privilege Holder or Authorised Trading Firm will have access to the NEX SEF Dealing Service to view Market View Information and Dealable Bids/Offers.

(2) Each Trading Privilege Holder or Authorised Trading Firm may only execute Deals on the NEX SEF Dealing Service with other Trading Privilege Holders or Authorised Trading Firms with which it has established Credit Limits. The Facility may, in its discretion, suspend a Trading Privilege Holder’s or Authorised Trading Firm’s ability to execute Deals to the NEX SEF Dealing Service where the Facility determines that such Trading Privilege Holder or Authorised Trading Firm does not have Credit Limits established with at least one other Participant.

(3) The Trading Privilege Holder or Authorised Trading Firm is responsible for controlling access to the NEX SEF Dealing Service and is responsible for ensuring that all

Authorised Traders change their passwords on a regular basis when accessing the NEX SEF Dealing Service.

(c) GENERAL DEALING RULES

(1) The NEX SEF Dealing Service does not have a formal open and close, and is generally available except for a period over the weekend when it closes for maintenance. Deals executed between 5pm Friday New York time and 5am Monday Sydney time are not regarded as Deals executed in normal market conditions or market hours. Trading Privilege Holders and Authorised Trading Firms should be aware of this when entering into such Deals.

(2) Where access to the NEX SEF Dealing Service is via an EBS Workstation or Global Access the following rules apply:

(i) there shall be no automation of the keyboard, keypad or mouse entries by pre-programming keystrokes;

(ii) the applicable software and any Trading Privilege Holder or Authorised Trading Firm equipment must be properly installed, tested and in full working order;

(iii) the Trading Privilege Holder or Authorised Trading Firm shall ensure compliance with the minimum hardware/networking requirements, as specified by the Facility from time to time;

(iv) the use of extenders, splitters, video switches/repeaters and non-Facility supported functionality/devices must be pre-approved by the Facility;

(v) the Trading Privilege Holder or Authorised Trading Firm must at all times ensure that adequate security systems, controls, procedures and measures are established and in operation at the Trading Floor (where relevant) to prevent any unauthorized use or any misuse of the NEX SEF Dealing Service.

(3) When using or attempting to use any functionality in connection with the NEX SEF Dealing Service the Trading Privilege Holder or Authorised Trading Firm shall, at all times, do so in accordance with the instructions and specifications set out in the Trading Privilege Holder Communications and User Guides.

(4) **“Heartbeat”** - Once logged into the NEX SEF Dealing Service, the EBS Ai Server sends “heartbeat” messages to monitor the status of the connection when there has been no activity on the NEX SEF Dealing Service by the Trading Privilege Holder or Authorised Trading Firm. If the EBS Client Ai Application does not respond to heartbeat messages for more than 3 seconds, the connection is considered stale, and the EBS Ai Server will interrupt all of the Trading Privilege Holder’s or Authorised Trading Firm’s Bids/Offers. If the Trading Privilege Holder or Authorised Trading Firm does not respond for more than 8 seconds (in total), the connection is considered dead and the EBS Ai Server terminates the session and disconnects the Trading Privilege Holder or Authorised Trading Firm from the System.

(5) **“Value Date”** means the date on which FX Product trades settle, i.e., the date that the payments of each currency are made. The value dates for most FX Product trades are “spot”, which generally means two business days from the trade date (T+2). It is possible to settle trades on dates other than the spot date, in which case the rate will be adjusted by forward points to compensate for the interest rate differential between the two currencies being traded. The “Value Date Calendar” is the calendar available within the NEX SEF Dealing Service that displays Value Date information by currency pair and month.

(d) DEALING ON NEX SEF DEALING SERVICE

The NEX SEF Dealing Service is designed to facilitate the matching of Bids/Offers. This creates a Transaction that can result in a Deal or multiple Deals.

(1) **Transactions.** Each Deal consists of a Maker and Taker. Deals may consist of two unique Counterparties or may comprise different Trader ID's of the same Counterparty when intrafloor dealing is enabled. Intrafloor dealing is enabled as a default on the NEX SEF Dealing Service. A match between the same Trader IDs is not permitted.

(2) **Bids/Offers**

(i) Bids/Offers are a means for an Authorised Trader to express a limit price (or better) at which he or she is willing to transact. Bids/Offers are limit orders that reside in the Order Book. Bids/Offers that do not immediately result in a match are considered passive and enter the Order Book. Bids/Offers that are fully executed upon submission as a result of an Automatch are not displayed on the Order Book. The resulting execution is reflected in Market View Information if the Deal constitutes a new high or low price within the Price Distribution Interval.

(ii) There are three matching engines in the NEX SEF Dealing Service: in London, New York and Tokyo. Once a Bid/Offer enters the Order Book at the local matching engine, except for those Bids/Offers that result in an Automatch, the NEX SEF Dealing Service distributes that Bid/Offer or the remaining unmatched balance of the Bid/Offer to the other two matching engines.

(iii) Bids/Offers can match:

A. Immediately:

1. with other Bids/Offers as an Automatch Taker, or
2. with a Pip/Price Discretion Bid/Offer as a Maker; or

B. subsequently:

1. with other aggressive Bids/Offers as a Maker,
2. with Hits as a Maker,
3. with a Pip/Price Discretion Bid/Offer as a Maker, or
4. with a Pip/Price Discretion Bid/Offer as a Taker.

(iv) Bids/Offers that do not result in a match will remain active in the Order

Book until:

- A. interrupted in accordance with Protocol Rule (d)(4)(i);
- B. interrupted due to loss of connectivity, or an EBS Ai or Workstation Heartbeat disconnect;
- C. interrupted due to the end of the weekly trading session;
- D. interrupted due to the end of the trading session for instruments that have a designated open/close;
- E. an auto interrupt is triggered;
- F. a successive Bid/Offer replaces a prior Bid/Offer;

- G. removed by the Facility in accordance with Protocol Rule (i);
  - H. cancelled or amended in accordance with Facility Rule 310; or
  - I. matched in full.
- (v) Hits on the NEX SEF Dealing Service can be Buys or Sells. A **“Buy/Sell”** means a Bid/Offer entered into the EBS Dealing Service which is IOC, as defined below.
- (vi) Hits can be defined as **“IOC”** (Immediate or Cancel) for Bids/Offers that do not reside in the Order Book.
- (vii) A Hit will be matched if the Facility Order Book contains an active Bid/Offer at an equal or better price at time of the match.
- (viii) A Hit will match immediately or will be canceled if the target liquidity is missed or no longer available.
- (ix) If Work the Balance is set to "partial", then a Bid/Offer for the unmatched balance will be initiated only when some portion of the Hit has been satisfied.
- (x) If Work the Balance is set to always, then a Bid/Offer for the unmatched balance will be initiated regardless of whether the hit was partially filled or totally missed.
- (xi) Hits can match immediately:
- A. with passive Bids/Offers as a Taker, or
  - B. with a Pip/Price Discretion Bid/Offer as a Taker.
- (xii) The unmatched balance of Hits which have enabled Work the Balance will match as a Bid/Offer in accordance with Protocol Rule (d)(3).

(3) **Matching Priority**

- (i) Once a Bid/Offer is submitted, including a Held Order, the NEX SEF Dealing Service will immediately attempt to match the request with a Bid/Offer of better or equal price. Each match attempt is prioritized in shown price, time priority. The matching engine to which a Bid/Offer is submitted (New York, London or Tokyo) is defined as the local one; the others being remote. Local Bids/Offers that do not match immediately are inserted into the Order Book ahead of remote Bids/Offers at the same price.
- (ii) When a match or multiple matches are initiated, the NEX SEF Dealing Service initiates processing to complete each Deal. This Deal processing, which is unique to the NEX SEF Dealing Service's distributed matching logic, includes the following validations:
  - A. Verification at the Maker matching engine that the Maker Bid/Offer is still available; and
  - B. Verification that sufficient credit exists between the two Counterparties.
- (iii) If a match does not result in a Deal, the NEX SEF Dealing Service will reactivate the Bid/Offer into the NEX SEF Dealing Service according to the rules of price, time priority.



(4) **Interrupt Rules**

- (i) A request by a Counterparty to interrupt a Bid/Offer can be submitted at any time during the lifetime of the Bid/Offer. Upon receipt of the interrupt at the matching engine, no additional matches will be initiated against the outstanding balance of the Bid/Offer. Matches which have been initiated by the matching engine prior to the receipt of the interrupt message cannot be interrupted.
- (ii) The Facility may cancel a Bid/Offer as provided in the Facility Rulebook.

(e) **THE MATCHING PROCESS**

(1) Each Trading Privilege Holder or Authorised Trading Firm must establish a relationship with its Counterparties, satisfy itself of the creditworthiness of its Counterparties and extend credit to them as it sees fit. For a match to be made in the NEX SEF Dealing Service, mutual credit must exist between the two Counterparties. If credit has not been established with or given by another Counterparty, or when credit given by or to a Counterparty is exhausted, the prices submitted by a Counterparty will not be considered a Dealable Bid/Offer for the other.

(2) Once hits and Bids/Offers have been matched, any successful Deal will depend on the available Credit Limits remaining for each Trading Floor. If there is insufficient mutual credit to complete the Deal for the full size of the Deal, the size of the Deal will be reduced to the amount of mutual credit available. In order for a Deal to complete the size of the Deal must not be greater than the amount of available credit given by the Counterparty who has the lower amount of credit available for the other.

(3) Once a Deal takes place, credit is reduced for each Counterparty with the other for the size of the Deal. If there is no successful Deal, then the credit of the two Counterparties is unaffected.

(4) **Advanced Order Types**

- (i) **“Pip Discretion”**: For each Bid/Offer an Authorised Trader may define a dealable range up to/down from the shown limit price that is displayed in the Order Book. The full Bid/Offer amount is visible in the Order Book at the limit price but the Pip Discretion range defined by the Authorised Trader is not visible.
- (ii) **“Price Discretion”**: Price Discretion offers the ability via EBS Ai for an Authorised Trader to attach a hidden aggress price range to an active Bid/Offer. There is an EBS defined maximum discretionary price range per currency pair which is contained in the EBS Guide to Currency Pair Parameters.
- (iii) **“Iceberg Orders”** consist of a shown amount and hidden amount, for which the minimum required and maximum permitted values differ by currency pair. These may be found in the EBS Guide to Currency Pair Parameters. Iceberg Bids/Offers are available on the EBS Workstation, EBS Global Access and via EBS Ai. The matching of Iceberg Bids/Offers is based on shown price, time priority, and size and/or time randomization algorithms may be applied to each order. The following items set forth a description of certain aspects of Iceberg Bids/Offers:
  - A. Size randomization is an NEX SEF Dealing Service algorithm that minimizes the market impact of an Iceberg Order. The shown amount will be replenished for a random size ranging from the

minimum required shown amount for the pair, up to the original shown amount of the Bid/Offer.

- B. Time randomization is an NEX SEF Dealing Service algorithm that minimizes the visibility of Bid/Offer replenishment, with a configurable upper limit value from 1 second to 9 seconds. Following the full satisfaction of the shown amount of an Iceberg Order, replenishment will occur after a randomized time interval expires (100 millisecond increments.)
- C. It is important to note that the hidden amount of an Iceberg Order is in the Order Book and available for matching at all times and the market cannot trade through the Bid/Offer level until the total Bid/Offer amount is fully satisfied.
- D. If no other inventory is available at the price level, the time randomization algorithm is superseded and replenishment will occur immediately.
- E. Randomization algorithms may be turned on or off by Bid/Offer.

(5) **Deal Status**

When a Maker's Bid/Offer matches with a Taker's Bid/Offer on the NEX SEF Dealing Service, execution is deemed to occur once a match verification message is received by the Taker. If for any reason the NEX SEF Dealing Service fails to process all Deal messages or fails to process all Deal messages in a timely fashion as defined by the NEX SEF Dealing Service, that Deal shall be designated as being in an unverified state. In such cases the Facility will contact all Counterparties to the trade and notify them of the status of the trade as "Done" or "Not Done".

(f) **POST TRADE**

(1) **Deal Tickets**

- (i) After each Transaction a Deal Ticket is produced by the NEX SEF Dealing Service and sent to the Trading Privilege Holder or Authorised Trading Firm.
  - A. The Facility may provide an automated feed, the "**EBS Deal Feed Client**", notifying a Trading Privilege Holder or Authorised Trading Firm of the Deals to which the Trading Privilege Holder or Authorised Trading Firm is a party, if the Trading Privilege Holder or Authorised Trading Firm chooses. It is the Trading Privilege Holder's or Authorised Trading Firm's responsibility to ensure that the Trading Privilege Holder's or Authorised Trading Firm's software is able to receive the EBS Deal Feed Client and that the interface is properly installed, tested and working. The EBS Deal Feed Client is not available to Trading Privilege Holders or Authorised Trading Firms who connect solely through the Global Access interface.

(2) **Confirmations**

- (i) In accordance with Facility Rule 312, each Deal executed on the NEX SEF Dealing Service shall be deemed to incorporate the following wording which, together with the information contained within the EBS Deal Feed Client (to the extent that a Trading Privilege Holder or Authorised Trading Firm has elected to receive the EBS Deal Feed), will be deemed to be the Confirmation of such Deal:

ANY PREEXISTING AGREEMENTS BETWEEN THE COUNTERPARTIES THAT ARE NOT INCONSISTENT WITH THIS CONFIRMATION, THE INFORMATION CONTAINED IN THE EBS DEAL FEED CLIENT OR THE NEX SEF RULEBOOK, ARE HEREBY DEEMED INCORPORATED BY REFERENCE.

THE TRANSACTION SHALL BE GOVERNED BY NEW YORK LAW, EXCEPT THAT GOVERNING LAW FOR PREEXISTING AGREEMENTS BETWEEN THE COUNTERPARTIES IS AS MAY BE OTHERWISE AGREED BETWEEN THE PARTIES.

COUNTERPARTIES MUST INFORM THE FACILITY IMMEDIATELY OF ANY QUERY OR DISCREPANCY ON THE EBS CLIENT DEAL FEED. ANY REQUEST FOR REVIEW MUST BE MADE TO THE FACILITY WITHIN 15 MINUTES OF THE FACILITY'S EXECUTION OF THE TRANSACTION.

NEX SEF AND ITS AFFILIATES PROVIDING SERVICES TO THE FACILITY ACCEPT NO LIABILITY FOR THE COMMERCIAL ADVISABILITY OF THIS TRANSACTION. THIS CONFIRMATION SUPERSEDES ANY PREVIOUS AGREEMENTS BETWEEN THE COUNTERPARTIES REGARDING THE TERMS OF THE TRANSACTION OTHER THAN AS MAY BE INCORPORATED HEREIN. IF A CONFIRMATION RELATING TO THE TRANSACTION SPECIFIED HEREIN IS DELIVERED TO YOU BOTH VIA A THIRD PARTY OR THIRD-PARTY SERVICE (SUCH AS MARKITWIRE, RTNS, ECONFIRM OR CONFIRMHUB) (EACH, A "**THIRD-PARTY CONFIRMATION**") OR DIRECTLY AS A BILATERAL CONFIRMATION FROM YOUR COUNTERPARTY, AS WELL AS SEPARATELY FROM NEX SEF (WHETHER DIRECTLY OR VIA ANY TRADING PRIVILEGE HOLDER OR AUTHORISED TRADING FIRM), THEN THE INFORMATION IN THE EBS DEAL FEED CLIENT TOGETHER WITH THE WORDING IN THIS PROTOCOL RULE (f)(2)(i) SHALL BE DEEMED TO BE THE LEGALLY BINDING CONFIRMATION OF NEX SEF RELATING TO SUCH TRANSACTION, AND NOT THE THIRD-PARTY CONFIRMATION. TRANSACTIONS EXECUTED AS CLEARED TRANSACTIONS ARE VOID AB INITIO AND WILL BE CANCELED BY NEX SEF IF NOT ACCEPTED FOR CLEARING IN ACCORDANCE WITH THE FACILITY RULEBOOK.

NEX SEF IS NOT A PRINCIPAL TO THE TRANSACTION AND IS NEITHER LIABLE NOR RESPONSIBLE FOR THE DUE PERFORMANCE OF ANY OF THE TERMS SET OUT ABOVE. IN THE EVENT OF A DISPUTE, THE COUNTERPARTIES SHALL HOLD NEX SEF AND ITS AFFILIATES PROVIDING SERVICES TO THE FACILITY HARMLESS FROM ANY LIABILITY ARISING OUT OF THEIR OPERATION OF THE FACILITY AND/OR PROVISION OF SERVICES TO THE FACILITY.

(3) **Settlement**

- (i) The Trading Privilege Holder or Authorised Trading Firm is entirely responsible for all aspects of Transaction settlement, including but not

limited to: all payments; any procedures supplemented to (but consistent with) the provisions of this System Protocol and any liability for default by such Trading Privilege Holder or Authorised Trading Firm.

- (ii) 17:00 EST is the point at which the trade date moves to the next day. However, when a trade is done on a Saturday before 17:00 EST the effective trade date is Friday, and when the trade is done after 17:00 EST on a Saturday the effective trade date is the following Monday. There are exceptions to this general Protocol Rule, and the information regarding these exceptions is contained in the EBS Guide to Currency Pair Parameters.
- (iii) The Facility uses recognized industry sources to update the Value Date Calendar on the Workstation and Global Access. In the event of a Value Date dispute, Trading Privilege Holders and Authorised Trading Firms shall make their own bilateral determination of the applicable Value Date in accordance with standard market convention.

(g) TRADING FLOOR ADMINISTRATOR

(1) **TFA General**

- (i) Each Trading Privilege Holder and Authorised Trading Firm must appoint at least one TFA for each Trading Floor. At least one TFA must be available to communicate with and be accessible to the Facility and Trading Privilege Holders or Authorised Trading Firms at all times while the NEX SEF Dealing Service is in use at the Trading Floor. A TFA or other Authorised Trader must also be present when maintenance of the NEX SEF Dealing Service is taking place at the Trading Floor.
- (ii) The TFA is responsible for the supervision of operations of the NEX SEF Dealing Service on the Trading Privilege Holder's or Authorised Trading Firm's Trading Floor with a view to ensuring the smooth running of the NEX SEF Dealing Service. Any issues arising in relation to the NEX SEF Dealing Service shall be handled in accordance with the Facility Rulebook and relevant User Guides. These operational responsibilities include trading activities and system support of all hardware used at the Trading Floor for dealing on the NEX SEF Dealing Service.
- (iii) In the case of the NEX SEF Prime Service there will be a master agreement between the Prime Broker and the relevant NEX SEF Prime Service Trading Privilege Holder (the "**Prime Master Agreement**"). The Trading Privilege Holder must ensure that responsible persons are identified in respect of the minimum requirements with which it must comply under the Prime Master Agreement.

(2) **Security**

- (i) Each TFA has his or her own ID and password which allow access to specific TFA functions. The Facility provides the TFA with his or her initial password and the first time the TFA signs on he or she will be required to change his or her password; this does not apply in respect of Global Access.
- (ii) It is the responsibility of each Trading Privilege Holder and Authorised Trading Firm to determine and implement adequate security systems and procedures at its Trading Floor(s). With respect to Global Access, it is the

responsibility of each Trading Privilege Holder and Authorised Trading Firm to follow the security requirements and procedures prescribed by the Facility in the EBS Global Access User Guide.

- (iii) In respect of Global Access, it is the responsibility of the TFA to notify the Facility immediately where access to the NEX SEF Dealing Service of an Authorised Trader has been terminated or otherwise invalidated.

### (3) **Credit and Settlement**

- (i) It is the responsibility of the TFA to maintain Credit Limits with each Counterparty with whom the Trading Privilege Holder or Authorised Trading Firm wishes to deal. It is also the responsibility of the TFA to enter settlement instructions in respect of each currency pair the Trading Privilege Holder or Authorised Trading Firm wishes to transact.
- (ii) In the case of the NEX SEF Prime Service the TFA must also maintain Credit Limits between the Prime Broker and the relevant NEX SEF Prime Service Trading Privilege Holder in accordance with Facility Rule 215. An Authorised Trader on a Trading Floor can deal with a Counterparty if there is sufficient mutual credit to deal in the Minimum Deal Size in any Product. The “**Minimum Deal Size**” is defined by the NEX SEF Dealing Service for each Product. The “**Minimum Credit Threshold**” is the minimum amount of credit necessary for a successful Deal of the Minimum Deal Size for the instrument with the highest value on the NEX SEF Dealing Service.
- (iii) Where new Trading Privilege Holders or Authorised Trading Firms are granted access to the NEX SEF Dealing Service, it is the responsibility of the TFA to review the status of these prospective Counterparties for credit purposes and for the Trading Privilege Holder or Authorised Trading Firm to consider allocating Credit Limits to each such Counterparty or group of Counterparties. It is also the responsibility of the TFA to review from time to time the credit status of existing Counterparties.
- (iv) The NEX SEF Dealing Service provides warning messages indicating when the credit used for a Counterparty or group of Counterparties has reached a certain percentage of the Credit Limit for that Counterparty. This percentage is set by the TFA. The NEX SEF Dealing Service will provide a message when the Credit Limit allocated to a Counterparty or group of Counterparties has been exhausted or is insufficient to allow a Deal to take place for the Minimum Deal Size.

### (4) **Risk Management**

- (i) In addition to the ability to manage risk through the operation of pre-screened credit, a Trading Privilege Holder or Authorised Trading Firm trading NDFs will be able to manage risk in two further ways:
  - A. “**Volatility Factor**”: the TFA may assign a percentage for every NDF currency pair or tenor. The NEX SEF Dealing Service default will be 100%.
  - B. “**Scaling Factor**”: a TFA may assign a scaling factor (a rational number greater than zero), for each currency pair or tenor. Alternatively a TFA may choose to utilize the square root of time to maturity (in days) for all currency pairs or tenor. The default Scaling Factor will be set to 1.0.

**(5) User Maintenance and Access**

- (i) The TFA is responsible for allocating an initial ID to each Authorised Trader. The NEX SEF Dealing Service will allocate the Trading Floor default password to the Authorised Trader. When an Authorised Trader first signs on using this default password, he/she is required to change the password immediately. For Global Access, in addition to the above, the Facility will complete the user authentication process on behalf of the TFA.
  - (ii) An Authorised Trader shall comply with the following password procedures:
    - A. change passwords regularly;
    - B. never use another Authorised Trader's ID to sign on;
    - C. never disclose passwords to other Authorised Traders or any other person;
    - D. always sign off at the end of a trading session;
    - E. never automate the sign on process (unless as part of the EBS Ai Client Application); and
    - F. never turn off the monitor while signed on.
  - (iii) It is the responsibility of an Authorised Trader to contact the TFA if problems arise in the sign on process or if a password is forgotten. If an Authorised Trader believes that someone else has obtained his or her password, he or she must change his password and notify the TFA.
  - (iv) An Authorised Trader must only be signed on using his or her own ID and password at one Workstation at any one time.
  - (v) An Authorised Trader is given three opportunities to enter a correct password prior to having his or her Trader ID disabled. In the event that an Authorised Trader's ID is disabled, the Authorised Trader must contact his or her TFA who will reset his or her Trader ID. If the TFA is not available, the Authorised Trader may contact the Facility for assistance.
  - (vi) After the sign on procedure has been successfully completed, the Authorised Trader will receive the date and time of his or her last sign on. At this time the Authorised Trader may receive a "message of the day". The Authorised Trader is responsible for contacting the TFA if the date and time displayed does not correspond to when he or she last signed on.
  - (vii) At the discretion of the Facility, any Workstation may be signed off by the Facility. In these instances, any outstanding Bids/Offeres will be removed by the NEX SEF Dealing Service automatically.
- (h) **TRADING PRIVILEGE HOLDER OR AUTHORISED TRADING FIRM SUPPORT**
- Facility Customer Support is available 24x7 to assist Trading Privilege Holders or Authorised Trading Firms with all issues pertaining to the NEX SEF Dealing Service.

(1) **Counterparty Support Obligations**

If a Trading Privilege Holder or Authorised Trading Firm suspects a problem with the NEX SEF Dealing Service which it considers may affect its use of the NEX SEF Dealing Service, an Authorised Trader must immediately:

- (i) remove all of that Trading Privilege Holder's or Authorised Trading Firm's Bids/Offers from the NEX SEF Dealing Service and
- (ii) contact Facility Customer Support.

Facility Customer Support may require, at its sole discretion that:

- (i) all Bids/Offers submitted by that Trading Floor be removed;
- (ii) all Authorised Traders of that Trading Floor stop using the NEX SEF Dealing Service; and/or
- (iii) the Trading Privilege Holder or Authorised Trading Firm provide information in connection with the issue to Facility Customer Support.

(2) **Matching/Deal Disputes**

- (i) Deal Queries
  - A. In the event of a query as to the terms of a Deal, the Trading Privilege Holder or Authorised Trading Firm may contact Facility Customer Support which will, where possible, provide the Trading Privilege Holder or Authorised Trading Firm with contact details for the Counterparty to facilitate direct resolution between the two Counterparties. Except as otherwise provided for in the Facility Rulebook, Facility Customer Support will not amend the Deal status or rate details, which remains the preserve of the two Counterparties concerned.
- (ii) NEX SEF Prime Service and EBS Ai Deal Queries
  - A. A Counterparty's deal code may appear to EBS counterparties as a result of Deals originating from any or all of the following:
    - 1. Workstation dealer;
    - 2. Global Access;
    - 3. EBS Ai; or
    - 4. NEX SEF Prime Service Trading Privilege Holders and Authorised Trading Firms, in which case the deal code of the Prime Broker is supplied.
  - B. All Prime Brokers and other Counterparties using EBS Ai must ensure that all potential Counterparties know how to contact a representative of the relevant Trading Privilege Holder or Authorised Trading Firm (such as via conversational direct dealing or telephone). In the event of a disputed Deal, each Trading Privilege Holder or Authorised Trading Firm must ensure that its representative is authorized to make immediate decisions to resolve such trade disputes on behalf of the Trading Privilege



Holder or Authorised Trading Firm, including, if appropriate (within the context of the ACI Model Code and other applicable dealing conventions), the execution of an offsetting Deal.

- C. In order to facilitate timely resolution of Deal queries, each Trading Privilege Holder or Authorised Trading Firm must:
1. establish an Authorised Trader naming convention which guarantees uniqueness across all of its Authorised Traders associated with the same four-letter EBS deal code ascribed to such Trading Privilege Holder or Authorised Trading Firm;
  2. communicate this Authorised Trader ID naming convention to its Authorised Traders, and ensure that such Authorised Traders are aware of its internal escalation procedures so that queries related to this Deal code can be forwarded to the appropriate contacts at all times of the trading day; and
  3. provide Facility Customer Support with primary and secondary 24/7 contact details for each of its relevant business areas using the NEX SEF Dealing Service. The designated contacts must be authorized to make immediate decisions to resolve any Deal disputes on behalf of the organization. The Facility must also be authorized to disclose such contact details to Counterparties on request in order to facilitate resolution of issues.

(i) **ADDITIONAL RULES FOR AI TRADING**

(1) EBS Ai is an alternative means of accessing the NEX SEF Dealing Service. “**EBS Ai**” is defined as a message-based interface that supports a two-way message exchange between the NEX SEF Dealing Service and the Trading Privilege Holder’s or Authorised Trading Firm’s trading application.

(2) Trading Privilege Holders or Authorised Trading Firms shall only use EBS Ai, EBS Ai Application and Market View Information to implement their high frequency/program trading models.

(3) **Bid/Offer Throughput and Outstanding Active Bids/Offers**

- (i) The EBS Ai Server limits the number of Bids/Offers that can be submitted within a rolling time window (throughput limit) defined by the NEX SEF Dealing Service and the maximum number of Bids/Offers which can remain outstanding in the Facility market at a given time. Once the throughput limit is reached for a given time window, additional Bids/Offers are rejected until at least one Bid/Offer is executed or canceled, or until the time window has passed. Limits are subject to change and may vary depending on the instruments traded through the NEX SEF Dealing Service and will be communicated to all Trading Privilege Holders or Authorised Trading Firms prior to the commencement of trading (5:00 a.m. Sydney local time).

(4) **Maintenance of Orderly Markets**

- (i) In order to maintain an orderly market, the Facility may enforce each of the following protocols on selected NEX SEF NDF currency pairs upon a determination by the Market Regulation Staff, in its sole discretion, that one or more Participants may be engaging in trading in such currency pairs in violation of Chapter 4:
- A. Quote Fill Ratio (“**QFR**”). The QFR is a minimum percent of passive Bid/Offer submissions.
  - B. Hit Fill Ratio (“**HFR**”). The HFR is a minimum percent of aggressive Bid/Offer submissions.
  - C. Minimum Quote Life (“**MQL**”). The MQL represents the amount of time a Participant’s Bids/Offers must rest in the Order Book before they can be interrupted by the Participant.
  - D. Distributed Quote Interrupt (“**DQI**”). The DQI holds all Bid/Offer interrupt messages during periods in which the Market Regulation Staff determines there is a pattern of disruptive Bids/Offers originating from one or more regions during non-core trading hours for such regions.
- (ii) Any QFR and/or HFR:
- A. shall, for all Bids/Offers other than those covered by paragraph (B) below, be calculated by the Market Regulation Staff based on historical analysis of fill patterns on completed Deals - measured daily, weekly (5-day rolling average) and monthly;
  - B. shall be based on the total notional value of Deals divided by the number of Bids/Offers submitted by a Participant or Trading Floor, as applicable;
  - C. may vary by timezone and/or time of day;
  - D. may be calculated and applied either to each Participant or to each Trading Floor of each Participant, as the Market Regulation Staff may determine in its discretion; and
  - E. may be subject to such thresholds, including minimum number of Bids/Offers submitted by a Participant or Trading Floor, as applicable, as the Market Regulation Staff may determine to apply.
- (iii) If the Market Regulation Staff determines to enforce a QFR and/or HFR, prior notice will be provided to all Participants in an MRAN indicating (i) the affected NEX SEF NDF currency pair(s); (ii) the relevant QFR and/or HFR percentage; (iii) the calculation methodology used to establish such percentage; (iii) any relevant thresholds applicable to the relevant QFR and/or HFR percentage and whether such thresholds would be aggregated across IDs and deal codes or on a per-Trading Floor basis; (iv) whether the QFR and/or HFR will be applied at the Participant level or at the Trading Floor level; and (v) the time and date the QFR and/or HFR will be put into effect. The QFR and/or HFR will apply to all Bids/Offers

submitted to the Order Book (regardless of Participant access method) by each Participant for the relevant NEX SEF NDF currency pair.

- (iv) If a Participant fails to meet the applicable QFR and/or HFR then in effect, the Market Regulation Staff may deem such failure a Violation of Rule 406 and may take any of the following actions in its sole discretion at any time:
  - A. impose on that particular Participant a MQL on selected NEX SEF NDF currency pairs. If enforced, MQL will apply to all Bids/Offers submitted to the Order Book by the affected Participants for the relevant NEX SEF NDF currency pair;
  - B. impose on that particular Participant, for Bids/Offers submitted via EBS Ai (other than end-of-month products), a requirement to maintain a minimum top of book MQL of 90% > 1s;
  - C. prohibit the Participant from quoting or streaming passive Bids/Offers and the Participant will accordingly be limited to submitting aggressive Bids/Offers;
  - D. summarily suspend the Participant in accordance with Facility Rule 514; and
  - E. submit such deemed Violation of Rule 406 to the Review Panel in accordance with the formal disciplinary procedures of Chapter 5.
- (v) If a Participant continues to fail to meet the QFR and/or HFR after the Facility has taken any of the foregoing actions, the Facility may suspend the Participant from EBS or the Facility in its entirety in accordance with Facility Rule 206 following completion of the disciplinary procedures set forth in Chapter 5.
- (vi) Sample MQL, QFR and HFR ranges for NEX SEF NDF pairs are included, for reference, in the attached Product Appendix.
- (vii) The Market Regulation Staff may impose a DQI on all Participants, which will hold all Bid/Offer interrupt messages until one or more of the regions in non-core trading hours confirm that there is no Deal pending for the relevant Bid/Offer. If the Market Regulation Staff determines to enforce a DQI, a new QFR may be imposed upon any Participant that have been identified as submitting the disruptive Bids/Offers during the relevant period. The Facility shall provide notice to any affected Participant, which shall include: (i) the affected NEX SEF NDF currency pair(s); (ii) information with respect to the QFR imposed, including whether the QFR will be applied at the Participant level, deal code level or at the Trading Floor level; and (iii) the time and date the QFR will be put into effect.
- (viii) The Facility may exempt a Participant, who is part of a Market Maker program, from the MQL, QFR, HFR and/or DQI parameters. Such exemption would only be for currency pairs covered by the Market Maker program, might not include all currency pairs in the market maker program, and would apply equally to all Participants that are part of such Market Maker program.

(ix) Self Match / Painting the Tape.

- A. Self matching, if considered disruptive by the Market Regulation Staff, is also prohibited and may be systemically prevented.
- B. “Painting the tape”, whereby apparently unrelated parties collude to buy and sell a particular currency pair among themselves to create artificial trading activity at one or more price levels, is prohibited trading activity.

(5) **Validations**

Price validation is an EBS Ai configurable item and will depend upon the values of the EBS Ai parameters such as PriceCheck, WideDifferenceCheck and LargeDifferenceCheck. Bids/Offers are screened to ensure that they are not inverted or quoted outside of the acceptable range for the Product. Bids/Offers with off-market prices are rejected by the EBS Ai server. “Off-market” transactions are defined according to parameters which are set out in the EBS Ai Developer’s Guide, which is a User Guide available to Trading Privilege Holders or Authorised Trading Firms upon request.

(i) **Maximum Trade Size**

There is a limit on the size of a single Bid/Offer that can be accepted at the EBS Ai server. Bids/Offers exceeding that limit are rejected by the EBS Ai server. The limit is set out in the EBS Ai Developers Guide. The Facility will notify Trading Privilege Holders or Authorised Trading Firms who are using the EBS Ai product as and when limits are changed.

(6) **Link Integrity/Certification**

- (i) The EBS Ai server requires that the EBS Ai Client Application follows the published protocol closely (as set out in the EBS Ai Developer’s Guide). Any protocol errors are interpreted as Trading Privilege Holder or Authorised Trading Firm system failures. Any failure of the EBS Ai Client Application (including a protocol error) will cause the EBS Ai server immediately to interrupt all active Bids/Offers and reset the connection with the EBS Ai Client Application in order to attempt to protect the Trading Privilege Holder or Authorised Trading Firm. A failure by the EBS Ai Client Application to maintain Heartbeats will also cause the EBS Ai server to immediately interrupt all active Bids/Offers and reset the connection with the EBS Ai Client Application.

THE FACILITY IS NOT RESPONSIBLE FOR AND ACCEPTS NO LIABILITY FOR ANY SUCH INTERRUPTION OR CONNECTION RESET.

(7) **Market View Information**

- (i) EBS Ai provides a feed of market data known as “Market View Information”. The Market View Information is available as a credit-screened update and is published to each Trading Privilege Holder or Authorised Trading Firm EBS deal code at intervals determined by the Facility. Ai Market View Information in excess of 24 hours may not be stored by a Trading Privilege Holder or Authorised Trading Firm.

- (ii) In the case of the NEX SEF Prime Service where a NEX SEF Prime Service Trading Privilege Holder may be utilizing multiple Prime Brokers, only one Market View may be enabled.

**PRODUCT APPENDIX:**

The following Products are available to trade on NEX SEF Dealing Service:

1. Non-Deliverable Forwards identified on the NEX SEF Dealing Service as Facility NDFs and listed in the EBS Guide to Currency Pair Parameters.

EBS GUIDE TO CURRENCY PAIR PARAMETERS APPENDIX:

Exhibit A

3 NDF Pair Parameters

The following table illustrates the Non-Deliverable Forward pair parameters, as defined by EBS. The base currency is always USD for NDF pairs.

NDF Pair	Term ON GEF pair	Tenor on AI (ag 5C)	Req. Amt.	Est. Order Amt.	Min. Trade Size	X/Rate	AI Death of B/V	AI Mar. Lab.	Price Prediction	Price Forecast	Death of Inventory	Amt. View 1	Amt. View 2	Amt. View 3	Amt. View 4	Amt. View 5	Spread View 1	Spread View 2	Spread View 3	Spread View 4	Spread View 5
**ARS 1M	AGS	ML	10m	10m	1m	0.0000 - 000 pip	50	3	full	4.7145	300	2	3	5	None	None	100 pips	200 pips	300 pips	None	None
BRL 1M	BRS	ML	10m	10m	1m	0.0100 - 100 pip	20	3	full	2.0415	30	5	10	15	None	None	10 pips	15 pips	20 pips	None	None
BRL JAN	BRS	S	10m	10m	1m	0.0100 - 100 pip	30	3	full	2.0415	100	5	10	15	None	None	25 pips	50 pips	100 pips	None	None
BRL FEB	BRS	S	10m	10m	1m	0.0100 - 100 pip	30	3	full	2.0415	100	5	10	15	None	None	25 pips	50 pips	100 pips	None	None
BRL MAR	BRS	S	10m	10m	1m	0.0100 - 100 pip	30	3	full	2.0415	100	5	10	15	None	None	25 pips	50 pips	100 pips	None	None
BRL APR	BRS	S	10m	10m	1m	0.0100 - 100 pip	30	3	full	2.0415	100	5	10	15	None	None	25 pips	50 pips	100 pips	None	None
BRL MAY	BRS	S	10m	10m	1m	0.0100 - 100 pip	30	3	full	2.0415	100	5	10	15	None	None	25 pips	50 pips	100 pips	None	None
BRL JUN	BRS	S	10m	10m	1m	0.0100 - 100 pip	30	3	full	2.0415	100	5	10	15	None	None	25 pips	50 pips	100 pips	None	None
BRL JUL	BRS	S	10m	10m	1m	0.0100 - 100 pip	30	3	full	2.0415	100	5	10	15	None	None	25 pips	50 pips	100 pips	None	None
BRL AUG	BRS	S	10m	10m	1m	0.0100 - 100 pip	30	3	full	2.0415	100	5	10	15	None	None	25 pips	50 pips	100 pips	None	None
BRL SEP	BRS	S	10m	10m	1m	0.0100 - 100 pip	30	3	full	2.0415	100	5	10	15	None	None	25 pips	50 pips	100 pips	None	None
BRL OCT	BRS	S	10m	10m	1m	0.0100 - 100 pip	30	3	full	2.0415	100	5	10	15	None	None	25 pips	50 pips	100 pips	None	None
BRL NOV	BRS	S	10m	10m	1m	0.0100 - 100 pip	30	3	full	2.0415	100	5	10	15	None	None	25 pips	50 pips	100 pips	None	None
BRL DEC	BRS	S	10m	10m	1m	0.0100 - 100 pip	30	3	full	2.0415	100	5	10	15	None	None	25 pips	50 pips	100 pips	None	None
**CLP 1M	CPS	ML	10m	10m	1m	10.00 - 1000 pip	30	3	full	482.85	150	3	10	None	None	50 pips	100 pips	150 pips	None	None	
CNY 1M	CNS	ML	10m	10m	1m	0.0100 - 100 pip	30	3	full	6.3954	150	3	5	10	25	50	5 pips	10 pips	20 pips	30 pips	50 pips
CNY 3M	CNS	M3	10m	10m	1m	0.0100 - 100 pip	30	3	full	6.8429	150	3	5	10	25	50	5 pips	10 pips	20 pips	30 pips	50 pips
CNY 6M	CNS	M6	10m	10m	1m	0.0100 - 100 pip	30	3	full	6.4022	150	3	5	10	25	50	5 pips	10 pips	20 pips	30 pips	50 pips
CNY 1Y	CNS	Y1	10m	10m	1m	0.0100 - 100 pip	30	3	full	6.4120	150	3	5	10	25	50	5 pips	10 pips	20 pips	30 pips	50 pips
COP 1M	COS	ML	10m	10m	1m	10.00 - 1,000 pip	5	3	full	1839.55	20	3	5	10	None	None	3 pips	5 pips	10 pips	None	None
**IDR 1M	IDS	ML	10m	10m	1m	300 - 300 pip	150	3	full	13060	300	3	5	10	25	50	10 pips	20 pips	30 pips	40 pips	50 pips
INR 1M	INS	ML	10m	10m	1m	0.30 - 30 pip	20	3	half	46.825	30	3	5	10	25	50	1 pip	2 pips	3 pips	5 pips	10 pips
INR JAN	INS	S	10m	10m	1m	0.30 - 30 pip	20	3	half	66.555	100	5	10	15	None	None	10 pips	15 pips	20 pips	None	None
INR FEB	INS	S	10m	10m	1m	0.30 - 30 pip	20	3	half	66.555	100	5	10	15	None	None	10 pips	15 pips	20 pips	None	None
INR MAR	INS	S	10m	10m	1m	0.30 - 30 pip	20	3	half	66.555	100	5	10	15	None	None	10 pips	15 pips	20 pips	None	None
INR APR	INS	S	10m	10m	1m	0.30 - 30 pip	20	3	half	66.555	100	5	10	15	None	None	10 pips	15 pips	20 pips	None	None
INR MAY	INS	S	10m	10m	1m	0.30 - 30 pip	20	3	half	66.555	100	5	10	15	None	None	10 pips	15 pips	20 pips	None	None
INR JUN	INS	S	10m	10m	1m	0.30 - 30 pip	20	3	half	66.555	100	5	10	15	None	None	10 pips	15 pips	20 pips	None	None
INR JUL	INS	S	10m	10m	1m	0.30 - 30 pip	20	3	half	66.555	100	5	10	15	None	None	10 pips	15 pips	20 pips	None	None
INR AUG	INS	S	10m	10m	1m	0.30 - 30 pip	20	3	half	66.555	100	5	10	15	None	None	10 pips	15 pips	20 pips	None	None



**3. NDF Pair Parameters**

The following table illustrates the Non-Deliverable Forward pair parameters, as defined by ERS. The base currency is always USD for NDF pairs.

NDF Pair	Term CN DEF pair	Tenor on AI (day 02)	Reg. Acct.	Ref. Acct.	Mkt. Time Size	2, Pips	AI Depth of BV	AI Max Lot	Price Precision	Price Format	Depth of Inventory	Accr. View 1	Accr. View 2	Accr. View 3	Accr. View 4	Accr. View 5	Spread View 1	Spread View 2	Spread View 3	Spread View 4	Spread View 5
												None	None	None	None	None	None	None	None	None	None
INR SEP	INS	3	10 m	10 m	1 m	0.00 - 100 pps	20	3	half	99.999	100	5	10	10	None	None	10 pips	15 pips	20 pips	None	None
INR OCT	INS	3	10 m	10 m	1 m	0.00 - 100 pps	20	3	half	99.999	100	5	10	10	None	None	10 pips	15 pips	20 pips	None	None
INR NOV	INS	3	10 m	10 m	1 m	0.00 - 100 pps	20	3	half	99.999	100	5	10	10	None	None	10 pips	15 pips	20 pips	None	None
INR DEC	INS	3	10 m	10 m	1 m	0.00 - 100 pps	20	3	half	99.999	100	5	10	10	None	None	10 pips	15 pips	20 pips	None	None
KRW 1M	KNS	M3	10 m	10 m	1 m	0.00 - 100 pps	5	3	full	1138.1	25	5	5	10	20	50	2 pips	4 pips	6 pips	8 pips	10 pips
MYR 1M	MYS	M3	10 m	10 m	1 m	0.000 - 100 pps	150	3	full	4.1785	300	5	5	10	20	50	10 pips	15 pips	20 pips	25 pips	50 pips
PHP 1M	PHS	M3	10 m	10 m	1 m	0.0100 - 100 pps	30	3	full	2.6195	150	2	3	5	None	None	50 pips	100 pips	150 pips	None	None
PHP 31D	PHS	060	10 m	10 m	1 m	0.00	30	3	full	2.6215	150	None	None	None	None	None	None	None	None	None	None
PHP 1M	PHS	M3	10 m	10 m	1 m	0.00 - 100 pps	30	3	full	42.38	100	5	5	10	20	50	1 pip	3 pips	5 pips	10 pips	20 pips
RUB 1M	RUS	M3	10 m	10 m	1 m	0.1000 - 1,000 pps	1000	3	full	32.7195	2000	5	10	15	None	None	300 pips	500 pips	900 pips	None	None
TWD 1M	TWS	M3	10 m	10 m	1 m	0.000 - 100 pps	5	3	partial	31.828	100	5	5	10	20	50	10 pips	15 pips	25 pips	50 pips	100 pips

\*) Denotes pairs with a pip increment factor of 5.  
 e.g. INR Price Convention is 00.00  
 Full = last decimal inputs 0-9  
 Partial = last decimal inputs 0 or 5  
 Half = Adds third decimal inputs 0 or 5  
 Tenth = Adds a third decimal inputs 0-9

4 Fixing against the one month (TOM) Pair Parameters								
The following table illustrates the Non-Deliverable Swaps pair parameters, as defined by EBS. The base currency is always USD for NDF pairs.								
NDF Pair	Term ON SEF pair	Tenor on AI (tag 63)	Price Precision	Reg. Amt.	Red Quote Amt.	Min. Trade Size	Depth of Inventory	Min. Trade Size
CNY TOM	CNS	2	full	5 m	5 m	1 m	1000	
IDR TOM	IDS	2	full	3 m	5 m	1 m	10	
INR TOM	INS	2	full	5 m	5 m	1 m	10	
KRW TOM	KRS	2	full	5 m	5 m	1 m	10	
MYR TOM	MYS	2	full	5 m	10 m	1 m	300	
PHP TOM	PHS	2	full	3 m	10 m	1 m	100	
TWD TOM	TWS	2	full	5 m	10 m	1 m	100	
Front future against next future date								
BRL ROL	BRS	B	half	5m	10m	1m	300	
e.g. INR Price Convention is 00.00								
Full = last decimal inputs 0-9								
Partial = last decimal inputs 0 or 5								
Half = Adds third decimal inputs 0 or 5								
Tenth = Adds a third decimal inputs 0-9								

**Rule 902 Shield System Protocol**
**Glossary**

<b>Access Details</b>	The non-transferable, confidential personal user identifiers and all passwords issued by the Facility to each Authorised Trader.
<b>Authorised Trader Desk</b>	A group of Authorised Traders belonging to a single desk and sharing a common set of Contracts trading permissions. Orders are received at the common desk and serviced by the Authorised Traders belonging to such desk. Authorised Traders can only belong to one desk.
<b>Erroneous Bids/Offers</b>	Any Bid/Offer which does not meet the requirements set out in this System Protocol.
<b>Shield Order Book</b>	An Order Book offered by the Facility for trading certain Swaps.
<b>System</b>	The Shield-based automated system supporting the Shield Order Book.
<b>System Supervisor</b>	The market support team of Shield Order Book.
<b>Trading Engine</b>	The System matching engine.

**(a) General Rules**

(1) This System Protocol is part of the Facility Rulebook. In the event of a conflict between this System Protocol and the Facility Rulebook, this System Protocol shall take precedence. All capitalized terms not otherwise defined in this System Protocol shall have the meanings ascribed to them in the Facility Rulebook.

(2) The System offers an electronic central limit order book for certain Swaps listed by the Facility, as specified in Appendix 1 hereto. The Facility may at any time expand or alter the Swaps offered for trading on the System pursuant to Commission Regulations.

(3) The System shall disclose the identities of the Participant to the counterparty after the trade has been executed.

**(b) Participation**

(1) In addition to the requirements set forth in the Facility Rulebook, Participants must also have in place adequate measures and arrangements to prevent the submission of Erroneous Bids/Offers to the System.

(2) A Participant's Authorised Traders will be deemed eligible to trade all Swaps offered for trading on the System unless the Participant specifies otherwise.

**(c) Access Method**

(1) Participant shall call or email NEX SEF operations to access the System at the following.

- (i) Email should be addressed to NEXSEF [ShieldOrderbook@nex.com](mailto:ShieldOrderbook@nex.com);
- (ii) Calls should be addressed to +1 (212) 521-4768

(d) **Trading Calendar and Hours of Operation**

(1) Participant shall not enter Bids/Offers into the System outside of the hours of operation of the System as stated by the Facility. Any such Bids/Offers will be invalid and any resultant trades treated as Error trades.

(2) The trading hours for the System are Sunday 3:00 PM ET to Friday 5:30 PM ET. The System is closed for trading on holidays determined and notified by the Facility.

(e) **Orders – Registration of Orders**

(1) Each Bid/Offer must specify the Bid/Offer duration.

(2) Participants may enter Bids/Offers by emailing the SEF. The SEF shall enter any Bid/Offer into the System as soon as reasonably practicable after the Bid/Offer is received.

(3) .

(4) Once a Participant is admitted to the Facility to trade Contracts, all Bids/Offers in respect of Contracts available to trade via the System will be made visible to the Participant, subject to the restrictions outlined in Appendix 2. However, Participants may customize their screen to limit the Bids/Offers they view to only those Contracts they have selected. All Bids/Offers that are visible to the Participant will be displayed on an anonymous basis to other Participants.

(5) If a Bid/Offer is resting at the System's close, the System will automatically cancel the Bid/Offer.

(6) Participants must provide their existing counterparty credit relationships to a NEX SEF customer service representative for an uncleared instrument prior to registration of a Bid/Offer.

(f) **System Functionality**

(1) Bids/Offers

(i) All Bids/Offers are automatically matched according to price-time priority.

(ii) Bids/Offers are always matched at the price limit of the submitted Bid/Offer, or better.

(iii) All Bids/Offers are firm. Incoming Bids/Offers are always matched at the best available price.

(2) Bid/Offer Types & Conditions

(i) The System supports limit Bids/Offers only.

(ii) Details of Bid/Offer types, conditions, duration and management are found in Appendix 2 to this System Protocol.

**Appendix 1****Contracts Offered for Trading on the Shield Order Book:**

- 1. All Contracts listed by NEX SEF except Non-Deliverable Forwards are offered for trading on the EBS Order Book.**

**Appendix 2****Bid/Offer Types and Shield Order Book Configuration****(a) Stacked Order Book:**

- (1) The System supports a stacked Order Book. If there are multiple Bids/Offers at the same price point on one side (e.g., 5 orders for 100m each) then when aggregated for the full amount (e.g., 500), each Bid/Offer on the passive side will trade.

**(b) Other Bid/Offer Type**

- (1) Time attributes: Good Till Canceled

**Rule 903 Pre-Arranged Crossing System Protocol**
**Glossary**

<b>Access Details</b>	The non-transferable, confidential personal user identifiers and all passwords issued by the Facility to each Authorised Trader.
<b>Erroneous Bids/Offers</b>	Any Bid/Offer which does not meet the requirements set out in this System Protocol.
<b>System API</b>	The application programming interface authorized by NEX SEF for accessing the System.
<b>System</b>	The Shield-based Pre-Arranged Crossing Platform.
<b>System Supervisor</b>	The market support team of the System.

**(a) General Rules**

- (1) This System Protocol is part of the Facility Rulebook. In the event of a conflict between this System Protocol and the Facility Rulebook, this System Protocol shall take precedence. All capitalized terms not otherwise defined in this System Protocol shall have the meanings ascribed to them in the Facility Rulebook.
- (2) The System offers a Pre-Arranged Cross platform for all Swaps listed by the Facility. The Facility may at any time expand or alter the Swaps offered for trading on the System pursuant to Commission Regulations.

**(b) Participation**

- (1) In addition to the requirements set forth in the Facility Rulebook, Participants must have in place adequate measures and arrangements to prevent the submission of Erroneous Bids/Offers to the System.
- (2) A Participant's Authorised Traders will be deemed eligible to trade all Swaps offered for trading on the System unless the Participant specifies otherwise.

**(c) Access Method**

- (1) Participants may access the System through the System API.
- (2) Participants may request assistance with the System API via email or phone from NEX SEF customer service representatives.

**(d) Trading Calendar and Hours of Operation**

- (1) Participant shall not enter Bids/Offers into the System outside of the hours of operation of the System as stated by the Facility. Any such Bids/Offers will be invalid and any resultant trades treated as Error trades.
- (2) The trading hours for the System are Sunday 3:00 PM EST to Friday 5:30 PM EST. The System is closed for trading on holidays determined and notified by the Facility.

**(e) Orders – Registration of Orders**

- (1) Participants shall enter Bids/Offers by entering Bids/Offers directly through the System API.

(f) **System Functionality**

- (1) All Bids/Offers are matched once both orders have been inputted into the System.



## ANNEX 1 Reporting Counterparty Rules

### Relevant Portions of Reporting Counterparty Rules

(a) The ISDA Reporting Party Rules are set forth below by asset class:

(1) Credit:

- (i) Where both parties are the same hierarchy level (e.g., Major Swap Participant vs. Major Swap Participant, Swap Dealer vs. Swap Dealer, or non-Swap Dealer/Major Swap Participant vs. non-Swap Dealer/Major Swap Participant), the reporting counterparty is the floating rate payer (a/k/a 'seller'). For swaptions, the reporting counterparty is the floating rate payer of the underlying swap.
- (ii) For real time reporting of step-in novations, the reporting counterparty should be determined between the transferor and transferee based on the above and the position of the transferee. So, if both parties are of the same classification and the transferee is the seller (floating rate payer) in the novated transaction, the transferee is the reporting counterparty. If the transferee is the buyer (fixed rate payer), then the transferor is the reporting counterparty.
- (iii) For novated transactions, the reporting counterparty should be reassessed between the transferee and remaining party based on the above.

(2) Rates:

(i) Product Attribute Determination:

Trade Type	Reporting Counterparty Tiebreaker Logic - Rates	
	Explanation	Reporting Counterparty
Cap/ Floor	When a single Fixed Rate Payer exists	Fixed Rate Payer. Otherwise, Reverse ASCII sort, first LEI/Entity ID
Debt Option	All	Option Buyer
Exotic	All	Reverse ASCII sort, first LEI/Entity ID
FRA	All	Fixed Rate Payer
IRS Basis	All	Reverse ASCII sort, first LEI/Entity ID
IRS Fix-Fix	All	Reverse ASCII sort, first LEI/Entity ID
IRS Fix-Float	All	Fixed Rate Payer
IRSwap: Inflation	When a single Fixed Rate Payer exists	Fixed Rate Payer. Otherwise, Reverse ASCII sort, first LEI/Entity ID
IRSwap: OIS	All	Fixed Rate Payer
Swaption	All	Option Buyer
XCCY Basis	All	Reverse ASCII sort, first LEI/Entity ID
XCCY Fix-Fix	All	Reverse ASCII sort, first LEI/Entity ID
XCCY Fix-Float	All	Fixed Rate Payer

- (ii) Tiebreaker Logic. When the participant identifier tiebreaker is invoked the following processes will be used:
  - (A) Determining identifiers. When an entity has multiple entity identifiers ("IDs"), the following hierarchy will be used to determine which entity ID to use in the reporting counterparty determination logic: LEI/CiCi is used before DTCC GTR ID which is used before an AVOX ID which is used before any other identifier.

- (B) Identifier Tiebreaker Logic Scenarios:
  - i. When both firms must have an LEI/CiCi then rank based on the two LEI/CiCis.
  - ii. When one firm has an LEI/CiCi and the other firm has a DTCC ID but does not have an LEI then rank based on the comparison of the LEI/CiCi to the DTCC ID.
  - iii. When one firm has an LEI/CiCi and the other firm has an AVOX ID but does not have an LEI then rank based on the comparison of the LEI/CiCi to the AVOX ID
  - iv. When neither firm has an LEI/CiCi and both firms have a DTCC ID then rank based on the two DTCC IDs.
  - v. When neither firm has an LEI/CiCi and one firm has a DTCC ID and the other firm has only an AVOX ID then rank based on the comparison of the DTCC ID to the AVOX ID.
  - vi. A firm will be the reporting counterparty when that firm has a DTCC ID or LEI/CiCi and the other has neither an LEI/CiCi nor a DTCC ID nor an AVOX ID. Please note that in all cases the reporting counterparty will have a DTCC ID and by extension will have an LEI/CiCi.
- (iii) Determining sort of order of identifiers:
  - i. LEI/CiCi, DTCC GTR IDs, and AVOX IDs are comprised of characters from the following set {0-9, A-Z}.
  - ii. For avoidance of doubt, before comparing IDs convert all IDs to UPPER CASE only.
  - iii. For comparison basis the sort order will be reverse ASCII sort order. For avoidance of doubt the following are sort order of precedence:
  - iv. Z, Y, X, W, V, U, T, S, R, Q, P, O, N, M, L, K, J, I, H, G, F, E, D, C, B, A, 9, 8, 7, 6, 5, 4, 3, 2, 1, 0.
- (iv) When comparing two IDs the reporting counterparty will be the firm with the first ID in the list when sorted in reverse ASCII sort order.
- (3) Equity: Where both parties are the same hierarchy level, the reporting counterparty will be the:
  - (i) Seller of performance on any product in the current version of the OTC Derivatives Products Taxonomies published by ISDA, which is attached as Attachment 2 to this Annex 1 (the “**Taxonomy**”).
  - (ii) Seller of product on all other (exotic) products in the Taxonomy.
  - (iii) If seller cannot be identified the fall back would be for the parties to agree amongst themselves.
  - (iv) For portfolio swaps agreements (“**PSA’s**”) the seller will remain the seller regardless of the underlying’s performance.

(4) Commodity:

- (i) It is recognized within the commodities industry that different SDRs are currently proposing differing rules in determining the reporting counterparty. The methodology detailed below is the industry preferred and agreed way of working, as signed-off by the GTRfC Commodities Industry WG.
- (ii) Where both parties are of the same hierarchy level, reporting counterparty status may be determined by reference to the convention which is attached as Attachment 1 to this Annex 1. This convention requires the parties to apply a seller convention if the executed trade is one of the three trade types enumerated (which have no ambiguity concerning which party is the selling party) and designates the seller as reporting counterparty. If the trade to be executed is not one of the three specified trade types then the convention defaults to an alpha process the LEI/CiCi's of the two parties should be resolved into an ASCII sorting tool with the LEI/Entity which comes first/top in the resulting list then designated as reporting counterparty.
- (iii) Use of this convention can only be relied upon when both parties to the transaction are committed to use it. Where one side is not signed up to the convention it should not be used and the parties should revert to an alternative methodology to determine reporting counterparty in compliance with the rules.

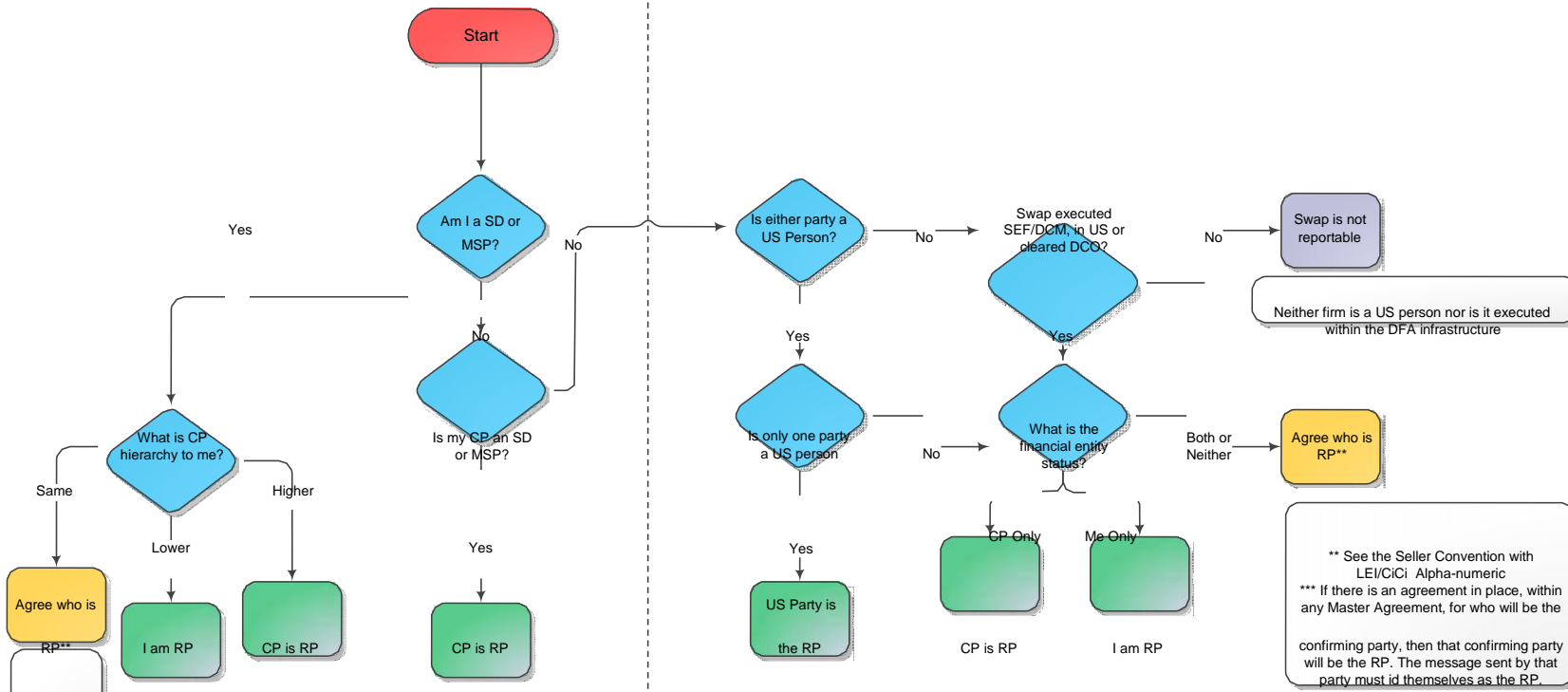
(5) FX:

The FX reporting counterparty rules have been defined by the GFMA Global FX Division's Market Architecture Group (September 2012). The publication entitled "Determining the Reporting Party under Dodd-Frank in the Foreign Exchange Market" sets out some suggested rules that participants may wish to consider for determining the reporting counterparty within a relevant hierarchy level, as well as setting out suggestions in respect of specific hierarchy cases not covered by the CFTC rules.

**Attachment 1 (Commodities)**

**At least one SD/MSP (Source: GTR):**

**Non-SD/MSP vs. Non-SD/MSP (Source: GTR):**



Trade Type	Explanation	Reporting Party
<b>Fixed Floating Swap</b>	Seller of the fixed leg = Reporting Party	Fixed leg seller (Receiver of Cash on the fixed leg)
<b>Option</b>	Receiver of premium payment or Option writer	Seller
<b>Swaption</b>	Receiver of premium payment or Swaption writer	Seller
<b>Option strategies (Collars, Corridors, Multi Leg)</b>	Premium receiver is the Seller = Reporting Party If no premium, to go to alpha convention	Premium receiver Go to alpha convention

Seller Convention with Alpha:

Any trades that fall outside of that list will have the alpha-numeric ASCII convention applied based on the LEI/CiCi. The LEI/CiCi selected as the RP will be the LEI/CiCi at the top of that sort order. As an example, ASCII is the same sort logic that Microsoft Excel applies.

**Attachment 2**

**ISDA OTC Derivatives Products Taxonomies (UPI) (Updated 9 January 2015)**

Change Log

#	Former Version	Change Version	Tab	Old Ref #	New Ref #	Asset Class	Base Product	Sub-Product	Transaction Type	Details of change
1	2012-03-01	2012-10-22	Introduction							Publication date updated
2	2012-03-01	2012-10-22	Credit Full Taxonomy		37	Credit	Single Name	Muni	StandardUS Municipal Full Faith And Credit	New addition
3	2012-03-01	2012-10-22	Credit Full Taxonomy		38	Credit	Single Name	Muni	StandardUS Municipal General Fund	New addition
4	2012-03-01	2012-10-22	Credit Full Taxonomy		39	Credit	Single Name	Muni	StandardUS Municipal Revenue	New addition
5	2012-03-01	2012-10-22	Credit Full Taxonomy	55		Credit	Single Name	ABS	CMBS	Removed
6	2012-03-01	2012-10-22	Credit Full Taxonomy	56		Credit	Single Name	ABS	European CMBS	Removed
7	2012-03-01	2012-10-22	Credit Full Taxonomy	57		Credit	Single Name	ABS	European RMBS	Removed
8	2012-03-01	2012-10-22	Credit Full Taxonomy	58		Credit	Single Name	ABS	RMBS	Removed
9	2012-03-01	2012-10-22	Credit Full Taxonomy		58	Credit	Single Name	ABS	MBS	New addition
10	2012-03-01	2012-10-22	Credit Full Taxonomy		59	Credit	Single Name	ABS	European MBS	New addition
11	2012-03-01	2012-10-22	Credit Full Taxonomy	59		Credit	Index Tranche	CDX	CDX Emerging Markets Diversified Tranche	Removed
12	2012-03-01	2012-10-22	Credit Full Taxonomy		67	Credit	Index Tranche	MCDX	MCDX Tranche	New addition
13	2012-03-01	2012-10-22	Credit Full Taxonomy		107	Credit	Swaptions	MCDX	MCDX Swaption	New addition
14	2012-03-01	2012-10-22	Credit Full Taxonomy		113	Credit	Exotic	Structured CDS	Index Contingent CDS	New addition
15	2012-03-01	2012-10-22	Credit Full Taxonomy	112		Credit	Exotic	Structured CDS	Long term Bespoke	Removed
16	2012-03-01	2012-10-22	Credit Full Taxonomy	113		Credit	Exotic	Structured CDS	Standard Terms Bespoke	Removed
17	2012-03-01	2012-10-22	Credit Full Taxonomy		112	Credit	Exotic	Structured CDS	Bespoke Tranche	New addition
18	2012-03-01	2012-10-22	Equity Taxonomy Full		34	Equity	Other			New addition
19	2012-10-22	2014-09-22	Introduction							Publication date updated
20	2012-10-22	2014-09-22	Credit Taxonomy			Credit				New addition: Index of SP
21	2012-10-22	2014-09-22	Credit Full Taxonomy		100	Credit	Index	SP		New addition
22	2014-09-22	2014-10-22	Introduction							Publication date updated
23	2014-09-22	2014-10-22	Interest Rate Taxonomy			Rates	Forward	Debt		New addition
24	2014-09-22	2014-10-22	Interest Rate Full Taxonomy	n/a	13	Rates	Forward	Debt		New addition
25	2014-09-22	2014-10-22	Interest Rate Full Taxonomy	13	14	Rates	Exotic			Change of numbering to retain Interest Exotic in last position of taxonomy
26	2014-10-22	2014-12-22	Introduction							Publication date updated
27	2014-10-22	2014-12-22	Credit Taxonomy			Credit	Total Return Swap Index	iBoxx		New addition
28	2014-10-22	2014-12-22	Credit Full Taxonomy		102	Credit	Total Return Swap Index	iBoxx		New addition



The following spreadsheet contains the most recent ISDA OTC Derivatives Taxonomies for Credit, Interest Rate, Commodity, Foreign Exchange and Equity.

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Publication of this version: 9 January 2015

**Credit Taxonomy**

Base Product	Index	Total Return Swap	Total Return Swap Index	Index Tranche	Exotic	Single Name	Swaptions
sub-product	CDX		iBoxx	CDX	Corporate ref ob only	ABS	CDX
	LCDX			LCDX	Structured CDS	Corporate	Corporate
	MCDX			CDX Structured Tranche	Other	Loans	iTraxx
	iTraxx			iTraxx		Muni	Muni
	ABX			iTraxx Structured Tranche		Recovery CDS	Sovereign
	CMBX			ABX		Sovereign	MCDX
	IOS			MCDX			
	MBX						
	PO						
	PrimeX						
	TRX						
	SP						

For Transaction types 'under' sub-products- see CDS Full Taxonomy

The 'Other' sub-product under the Exotic base product represents any transaction type that does not fall into existing base/sub-product/transaction types



**Credit Taxonomy**

#	Asset Class	Base Product	Sub-Product	Transaction Type
1	Credit	Single Name	ABS	CDS on CDO
2	Credit	Single Name	Corporate	Asia Corporate
3	Credit	Single Name	Corporate	Australia Corporate
4	Credit	Single Name	Corporate	Emerging European Corporate
5	Credit	Single Name	Corporate	Emerging European Corporate LPN
6	Credit	Single Name	Corporate	European Corporate
7	Credit	Single Name	Corporate	Japan Corporate
8	Credit	Single Name	Corporate	Latin America Corporate
9	Credit	Single Name	Corporate	Latin America Corporate Bond
10	Credit	Single Name	Corporate	Latin America Corporate Bond Or Loan
11	Credit	Single Name	Corporate	New Zealand Corporate
12	Credit	Single Name	Corporate	North American Corporate
13	Credit	Single Name	Corporate	Singapore Corporate
14	Credit	Single Name	Corporate	Standard Asia Corporate
15	Credit	Single Name	Corporate	Standard Australia Corporate
16	Credit	Single Name	Corporate	Standard Emerging European Corporate
17	Credit	Single Name	Corporate	Standard Emerging European Corporate LPN
18	Credit	Single Name	Corporate	Standard Japan Corporate
19	Credit	Single Name	Corporate	Standard Latin America Corporate Bond
20	Credit	Single Name	Corporate	Standard Latin America Corporate Bond Or Loan
21	Credit	Single Name	Corporate	Standard New Zealand Corporate
22	Credit	Single Name	Corporate	Standard North American Corporate
23	Credit	Single Name	Corporate	Standard Singapore Corporate
24	Credit	Single Name	Corporate	Standard Subordinated European Insurance Corporate
25	Credit	Single Name	Corporate	Standard Sukuk Corporate
26	Credit	Single Name	Corporate	Subordinated European Insurance Corporate
27	Credit	Single Name	Corporate	Sukuk Corporate
28	Credit	Single Name	Corporate	Standard European Corporate
29	Credit	Single Name	Recovery CDS	Fixed Recovery Swaps
30	Credit	Single Name	Recovery CDS	Recovery Locks
31	Credit	Single Name	Loans	ELCDS
32	Credit	Single Name	Loans	LCDS
33	Credit	Single Name	Loans	Standard LCDS Bullet
34	Credit	Single Name	Muni	US Municipal Full Faith And Credit
35	Credit	Single Name	Muni	US Municipal General Fund
36	Credit	Single Name	Muni	US Municipal Revenue
37	Credit	Single Name	Muni	Standard US Municipal Full Faith And Credit
38	Credit	Single Name	Muni	Standard US Municipal General Fund
39	Credit	Single Name	Muni	Standard US Municipal Revenue
40	Credit	Single Name	Sovereign	Asia Sovereign
41	Credit	Single Name	Sovereign	Australia Sovereign
42	Credit	Single Name	Sovereign	Emerging European And Middle Eastern Sovereign
43	Credit	Single Name	Sovereign	Japan Sovereign
44	Credit	Single Name	Sovereign	Latin America Sovereign
45	Credit	Single Name	Sovereign	New Zealand Sovereign
46	Credit	Single Name	Sovereign	Singapore Sovereign
47	Credit	Single Name	Sovereign	Standard Asia Sovereign
48	Credit	Single Name	Sovereign	Standard Australia Sovereign
49	Credit	Single Name	Sovereign	Standard Emerging European And Middle Eastern Sovereign
50	Credit	Single Name	Sovereign	Standard Japan Sovereign
51	Credit	Single Name	Sovereign	Standard Latin America Sovereign
52	Credit	Single Name	Sovereign	Standard New Zealand Sovereign
53	Credit	Single Name	Sovereign	Standard Singapore Sovereign
54	Credit	Single Name	Sovereign	Standard Sukuk Sovereign
55	Credit	Single Name	Sovereign	Standard Western European Sovereign
56	Credit	Single Name	Sovereign	Sukuk Sovereign
57	Credit	Single Name	Sovereign	Western European Sovereign

**Credit Taxonomy**

#	Asset Class	Base Product	Sub-Product	Transaction Type
58	Credit	Single Name	ABS	MBS
59	Credit	Single Name	ABS	European MBS
60	Credit	Index Tranche	CDX	CDX Tranche HY
61	Credit	Index Tranche	CDX	CDX Tranche IG
62	Credit	Index Tranche	CDX	CDX Tranche XO
63	Credit	Index Tranche	CDX	Standard CDX Tranche HY
64	Credit	Index Tranche	CDX	Standard CDX Tranche IG
65	Credit	Index Tranche	LCDX	LCDX Tranche
66	Credit	Index Tranche	LCDX	Standard LCDX Bullet Tranche
67	Credit	Index Tranche	MCDX	MCDX Tranche
68	Credit	Index Tranche	CDX Structured Tranche	CDX Blended Tranche
69	Credit	Index Tranche	CDX Structured Tranche	CDX Risky Zero Tranche
70	Credit	Index Tranche	iTraxx	iTraxx Asia Ex Japan Tranche
71	Credit	Index Tranche	iTraxx	iTraxx Australia Tranche
72	Credit	Index Tranche	iTraxx	iTraxx Europe Tranche
73	Credit	Index Tranche	iTraxx	iTraxx Japan Tranche
74	Credit	Index Tranche	iTraxx	Standard iTraxx Europe Tranche
75	Credit	Index Tranche	iTraxx Structured Tranche	iTraxx Blended Tranche
76	Credit	Index Tranche	iTraxx Structured Tranche	iTraxx Risky Zero Tranche
77	Credit	Index Tranche	ABX	ABX Tranche
78	Credit	Index	CDX	CDX HY
79	Credit	Index	CDX	CDX IG
80	Credit	Index	CDX	CDX XO
81	Credit	Index	CDX	CDX Emerging Markets
82	Credit	Index	CDX	CDX Emerging Markets Diversified
83	Credit	Index	LCDX	LCDX
84	Credit	Index	LCDX	Standard LCDX Bullet
85	Credit	Index	MCDX	MCDX
86	Credit	Index	iTraxx	iTraxx Asia Ex Japan
87	Credit	Index	iTraxx	iTraxx Australia
88	Credit	Index	iTraxx	iTraxx Europe
89	Credit	Index	iTraxx	iTraxx Japan
90	Credit	Index	iTraxx	iTraxx Lev X
91	Credit	Index	iTraxx	iTraxx Sov X
92	Credit	Index	iTraxx	iTraxx SDI
93	Credit	Index	ABX	ABX HE
94	Credit	Index	CMBX	CMBX
95	Credit	Index	IOS	IOS
96	Credit	Index	MBX	MBX
97	Credit	Index	PO	PO
98	Credit	Index	PrimeX	PrimeX
99	Credit	Index	TRX	TRX
100	Credit	Index	SP	
101	Credit	Total Return Swap		
102	Credit	Total Return Swap Index	iBoxx	
103	Credit	Swaptions	iTraxx	iTraxx Asia Ex Japan Swaption
104	Credit	Swaptions	iTraxx	iTraxx Australia Swaption
105	Credit	Swaptions	iTraxx	iTraxx Japan Swaption
106	Credit	Swaptions	iTraxx	iTraxx Sov X Swaption
107	Credit	Swaptions	Muni	CDS Swaption
108	Credit	Swaptions	CDX	CDX Swaption
109	Credit	Swaptions	MCDX	MCDX Swaption
110	Credit	Swaptions	iTraxx	iTraxx Europe Swaption
111	Credit	Swaptions	Sovereign	CDS Swaption
112	Credit	Swaptions	Corporate	CDS Swaption
113	Credit	Exotic	Corporate	Ref ob only
114	Credit	Exotic	Structured CDS	Contingent CDS
115	Credit	Exotic	Structured CDS	Index Contingent CDS
116	Credit	Exotic	Structured CDS	First to Default Nth to Default
117	Credit	Exotic	Structured CDS	Bespoke Tranche
118	Credit	Exotic	Other	

For Transaction types 'under' sub-products- see CDS Full Taxonomy

The 'Other' sub-product under the Exotic base product represents any transaction type that does not fall into existing base/sub-

**Interest Rate Taxonomy**

Base Product	IR Swap	FRA	Cap Floor	Cross Currency	Option	Forward
Sub-product	Fixed Float			Basis	Debt Option	Debt
	Fixed Fixed			Fixed Float	Swaption	
	Basis			Fixed Fixed		
	Inflation					
	OIS					

Basis swaps are considered Float/Float

**Interest Rate Taxonomy**

#	Asset Class	Base Product	Sub-Product
1	Interest Rate	IR Swap	Fixed Float
2	Interest Rate	IR Swap	Fixed Fixed
3	Interest Rate	IR Swap	Basis
4	Interest Rate	IR Swap	Inflation
5	Interest Rate	IR Swap	OIS
6	Interest Rate	FRA	
7	Interest Rate	CapFloor	
8	Interest Rate	Cross Currency	Basis
9	Interest Rate	Cross Currency	Fixed Float
10	Interest Rate	Cross Currency	Fixed Fixed
11	Interest Rate	Option	Debt Option
12	Interest Rate	Option	Swaption
13	Interest Rate	Forward	Debt
14	Interest Rate	Exotic	

Basis swaps are considered Float/Float

Commodity Taxonomy

Base Product	Metals	Energy	Index	Agriculture	Environmental	Freight	Multi Commodity Exotic
<u>Sub-product</u>	<u>Precious</u>	<u>Oil</u>	<u>Swap</u>	<u>Grains, Oilseeds</u>	<u>Weather</u>	<u>Spot fwd</u>	
<u>Transaction Type</u>	<u>Spot fwd</u>	<u>Spot fwd</u>	<u>Cash</u>	<u>Spot fwd</u>	<u>Swap</u>	<u>Physical</u>	
<u>Settlement Type</u>	Physical	Physical	<u>Option</u>	Physical	Cash	<u>Swap</u>	
	<u>Swap</u>	<u>Swap</u>	Cash	<u>Swap</u>	<u>Option</u>	Cash	
	Cash	Cash	Exotic	Cash	Cash	<u>Option</u>	
	Physical	Physical		Physical	<u>Loan Lease</u>	Cash	
	<u>Loan Lease</u>	<u>Loan Lease</u>		<u>Loan Lease</u>	Cash	Physical	
	Cash	Cash		Physical	Exotic	<u>Loan Lease</u>	
	Physical	Physical		Physical	<u>Emissions</u>	Cash	
	Exotic	Exotic		Exotic	<u>Spot fwd</u>	Physical	
					<u>Swap</u>	Exotic	
	<u>Non-precious</u>	<u>Met Gas</u>		<u>Dairy</u>	Cash		
	<u>Spot fwd</u>	<u>Spot fwd</u>		<u>Spot fwd</u>	<u>Option</u>		
	Physical	Physical		Physical	Cash		
	<u>Swap</u>	<u>Swap</u>		<u>Swap</u>	Physical		
	Cash	Cash		Cash	<u>Loan Lease</u>		
	<u>Option</u>	<u>Option</u>		<u>Option</u>	Cash		
	Cash	Cash		Cash	Physical		
	Physical	Physical		Physical	Exotic		
	<u>Loan Lease</u>	<u>Natural Gas Transport</u>		<u>Loan Lease</u>			
	Cash	<u>Loan Lease</u>		Cash			
	Physical	Cash		Physical			
	Exotic	Physical		Exotic			
		Exotic					
		<u>Cool</u>		<u>Meat/stock</u>			
		<u>Spot fwd</u>		<u>Spot fwd</u>			
		Physical		Physical			
		<u>Swap</u>		<u>Swap</u>			
		Cash		Cash			
		<u>Option</u>		<u>Option</u>			
		Cash		Cash			
		Physical		Physical			
		<u>Loan Lease</u>		<u>Loan Lease</u>			
		Cash		Cash			
		Physical		Physical			
		Exotic		Exotic			
		<u>Elec</u>		<u>Forestry</u>			
		<u>Spot fwd</u>		<u>Spot fwd</u>			
		Physical		Physical			
		<u>Swap</u>		<u>Swap</u>			
		Cash		Cash			
		<u>Option</u>		<u>Option</u>			
		Cash		Cash			
		Physical		Physical			
		<u>Loan Lease</u>		<u>Loan Lease</u>			
		Cash		Cash			
		Physical		Physical			
		Exotic		Exotic			
		<u>Other Energy</u>		<u>Soft</u>			
		<u>Spot fwd</u>		<u>Spot fwd</u>			
		Physical		Physical			
		<u>Swap</u>		<u>Swap</u>			
		Cash		Cash			
		<u>Option</u>		<u>Option</u>			
		Cash		Cash			
		Physical		Physical			
		<u>Loan Lease</u>		<u>Loan Lease</u>			
		Cash		Cash			
		Physical		Physical			
		Exotic		Exotic			

-Commodity derivatives distinguishes its businesses by the products more so than by the instruments. There are nuances specific to the products based on how they trade, their units of measure, and confirm standardization to name a few.

-Quarterly Trend Reporting to regulators is broken down into buckets of Energy, Metals and Other. This is consistent with monthly metric Reporting to the Federal Reserve. Volumes with counterparts vs Cleared, percentage of business electronically-eligible vs electronically-confirmed, and vendor adoption for electronic matching are all areas where there are significant differences between the products.

**Commodity Taxonomy**

#	Asset Class	Base Product	Sub-Product	Transaction Type	Settlement Type
1	Commodity	Metals	Precious	Spot Fwd	Physical
2	Commodity	Metals	Precious	Swap	Cash
3	Commodity	Metals	Precious	Option	Cash
4	Commodity	Metals	Precious	Option	Physical
5	Commodity	Metals	Precious	Loan Lease	Cash
6	Commodity	Metals	Precious	Loan Lease	Physical
7	Commodity	Metals	Precious	Exotic	
8	Commodity	Metals	Non Precious	Spot Fwd	Physical
9	Commodity	Metals	Non Precious	Swap	Cash
10	Commodity	Metals	Non Precious	Option	Cash
11	Commodity	Metals	Non Precious	Option	Physical
12	Commodity	Metals	Non Precious	Loan Lease	Cash
13	Commodity	Metals	Non Precious	Loan Lease	Physical
14	Commodity	Metals	Non Precious	Exotic	
15	Commodity	Energy	Oil	Spot Fwd	Physical
16	Commodity	Energy	Oil	Swap	Cash
17	Commodity	Energy	Oil	Option	Cash
18	Commodity	Energy	Oil	Option	Physical
19	Commodity	Energy	Oil	Loan Lease	Cash
20	Commodity	Energy	Oil	Loan Lease	Physical
21	Commodity	Energy	Oil	Exotic	
22	Commodity	Energy	Nat Gas	Spot Fwd	Physical
23	Commodity	Energy	Nat Gas	Swap	Cash
24	Commodity	Energy	Nat Gas	Option	Cash
25	Commodity	Energy	Nat Gas	Option	Physical
26	Commodity	Energy	Nat Gas	Transport	
27	Commodity	Energy	Nat Gas	Loan Lease	Cash
28	Commodity	Energy	Nat Gas	Loan Lease	Physical
29	Commodity	Energy	Nat Gas	Exotic	
30	Commodity	Energy	Coal	Spot Fwd	Physical
31	Commodity	Energy	Coal	Swap	Cash
32	Commodity	Energy	Coal	Option	Cash
33	Commodity	Energy	Coal	Option	Physical
34	Commodity	Energy	Coal	Loan Lease	Cash
35	Commodity	Energy	Coal	Loan Lease	Physical
36	Commodity	Energy	Coal	Exotic	
37	Commodity	Energy	Elec	Spot Fwd	Physical
38	Commodity	Energy	Elec	Swap	Cash
39	Commodity	Energy	Elec	Option	Cash
40	Commodity	Energy	Elec	Option	Physical
41	Commodity	Energy	Elec	Transmission	
42	Commodity	Energy	Elec	Loan Lease	Cash
43	Commodity	Energy	Elec	Loan Lease	Physical
44	Commodity	Energy	Elec	Exotic	
45	Commodity	Energy	Inter Energy	Spot Fwd	Physical
46	Commodity	Energy	Inter Energy	Swap	Cash
47	Commodity	Energy	Inter Energy	Option	Cash
48	Commodity	Energy	Inter Energy	Option	Physical
49	Commodity	Energy	Inter Energy	Loan Lease	Cash
50	Commodity	Energy	Inter Energy	Loan Lease	Physical
51	Commodity	Energy	Inter Energy	Exotic	
52	Commodity	Index		Swap	Cash
53	Commodity	Index		Option	Cash
54	Commodity	Index		Exotic	
55	Commodity	Agricultural	Grains Oil Seeds	Spot Fwd	Physical
56	Commodity	Agricultural	Grains Oil Seeds	Swap	Cash
57	Commodity	Agricultural	Grains Oil Seeds	Option	Cash
58	Commodity	Agricultural	Grains Oil Seeds	Option	Physical
59	Commodity	Agricultural	Grains Oil Seeds	Loan Lease	Cash
60	Commodity	Agricultural	Grains Oil Seeds	Loan Lease	Physical
61	Commodity	Agricultural	Grains Oil Seeds	Exotic	
62	Commodity	Agricultural	Dairy	Spot Fwd	Physical
63	Commodity	Agricultural	Dairy	Swap	Cash
64	Commodity	Agricultural	Dairy	Option	Cash
65	Commodity	Agricultural	Dairy	Option	Physical
66	Commodity	Agricultural	Dairy	Loan Lease	Cash
67	Commodity	Agricultural	Dairy	Loan Lease	Physical
68	Commodity	Agricultural	Dairy	Exotic	
69	Commodity	Agricultural	Livestock	Spot Fwd	Physical
70	Commodity	Agricultural	Livestock	Swap	Cash

Commodity Taxonomy

#	Asset Class	Base Product	Sub-Product	Transaction Type	Settlement Type
71	Commodity	Agricultural	Livestock	Option	Cash
72	Commodity	Agricultural	Livestock	Option	Physical
73	Commodity	Agricultural	Livestock	Loan Lease	Cash
74	Commodity	Agricultural	Livestock	Loan Lease	Physical
75	Commodity	Agricultural	Livestock	Exotic	
76	Commodity	Agricultural	Forestry	Spot Fwd	Physical
77	Commodity	Agricultural	Forestry	Swap	Cash
78	Commodity	Agricultural	Forestry	Option	Cash
79	Commodity	Agricultural	Forestry	Option	Physical
80	Commodity	Agricultural	Forestry	Loan Lease	Cash
81	Commodity	Agricultural	Forestry	Loan Lease	Physical
82	Commodity	Agricultural	Forestry	Exotic	
83	Commodity	Agricultural	Softs	Spot Fwd	Physical
84	Commodity	Agricultural	Softs	Swap	Cash
85	Commodity	Agricultural	Softs	Option	Cash
86	Commodity	Agricultural	Softs	Option	Physical
87	Commodity	Agricultural	Softs	Loan Lease	Cash
88	Commodity	Agricultural	Softs	Loan Lease	Physical
89	Commodity	Agricultural	Softs	Exotic	
90	Commodity	Environmental	Weather	Swap	Cash
91	Commodity	Environmental	Weather	Option	Cash
92	Commodity	Environmental	Weather	Loan Lease	Cash
93	Commodity	Environmental	Weather	Exotic	
94	Commodity	Environmental	Emissions	Spot Fwd	Physical
95	Commodity	Environmental	Emissions	Swap	Cash
96	Commodity	Environmental	Emissions	Option	Cash
97	Commodity	Environmental	Emissions	Option	Physical
98	Commodity	Environmental	Emissions	Loan Lease	Cash
99	Commodity	Environmental	Emissions	Loan Lease	Physical
100	Commodity	Environmental	Emissions	Exotic	
101	Commodity	Freight		Spot Fwd	Physical
102	Commodity	Freight		Swap	Cash
103	Commodity	Freight		Option	Cash
104	Commodity	Freight		Option	Physical
105	Commodity	Freight		Loan Lease	Cash
106	Commodity	Freight		Loan Lease	Physical
107	Commodity	Freight		Exotic	
108	Commodity	Multi Commodity Exotic			

-Commodity derivatives distinguishes its businesses by the products more so than by the instruments. There are nuances specific to the products based on how they trade, their units of measure, and confirm standardization to name a few.

-Quarterly Trend Reporting to regulators is broken down into buckets of energy, Metals and Other. This is consistent with monthly metric Reporting to the Federal Reserve. Volumes with counterparts vs Cleared, percentage of business electronically eligible vs electronically confirmed, and vendor adoption for electronic matching are all areas where there are significant differences between the products.

-For the first phase of the Commodity Trade Repository commitment it was decided that financial oil would be a good product to initiate the Repository. Later phases would bring in other products of increasing complexity. This further bolsters the argument that the Commodity Dealers and Non-Dealers look at the business from a product as opposed to an instrument perspective.

**Foreign Exchange Taxonomy**

Base Product	Spot	NDF	NDO	Forward	Vanilla Option	Simple Exotic	Complex Exotic
Sub-product						Barrier	
						Digital	

NDO: Only European Style Options are NDO and not any other FX Options which are settled in a non-deliverable currency

Vanilla Option: European and American Style would be classified as Vanilla - without any feature like Forward Starting Strike or Performance payout.

The Digital sub-product is synonymous with Binary



Foreign Exchange Taxonomy

#	Asset Class	Base Product	Sub-Product
1	Foreign Exchange	Spot	
2	Foreign Exchange	NDF	
3	Foreign Exchange	NDO	
4	Foreign Exchange	Forward	
5	Foreign Exchange	Vanilla Option	
6	Foreign Exchange	Simple Exotic	Barrier
7	Foreign Exchange	Simple Exotic	Digital
8	Foreign Exchange	Complex Exotic	

NDO: Only European Style Options are NDO and not any other FX Options which are settled in a non-deliverable currency

Vanilla Option: European and American Style would be classified as Vanilla - without any feature like Forward Starting Strike or Performance payout.

The Digital sub-product is synonymous with Binary

**Equity Taxonomy**

Sub Product	Base Product				
	Swap	Portfolio Swap	Contract For Difference	Option	Forward
Price Return Basic Performance	Single Name	Single Name	Single Name	Single Name	Single Name
	Single Index	Single Index	Single Index	Single Index	Single Index
	Basket	Basket	Basket	Basket	Basket
Parameter Return Dividend	Single Name			Single Name	
	Single Index			Single Index	
	Basket			Basket	
Parameter Return Variance	Single Name			Single Name	
	Single Index			Single Index	
	Basket			Basket	
Parameter Return Volatility	Single Name			Single Name	
	Single Index			Single Index	
	Basket			Basket	

The Price Return Basic Performance Sub-product includes instruments such as vanilla options, 1-Delta, EFS, TRS etc

The Other Sub-product includes structured and exotic



### Equity Taxonomy

#	Asset Class	Base Product	Sub-Product	Transaction type
1	Equity	Swap	Price Return Basic Performance	Single Name
2	Equity	Swap	Price Return Basic Performance	Single Index
3	Equity	Swap	Price Return Basic Performance	Basket
4	Equity	Swap	Parameter Return Dividend	Single Name
5	Equity	Swap	Parameter Return Dividend	Single Index
6	Equity	Swap	Parameter Return Dividend	Basket
7	Equity	Swap	Parameter Return Variance	Single Name
8	Equity	Swap	Parameter Return Variance	Single Index
9	Equity	Swap	Parameter Return Variance	Basket
10	Equity	Swap	Parameter Return Volatility	Single Name
11	Equity	Swap	Parameter Return Volatility	Single Index
12	Equity	Swap	Parameter Return Volatility	Basket
13	Equity	Portfolio Swap	Price Return Basic Performance	Single Name
14	Equity	Portfolio Swap	Price Return Basic Performance	Single Index
15	Equity	Portfolio Swap	Price Return Basic Performance	Basket
16	Equity	Contract For Difference	Price Return Basic Performance	Single Name
17	Equity	Contract For Difference	Price Return Basic Performance	Single Index
18	Equity	Contract For Difference	Price Return Basic Performance	Basket
19	Equity	Option	Price Return Basic Performance	Single Name
20	Equity	Option	Price Return Basic Performance	Single Index
21	Equity	Option	Price Return Basic Performance	Basket
22	Equity	Option	Parameter Return Dividend	Single Name
23	Equity	Option	Parameter Return Dividend	Single Index
24	Equity	Option	Parameter Return Dividend	Basket
25	Equity	Option	Parameter Return Variance	Single Name
26	Equity	Option	Parameter Return Variance	Single Index
27	Equity	Option	Parameter Return Variance	Basket
28	Equity	Option	Parameter Return Volatility	Single Name
29	Equity	Option	Parameter Return Volatility	Single Index
30	Equity	Option	Parameter Return Volatility	Basket
31	Equity	Forward	Price Return Basic Performance	Single Name
32	Equity	Forward	Price Return Basic Performance	Single Index
33	Equity	Forward	Price Return Basic Performance	Basket
34	Equity	Other		

Price Return Basic Performance Sub-product includes instruments such as vanilla options, 1-Delta, EFS, TRS etc.

The Other Sub-product includes structured and exotic

Equity MCAs

Sub Product	Base Product				Forward
	Swap	Portfolio Swap	Contract for Difference	Option	
Underlying Asset Price Return - Basic Performance Features (*)	2004 US, 2009 US, 2007 EUR, 2009 EUR, 2008 Asia exc-Japan, 2009 Pan Asia	N/A	N/A	2004 US, 2009 US, 2007 EUR, 2005 Asia exc-Japan, 2008 Asia exc-Japan, 2005 Japan, 2008 Japan	N/A
	2004 US, 2009 US, 2007 EUR, 2009 EUR, 2009 Pan Asia	N/A	N/A	2004 US, 2009 US, 2007 EUR, 2005 Asia exc-Japan, 2008 Asia exc-Japan, 2005 Japan, 2008 Japan, 2010 EMEA EM	N/A
	2004 US	N/A	N/A	N/A	N/A
Parameter Return Dividend	N/A			N/A	
	2008 Japan			N/A	
	N/A			N/A	
Parameter Return Variance	2007 US, 2007 European, 2006 Japan, 2007 Asia exc-Japan			2007 European Variance Option Appendix	
	2007 US, 2007 European, 2006 Japan, 2007 Asia exc-Japan			2007 European Variance Option Appendix	
	N/A			N/A	
Parameter Return Volatility	N/A			N/A	
	N/A			N/A	
	N/A			N/A	

The Price Return Basic Performance Sub-product includes instruments such as vanilla options, 1-Delta, EFS, TRS etc  
 The Other Sub-product includes structured and exotic  
 Note: Not all firms can identify all categories currently

