



BATS HOTSPOT SEF LLC  
RULEBOOK

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## CHAPTER 1 DEFINED TERMS

"Affected Person" shall have the meaning set forth in SEF Rule 313.

"Answer" shall mean a written pleading served by a Respondent in a Disciplinary Proceeding that meets the requirements of SEF Rule 719.

"Appeal Panel" shall have the meaning set forth in SEF Rule 217.

"Applicant" shall have the meaning set forth in SEF Rule 309.

"Application" shall have the meaning set forth in SEF Rule 309.

"Authorized Representative" shall have the meaning set forth in SEF Rule 314.

"Authorized Trader" shall mean a natural person that has been designated by a Participant to be an Authorized Trader pursuant to the SEF Rules and who has been approved as such by the SEF.

"Block Trade" shall have the meaning set forth in SEF Rule 515.

"Board" shall mean the Board of Managers of the SEF.

"Business Conduct Committee" shall be the "disciplinary committee" referenced in CFTC Regulation 1.69, and is constituted in accordance with, and with the authority and rights set forth or referred to in, SEF Rule 217.

"Business Conduct Committee Panel" shall have the meaning set forth in SEF Rule 217(3).

"CEA" shall mean the Commodity Exchange Act.

"CFTC" shall mean the United States Commodity Futures Trading Commission.

"Charging Panel" shall have the meaning set forth in SEF Rule 217.

"Chief Executive Officer" shall mean the individual appointed by the Board as the SEF's chief executive officer.

"Chief Compliance Officer" shall mean the individual appointed by the Board as the SEF's chief compliance officer.

"Chief Regulatory Officer" shall mean the individual appointed by the Board as the SEF's chief regulatory officer.

"Complaint" shall have the meaning set forth in SEF Rule 714.

“Compliance Department” shall mean the compliance department of the SEF as constituted from time to time and which is charged with overseeing all compliance duties and obligations of the SEF.

“Compliance Officer” shall mean an employee of a Participant designated by the Participant to liaise with the SEF on all matters relating to compliance.

“Contract” means a contract in respect of a Product in respect of which a Participant may enter into a Transaction on the SEF, as more fully set forth in SEF Rule 505(6).

“Counterparty Master Agreement” shall have the meaning set forth in SEF Rule 526.

“Credit Limits” shall have the meaning set forth in SEF Rule 520.

“CTI Code” shall have the meaning set forth in SEF Rule 513.

“Deliberating Body” shall have the meaning set forth in SEF Rule 206.

“Designated Operational Contact” shall mean a natural person that is an employee of a Participant designated by such Participant (subject to the SEF’s approval) in accordance with SEF Rule 314 to liaise with the SEF for the purposes of on-boarding such Participant onto the SEF and to perform other operational duties.

“Director” shall mean any manager of the Board.

~~“Disciplinary Committee” shall mean a “disciplinary committee” and a “oversight panel” as both such terms are defined in CFTC Regulation 1.69, and which shall include (a) the Disciplinary Committee described in SEF Rule 217, and (b) any subcommittee of the Disciplinary Committee (including, without limitation, any Disciplinary Panel).~~

“Disciplinary Offense” shall mean “disciplinary offense” as defined in CFTC Regulation 1.63(a)(6).

~~“Disciplinary Panel” shall mean the types of panels described in SEF Rule 217 appointed by the Regulatory Oversight Committee from the SEF’s Disciplinary Committee. Such panels shall fulfill the various adjudicative responsibilities described in Chapter 7 of the SEF Rules.~~

“Disciplinary Proceeding” shall mean an inquiry, investigation, disciplinary proceeding, appeal from a disciplinary proceeding, Summary Proceeding or appeal from a Summary Proceeding conducted pursuant to Chapter 7 of the SEF Rules.

“ECP” shall mean an eligible contract participant as defined in Section 1a(18) of the CEA.

“Emergency” shall mean any occurrence or circumstance which, in the opinion of the Board or its designee authorized pursuant to SEF Rule 203, or as indicated to the SEF by the CFTC, requires

immediate action to maintain markets with fair and orderly trading and to prevent or address manipulation or disruptive trading practices, whether the need for intervention arises exclusively from such occurrence or circumstance only involving the SEF's market or as part of a coordinated, cross-market intervention including, without limitation, the following:

- a) any circumstance that may materially affect trading on the SEF or the SEF's market, including the bankruptcy or insolvency of a Participant;
- b) any action taken by any United States or foreign regulatory, self-regulatory, judicial, arbitral, or governmental (whether national, state or municipal) or quasi-governmental authority, or any agency, department, instrumentality, or sub-division thereof; or other Person exercising or entitled to exercise any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power; or any other swap execution facility, designated contract market, board of trade, clearinghouse, security-based swap execution facility or other exchange or trade association (foreign or domestic) that may have a direct impact on trading on the SEF, the settlement or enforceability of any Transactions conducted on the SEF, or the SEF's market;
- c) any actual, attempted or threatened corner, squeeze, congestion, manipulative activity or undue concentration of positions on the SEF or in the SEF's market;
- d) any circumstance that may have a severe, adverse effect upon the physical operations and facilities of the SEF including, without limitation, fire or other casualty, flood or other natural disaster, bomb threat, act of terrorism or war, other loss of or interruption of essential services such as power, computer failure or malfunction, communications failure, or disruption in transportation; and
- e) any other unusual, unforeseeable or adverse circumstances as determined by the SEF.

"Emergency Rules" shall have the meaning set forth in SEF Rule 203.

"Fair Trade Range" shall have the meaning set forth in SEF Rule 510.

"Family Relationship" of a natural person shall mean a relationship between such person and such person's immediate family (i.e. spouse, parent, child, siblings).

"Final Decision" shall mean any decision of: (a) a self-regulatory organization (including the SEF) which cannot be further appealed within the self-regulatory organization, is not subject to a stay of the CFTC or SEC or a court of competent jurisdiction and has not been reversed by the CFTC, SEC, or any court of competent jurisdiction; or (b) an administrative law judge, a court of competent jurisdiction, the CFTC, or the SEC which has not been stayed or reversed.

"Following Business Day Convention" shall have the meaning set forth in SEF Rule 1001.

"Forward Rate" shall have the meaning set forth in SEF Rule 1001.

“Hearing Panel” shall have the meaning set forth in SEF Rule 217.

“Iceberg Order” shall have the meaning set forth in SEF Rule 505(1).

“Immediate or Cancel Order” or “IOC” shall have the meaning set forth in SEF Rule 505(1).

~~“Independent Committee Member” shall mean an individual appointed by the Board to serve on a SEF committee, who has been found by the Board, on the record, to have no Material Relationship with the SEF.~~

“Interested Person” shall have the meaning set forth in SEF Rule 206.

“Investigative Report” shall have the meaning set forth in SEF Rule 716.

“ISDA FX Cash Rule” shall mean the tie-breaker logic developed by the International Swaps and Derivatives Association (ISDA) and adopted by the industry to determine which party to a Transaction will fulfil certain obligations under global trade reporting requirements. In respect of NDFs when both counterparties to a Transaction are of the same category of market participant (for example, are both Swap Dealers), the ISDA FX Cash Rule provides a matrix to determine which counterparty should be the reporting counterparty. In the event that both counterparties are Swap Dealers, the ISDA FX Cash Rule provides that the reporting counterparty shall be the counterparty selling the currency that occurs first in the 26-letter English alphabet.

“ISV” shall have the meaning set forth in SEF Rule 321.

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

~~“Letter of Warning” has the meaning set forth in SEF Rule 726.~~

“Limit Order” shall have the meaning set forth in SEF Rule 505(1).

~~“Market Data Audit” shall have the meaning set forth in SEF Rule 901(5).~~

“Market Maker Program” shall have the meaning set forth in SEF Rule 318.

“Market Order” shall have the meaning set forth in SEF Rule 505(1).

“Material Conflict of Interest” shall have the meaning set forth in SEF Rule 206.

“Material Relationship” shall mean any relationship that could reasonably affect the independent judgment or decision making of a Public Director, which shall be subject to a one year look-back period. Circumstances in which a Public Director shall be considered to have a “material relationship” with the SEF include, without limitation: (i) such director is an Officer or an employee of the SEF, or an Officer or an employee of any of its affiliates (for the purposes of this definition “affiliate” includes parents or

subsidiaries of the SEF or entities that share a common parent with the SEF or direct or indirect controlling interest holders); (ii) such director is a member of the SEF, or a director, a manager or an officer of a member (for the purposes of this definition “member” is defined according to Section 1a(34) of the CEA and any regulation promulgated thereunder, including, without limitation, CFTC Regulations 1.3(c) and 1.3(q)); or (iii) such director, or an entity of which the director is a partner, an officer or a director, received more than \$100,000 in combined annual payments for legal, accounting, or consulting services from the SEF or any affiliate thereof (the term “affiliate” shall have the same meaning as stated above), except that compensation for services as a director of the registered entity or as a director of an affiliate thereof does not count toward the \$100,000 payment limit, nor does deferred compensation for services rendered prior to becoming a director of the SEF, so long as such compensation is in no way contingent, conditional or revocable. All the relationships set forth in this definition shall apply to natural persons who have a Family Relationship with such Public Director.

“NDF” shall have the meaning set forth in Rule 1001.

“NFA Arbitration Code” shall have the meaning set forth in SEF Rule 802.

“NFA Member Rules” shall have the meaning set forth in SEF Rule 802.

“Notice of Enforcement” shall have the meaning set forth in SEF Rule 716(4).

“Notice to Participants” shall have the meaning set forth in SEF Rule 315.

“Notional Amount” shall have the meaning set forth in SEF Rule 1001.

“Offer of Settlement” shall have the meaning set forth in SEF Rule 723.

“Officer” shall mean an officer of the SEF, including the Chief Executive Officer, the Chief Compliance Officer, the Chief Regulatory Officer, and any other officer designated and appointed by the Board.

“Operating Agreement” shall have the meaning set forth in SEF Rule 201.

“Order” means a request submitted to the SEF by a Participant to enter into a Transaction on the SEF.

“Order Cancel” shall mean instructions entered into the SEF Trading System that cancel an existing order.

“Order Modify” shall mean instructions entered into the SEF Trading System that update an existing order to change the size or Rate of such order.

“Order Review Timeframe” or “ORT” shall mean the period of time determined by the SEF during which a Market Maker submitting indicative quotes to the SEF may accept or reject an incoming Order. If a Market Maker does not affirmatively accept or decline an incoming Order prior to the expiration of the



ORT, the incoming request shall be deemed to have been rejected by the Market Maker and no Transaction shall be executed.

“Participant” shall mean an entity that has been granted, and continues to have, Trading Privileges on the SEF pursuant to Chapter 3 of the SEF Rules. For the purposes of the CEA and Part 37 of the CFTC Regulations, Participants shall be deemed to be members of the SEF as the term “member” is defined in Section 1a(34) of the CEA.

“Participant Category” shall mean a Prime Broker, a Principal Trading Firm or a Trading Firm.

“Participant Data” shall mean any and all data and other information submitted to the SEF by or through a Participant (including, without limitation, any information regarding any and all Orders of such Participant).

“Participant Representative” shall mean an Authorized Representative, Designated Operational Contact or Trading Manager, as applicable, designated by a Participant and approved by the SEF.

“Person” shall mean any natural person or entity, including, without limitation, any association, corporation, governmental or quasi-governmental authority, limited liability company, or partnership.

“Position Limits” shall have the meaning set forth in SEF Rule 517.

“Preceding Business Day Convention” shall have the meaning set forth in SEF Rule 1001.

“Prevailing Market Rate” in respect of a Contract shall mean the prevailing market rate applicable at the time of execution of a Transaction in such Contract on the SEF determined with reference to the mid-level rate across all open bids and offers in respect of such Contract on the SEF at such time.

“Prime Broker” shall mean a Person that is Swap Dealer and which constitutes a category of Participant of the SEF described in Chapter 3 of the SEF Rules.

“Principal Trading Firm” shall mean a Person that is an ECP and which constitutes a category of Participant of the SEF described in Chapter 3 of the SEF Rules.

“Product” shall mean any NDF or other product available for trading on the SEF.

“Product Specification” shall mean, with respect to each Product listed on the SEF, the SEF Rules and/or other trading protocols containing the specification for each Product as adopted, amended, supplemented or otherwise modified from time to time by the SEF.

“Public Director” shall mean a Director of the Board who has been found by the Board, on the record, to have no Material Relationship with the SEF.

“Rate” shall mean the rate or price applicable in respect of a Transaction and, in the case of an NDF, the Forward Rate as such term is further defined in Rule 1001. Such term shall also denote the word “price” as contemplated in applicable CFTC Regulations.

“Reconsideration Request” shall have the meaning set forth in SEF Rule 313.

“Reference Currency” shall have the meaning set forth in SEF Rule 1001.

“Reference Currency Buyer” shall have the meaning set forth in SEF Rule 1001.

“Reference Currency Seller” shall have the meaning set forth in SEF Rule 1001.

“Reference Currency Notional Amount” shall have the meaning set forth in SEF Rule 1001.

“Regulatory DepartmentRegulatory Division” shall mean the regulatory ~~division~~department of the SEF as constituted from time to time and which is charged with assisting the Compliance Department in overseeing the compliance duties and obligations of the SEF as they relate to surveillance and disciplinary proceedings.

“Regulatory Oversight Committee” shall be the “oversight panel” as defined in CFTC Regulation 1.69, as constituted in accordance with, and with the authority and rights set forth in, SEF Rule 216.

“Regulatory Service Provider” shall mean the organization, if any, that provides regulatory services to the SEF.

“Related Party” shall mean a Supervised Person (as referred to in CFTC SEF Regulations) and the directors, officers, employees or agents of a Participant, including, without limitation, such Participant’s Authorized Representative, Authorized Trader(s), Trading Manager and Designated Operational Contact. Notwithstanding the foregoing, a Trading Firm that is authorized to enter into Transactions for the account of a Prime Broker shall not constitute a Related Party of such Prime Broker.

“Required Records” shall have the meaning set forth in SEF Rule 404.

“Required Transaction” shall have the meaning set forth in CFTC Regulation 37.9(a)(1).

“Respondent” shall mean either the subject of an investigation, Disciplinary Proceeding or Summary Proceeding.

“SDR” shall have the meaning set forth in SEF Rule 516(1).

“SEC” shall mean the United States Securities and Exchange Commission.

“SEF” shall mean Bats Hotspot SEF, LLC, a Delaware limited liability company (including its successors).

“SEF Committee” shall mean the Board, including, without limitation, any subcommittee of the Board or any special committee appointed by the Board, and any committee described in the SEF Rules.

“SEF ISV” shall mean an ISV that has been approved by the SEF in accordance with the criteria set forth in SEF Rule 321.

“SEF Market Data” shall have the meaning set forth in SEF Rule 901(1).

“SEF Market Monitor” shall mean one member of SEF senior staff and one member of SEF compliance staff that are authorized to resolve error trades pursuant to SEF Rule 510.

“SEF Rules” shall mean the rules, policies, procedures, interpretations, guidelines and orders of the SEF Board that are established, and amended from time to time, by the SEF.

“SEF Proceeding” shall mean any meeting, hearing or other proceeding before any SEF Committee including, without limitation, the Board, the ~~Disciplinary Committee~~Business Conduct Committee, the Participation Committee and the Regulatory Oversight Committee.

“SEF Representatives” shall have the meaning set forth in SEF Rule 512(2).

“SEF Trading System” shall mean the electronic proprietary order entry and execution system operated by the SEF for the entry and execution of orders regarding the Transactions entered into on the SEF and the collection and transmission of information related thereto.

“Self-Regulatory Action” shall have the meaning set forth in SEF Rule 206.

“Session Limit Order” shall have the meaning set forth in SEF Rule 505(1).

“Settlement Currency” shall have the meaning set forth in SEF Rule 1001.

“Settlement Date” shall have the meaning set forth in SEF Rule 1001.

“Settlement Rate” shall have the meaning set forth in SEF Rule 1001.

“Settlement Rate Option” shall have the meaning set forth in SEF Rule 1001.

“Statement of Charges” shall have the meaning set forth in SEF Rule 718.

“Status Determination Notice” shall have the meaning set forth in SEF Rule 313.

“Summary Fine” shall have the meaning set forth in SEF Rule 726.

“Summary Proceeding” shall have the meaning set forth in SEF Rule 727.

“Summary Proceeding Decision” shall have the meaning set forth in SEF Rule 727.

“Summary Proceeding Review Notice” shall have the meaning set forth in SEF Rule 727.

“Summary Proceeding Review Conference” shall have the meaning set forth in SEF Rule 727.

~~“Supervised Persons” shall mean the directors, officers, employees or agents of a Participant, including, without limitation, such Participant’s Authorized Representative, Authorized Trader(s), Trading Manager and Designated Operational Contact.~~

“Swap Dealer” shall mean a “swap dealer” as such term is defined in Section 1a(49) of the CEA.

“Technology Service Provider” shall mean the organization, if any, that provides technology services to SEF.

“Tenor” shall have the meaning set forth in SEF Rule 1001.

“Trade Date” shall have the meaning set forth in SEF Rule 1001.

“Trading Day” shall mean each day that the SEF is open for trading, which shall be five (5) days per week with the exception of Christmas Day (December 25) and New Year’s Day (January 1) in each year.

“Trading Firm” shall mean a Person which is an ECP which is authorized to enter into Transactions for the account of and as agent for a Prime Broker pursuant to the terms and conditions set forth in an agreement entered into between such Trading Firm and such Prime Broker, and which constitutes a category of Participant of the SEF described in Chapter 3 of the SEF Rules.

“Trading Hours” shall mean, with respect to any Product, the hours during the Trading Day that the SEF is regularly open for the trading of such Product, which hours are published on the SEF’s website.

“Trading Manager” shall mean an employee of a Participant designated by the Participant to provide notice to the SEF of the Products in respect of which such Participant’s Authorized Traders may enter into Transactions on the SEF, and their respective Credit Trading Limits.

~~“Trading Limits” shall mean the risk-based limits established in respect of each proprietary account of Participant or Participant’s Authorized Traders.~~

“Trading Privileges” shall mean the rights granted to a Participant to use, directly or indirectly through an ISV, the SEF, subject to the terms and conditions of the SEF Rules, for the execution of Transactions. For the avoidance of doubt, the Trading Privileges of a Participant that is a Prime Broker shall be limited to its ability to set and monitor the Credit Limits of such Trading Firms that are authorized to enter into Transactions on such Prime Broker’s behalf, and no Prime Broker shall execute Transactions through the SEF.

“Transaction” shall mean a transaction in respect of any Product executed on the SEF.

“Transaction Confirmation” shall have the meaning set forth in SEF Rule 526.

“User ID” shall mean the unique identification number assigned by the SEF to each Authorized Trader which enables such Authorized Trader to access the SEF Trading System.

“Valuation Date” shall have the meaning set forth in SEF Rule 1001.

## CHAPTER 2 GOVERNANCE AND COMMITTEES

### Rule 201. Governance

The SEF is a Delaware limited liability company and its Limited Liability Company Agreement ("Operating Agreement") governs the management and operations of the SEF.

### Rule 202. Board

1. Bats Hotspot Holdings LLC, the sole member of the SEF, has vested the power to manage, operate and set policies for the SEF exclusively in the Board. The Board shall oversee the operation of the SEF and shall have the authority to review, call for review, amend, suspend or overrule the decisions and actions of any SEF Committee. Without limiting the generality of the foregoing, the Board shall have the power to: (a) adopt, amend, implement and repeal SEF Rules, not contrary to applicable law or the Operating Agreement, that in the Board's judgment promotes the best interests of the SEF, and (b) make interpretations of the SEF Rules, which shall be binding on all Persons subject to the jurisdiction of the SEF.
2. Each Director shall be appointed in accordance with the Operating Agreement and shall serve until his or her successor is duly appointed, or until his or her earlier resignation or removal, with or without cause.
3. Directors, including Public Directors, shall be of sufficiently good repute, and where applicable, have sufficient expertise in financial services.
4. Directors shall satisfy all fitness standards imposed by the CEA and CFTC regulations.
5. The Board shall be composed of at least 35% Public Directors who have been determined on the record to have no Material Relationship with the SEF.
6. Except as otherwise provided by the Delaware Limited Liability Company Act, neither Bats Hotspot Holdings LLC, solely by reason of its being the sole member of the SEF, nor any director, officer, employee or agent of the SEF, solely by acting in such capacity, shall be personally liable for any expenses, liabilities, debts or obligations of the SEF, whether arising in contact, tort or otherwise.

### Rule 203. Emergency Authority

1. Subject to applicable law, during an Emergency the SEF will approve and apply temporary rules and procedures ("Emergency Rules") pursuant to procedures set forth in this Rule 203.
2. Emergency Rules may require or authorize the SEF, the Board, any SEF Committee, the Chief Executive Officer or any other Officer to take actions necessary or appropriate to respond to the Emergency, including, but not limited to:
  - a. suspending or restricting trading or limiting trading to liquidating only (in whole or in part);
  - b. extending, limiting or changing trading hours;

- c. temporarily modifying or suspending any provision of SEF Rules or Participant obligations;
  - d. imposing intraday market restrictions;
  - e. ordering the liquidation or transfer of open positions ;
  - f. suspending or curtailing trading in a Product or Contract;
  - g. altering the terms and conditions of a Product or Contract;
  - h. imposing or modifying Rate limits;
  - i. imposing or modifying Position Limits; and/or
  - j. allowing, denying, suspending, or permanently barring a Participant's or other Person's access to the SEF in connection with an emergency action taken by the SEF.
3. Before any Emergency Rules may be adopted and enforced, a vote of the Board approving such Emergency Rules must occur at a duly convened Board meeting. Directors may attend such meeting in person or by teleconference. If the Chief Executive Officer determines that the Emergency Rules must be implemented with respect to an Emergency before a meeting of the Board can reasonably be convened, then the Chief Executive Officer shall have the authority, without Board action, to implement any Emergency Rules with respect to such Emergency that he or she deems necessary or appropriate to respond to such Emergency. In such circumstances, the Chief Executive Officer must convene a meeting as soon as practicable. The Board may modify any Emergency Rules implemented by the Chief Executive Officer.
  4. Any time that the SEF takes actions necessary or appropriate to respond to an Emergency, including any modification of previously adopted actions, a duly authorized representative of the SEF will promptly notify the CFTC of such actions and, when possible, will post an announcement of such actions on the ~~the~~ SEF website. When the Board, any SEF Committee or the Chief Executive Officer determines that the Emergency has been reduced sufficiently to allow the SEF to resume normal functioning, any such actions responding to the Emergency will be terminated and notification of such termination will be provided on the SEF's website.

**Rule 204. Officers**

1. The Board shall appoint a Chief Executive Officer, a Chief Compliance Officer, a Chief Regulatory Officer and such other Officers as it deems necessary or appropriate from time to time, in each case for such term and on such conditions it sees fit.
2. The Officers shall have the authority and powers in the management of the SEF as determined by the Board subject to any restrictions set forth in the Operating Agreement. The Chief Compliance Officer and Chief Regulatory Officer shall have all authority required under CFTC Rules 37.1500 et seq.
3. Any Officer may also be a director, officer or employee of the parent of the SEF or any other affiliate of the SEF.

**Rule 205. Disqualifications of Board and Committee Members**

Prior to their appointment to the Board, a Committee or any other oversight panel of the SEF, the Compliance Department shall screen all nominees to determine their eligibility for service pursuant to CFTC Regulation 1.63. No Person may serve as a member of the Board, a Committee or any other oversight panel of the SEF if such Person:

1. within the past three (3) years was found by a Final Decision to have committed a Disciplinary Offense;
2. within the past three (3) years entered into a settlement agreement in which any of the findings, or in the absence of such findings, any of the acts charged, included a Disciplinary Offense;
3. is currently or has in the past been barred, expelled from membership or suspended from trading on a self-regulatory organization, is serving any sentence of probation or owes any portion of a fine imposed as a result of either:
  - a. a settlement agreement in which any of the findings, or in the absence of such findings, any of the acts charged, included a Disciplinary Offense; or
  - b. a Final Decision determining that such Person committed a Disciplinary Offense;
4. is currently subject to an agreement with the CFTC or any self-regulatory organization not to apply for registration with the CFTC or membership in any self-regulatory organization;
5. is currently subject to or has had imposed on him or her within the prior three (3) years a registration revocation or suspension in any capacity for any reason, or has been convicted within the prior three (3) years of any of the felonies listed in Section 8a(2)(D)(ii) through (iv) of the CEA; or
6. is currently subject to a denial, suspension or disqualification from serving on the disciplinary committee, arbitration committee or governing board of any self-regulatory organization, as such term is defined in Section 3(a)(26) of the Securities Exchange Act of 1934; or
7. is subject to a basis for refusal to register a Person under Section 8a(2) of the CEA.

**Rule 206. Conflicts of Interest**

The SEF believes that it is in the best interest of the SEF and its Participants to be aware of and properly manage all conflicts of interest and appearances of conflicts of interest. Accordingly, the following Rules shall apply to mitigate potential and actual conflicts of interest.

1. Except as provided below, no Director, Officer, member of the ~~Disciplinary Committee~~Business Conduct Committee or any Person authorized to act on behalf of the SEF in connection with any (i) Disciplinary Proceeding, or (ii) emergency action, (collectively a “Self-Regulatory Action”; the Board and/or any SEF Committee considering a Self-Regulatory Action collectively a “Deliberating Body”), shall ~~not~~ knowingly participate in the deliberations and/or voting on any Self-Regulatory Action if such person has a Material Conflict of Interest (as defined below).



2. Prior to consideration of any Self-Regulatory Action, each member of a Deliberating Body who determines to participate in any deliberations or vote in a Self-Regulatory Action shall disclose to the Chief Compliance Officer or Chief Regulatory Officer any Material Conflict of Interest (any such person disclosing a Material Conflict of Interest is an “Interested Person”).
3. For the purposes of this Rule, “Material Conflict of Interest” shall mean with respect to a Director, Officer, and member of the ~~Disciplinary Committee~~Business Conduct Committee:
  - a. being named as a potential or actual Respondent in a Disciplinary Proceeding;
  - b. being an employer, employee, fellow employee or an affiliate of a Respondent or potential Respondent in a Disciplinary Proceeding;
  - c. having any significant, on-going business relationship with a Respondent or potential Respondent in a Disciplinary Proceeding;
  - d. having a Family Relationship with a Respondent or potential Respondent in a Disciplinary Proceeding;
  - e. having a direct and substantial financial interest in the result of a vote, other than based on a direct or indirect equity or other interest in the SEF, that could reasonably be expected to be affected by the Self-Regulatory Action. For the purposes of this definition a “direct and substantial financial interest” includes, without limitation, positions held in Transactions in the accounts of, controlled by, or affiliated with the Interested Person or any other types of direct and substantial financial positions of the Interested Person that are reasonably expected to be affected by the vote; and/or
  - f. any other circumstance that creates a conflict between the Director’s, Officer’s, or members of a ~~Disciplinary Committee~~Business Conduct Committee’s exercise of authority regarding any Self-Regulatory Action and his or her personal interests.
4. Any Interested Person who would otherwise be required to abstain from deliberations and voting because of a Material Conflict of Interest may participate in the deliberations, prior to a vote on the matter, if:
  - a. the material facts about the Interested Person’s interest in the matter are disclosed or known to the Deliberating Body;
  - b. the Deliberating Body determines that the participation by the Interested Person would be consistent with the public interest; and
  - c. a majority of the members of the Deliberating Body that are not Interested Persons with respect to the matter vote to allow the Interested Person to participate in the deliberations on the Self-Regulatory Action.
5. If, pursuant to Rule 206(4), a determination is made that an Interested Person may participate in deliberations, then the minutes of the meeting of the Deliberating Body will reflect the determination and the reasons for the determination.
6. If all of the members of the Deliberating Body are Interested Persons with respect to a matter subject to a vote by the Deliberating Body, then the Chief Executive Officer will appoint a panel

of individuals who are not Interested Persons with respect to such matter, which will have the same authority and powers over such matter that the Deliberating Body would have if the members thereof were not Interested Persons with respect to such matter.

**Rule 207. Disclosure or Use of Material, Non-Public Information**

No Director or member of a SEF Committee shall use or disclose material, non-public information for any purpose other than the performance of his or her official duties and responsibilities as a Director or member of such SEF Committee. No Director or member of a SEF Committee shall, directly or indirectly, disclose or use at any time, either during his or her association with the SEF or thereafter, any material, non-public information of which a Director or member of such SEF Committee becomes aware except when reporting to or at the direction of the Board, when requested by a governmental agency or when compelled to testify at any judicial or administrative proceeding. Each Director or member of a SEF Committee in possession of material, non-public information shall take all appropriate steps to safeguard the information and to protect it against disclosure, misuse, espionage, loss and theft.

**Rule 208. SEF Committees**

1. The SEF shall have such SEF Committees and special SEF Committees that the Board may deem, from time to time, necessary for the operations of the SEF and appointed in accordance with the SEF Rules. For the avoidance of doubt, all references to a “SEF Committee” shall include any panel appointed by a SEF Committee.
2. A majority of the members of a SEF Committee shall constitute a quorum for the transaction of business at any meeting of such SEF Committee, provided that if less than a majority of SEF Committee members is present, those present may adjourn the meeting to another time and place. Any SEF Committee may act only by (i) the decision of a majority vote of the members of such SEF Committee present at that meeting at which a quorum is present; or (ii) by written consent.
3. All SEF Committee decisions shall be reported to the Board for final approval. Except as otherwise provided in the SEF Rules, the Board shall have the authority to overrule the decision of any SEF Committee.

**Rule 209. Reserved**

**Rule 210. Reserved**

**Rule 211. Reserved**

**Rule 212. Reserved**

**Rule 213. Reserved**

**Rule 214. Reserved**

**Rule 215. Participation Committee**

1. The Participation Committee shall consist of four (4) members appointed by the Board, at least two of whom shall be Public Directors, or such other number as the Board shall determine is necessary to comply with any final governance rules adopted by the CFTC.
2. Members of the Participation Committee shall each serve a one-year term to which he or she is appointed, and until the appointment of a successor, or until his or her earlier resignation or removal as a member of the Participation Committee; provided, however, that any member of the Participation Committee who does not qualify to act as such under any final governance rules adopted by the CFTC shall cease to be a member of the Participation Committee upon the appointment of a qualifying successor. A member of the Participation Committee may serve for multiple terms.
3. The Participation Committee shall (i) determine the standards and requirements for initial and continuing eligibility for participation on the SEF and (ii) review appeals of staff denials of participation applications.

**Rule 216. Regulatory Oversight Committee**

1. The Regulatory Oversight Committee shall ~~consist~~ have a total of ~~at least two (2)~~ four (4) members, all of whom shall be Public Directors, appointed by the Board or such other number of members as the Board shall determine is necessary to comply with any final governance rules adopted by the CFTC. The Board shall delegate sufficient authority, dedicate sufficient resources, and allow sufficient time for the Regulatory Oversight Committee to fulfill its mandate. The Regulatory Oversight Committee shall oversee all aspects of the SEF's regulatory program on behalf of the Board. The Regulatory Oversight Committee shall report to the Board and shall make such recommendations to the Board as may, in its judgment, best promote the interests of the SEF. The Chief Compliance Officer ~~and Chief Regulatory Officer~~ shall meet with the Regulatory Oversight Committee at least once each calendar quarter.
2. Members of the Regulatory Oversight Committee shall each serve the one year term to which he or she is appointed, and until the appointment of a successor, or until his or her earlier resignation or removal as a member of the Regulatory Oversight Committee; provided,

however, that any member of the Regulatory Oversight Committee who does not qualify to act as such under any final governance rules adopted by the CFTC, shall cease to be a member of the Regulatory Oversight Committee upon the appointment of a qualifying successor. A member of the Regulatory Oversight Committee may serve for multiple terms.

3. Without limiting the generality of the foregoing, the Regulatory Oversight Committee shall have authority to monitor all aspects of the SEF's regulatory program for sufficiency, effectiveness, and independence regarding:
  - a. trade practice and market surveillance, audits, examinations and other regulatory responsibilities with respect to Participants, including, without limitation, compliance with financial integrity, financial reporting, sales practice, recordkeeping, and conducting investigations;
  - b. reviewing the size and allocation of regulatory budget and resources, and the number, hiring, termination, and compensation of regulatory personnel;
  - c. reviewing the performance of the Chief Compliance Officer and Chief Regulatory Officer and making recommendations with respect to such performance to the Board;
  - d. recommending changes that would ensure fair, vigorous, and effective regulation;
  - e. reviewing all regulatory proposals prior to implementation and advising the Board as to whether and how such changes may impact regulation; and
  - f. assisting in minimizing actual or potential conflicts of interest.

**Rule 217. ~~Disciplinary~~ Business Conduct Committee**

1. The ~~Disciplinary Committee~~ Business Conduct Committee shall consist of at least ten (10) members appointed by the Board, at least three (3) of whom shall ~~be Public Directors~~ have no Material Relationship with the SEF, or such other number as the Board shall determine is necessary to comply with any final governance rules adopted by the CFTC. The members of the ~~Disciplinary Committee~~ Business Conduct Committee shall provide a fair representation of the Participants on the SEF.
2. Members of the ~~Disciplinary Committee~~ Business Conduct Committee shall each serve the one-year term to which he or she is appointed and until the appointment of a successor, or until his or her earlier resignation or removal as a member of the ~~Disciplinary Committee~~ Business Conduct Committee. A member of the ~~Disciplinary Committee~~ Business Conduct Committee may serve for multiple terms.
3. Members of the ~~Disciplinary Committee~~ Business Conduct Committee may be appointed to serve on ~~Disciplinary~~ Disciplinary Panels of the Business Conduct Committee ("Business Conduct Committee Panel") by the Chairman of the ~~Disciplinary Committee~~ Business Conduct Committee. Each Disciplinary Panel shall consist of not fewer than three (3) members of the ~~Disciplinary Committee~~ Business Conduct Committee, including at least one Public Director of the Independent Committee Members, who shall serve as Chairperson of that Business Conduct Committee ~~the Disciplinary~~ Panel.

4. The ~~Disciplinary Committee~~Business Conduct Committee shall establish one or more of the following ~~Disciplinary~~ Panels, as necessary.
  - a. ~~Charging Panel~~Disciplinary Committee. The ~~Charging Panel~~Disciplinary Committee shall consider the authorization of charges pursuant to SEF Rule 171 and review, accept or reject an Offer of Settlement pursuant to SEF Rule 723~~be responsible for reviewing the Investigative Report and taking such action as permitted under Chapter 7 of the SEF Rules.~~
  - b. Hearing Panel. The Hearing Panel shall be responsible for adjudicating disciplinary cases under SEF Rule 721 against Persons alleged to have committed rule violations, including summary proceedings and, without limitation, the consideration of Offers of Settlement once a SEF Rule 721 hearing has commenced~~and conducting hearings.~~
  - c. Appeal Panel. The Appeal Panel shall be responsible for hearing allowable appeals of decisions ~~issued by a Hearing Panel.~~
5. No ~~member of the Disciplinary Committee~~Business Conduct Committee Panel member who authorizes charges or considers a settlement under SEF Rule 271(4)(a) may participate on a Hearing Panel or summary proceeding in a Disciplinary Proceeding under Chapter 7~~may serve on a Disciplinary Panel for more than one stage in the disciplinary process for the same disciplinary matter. No member of SEF compliance staff shall serve on a Disciplinary Panel.~~

## CHAPTER 3 APPLICATIONS FOR PARTICIPANT STATUS

### Rule 301. Reserved

### Rule 302. Participant Status and Categories of Participants

All Participants of the SEF shall have Trading Privileges on the SEF which include the right to access the SEF and submit Orders as authorized by the Participant's Participant Category. Trading Privileges are subject to any limitation, restriction or revocation imposed, from time to time, by the SEF. Trading on the SEF is limited to ECPs. There are three categories of Participants: (i) Prime Broker, (ii) Trading Firm, and (iii) Principal Trading Firm. Any Participant may designate, pursuant to the SEF Rules, one or more Authorized Traders.

### Rule 303. Jurisdiction

1. Without need for any further action or agreement, Participants agree to be bound by and comply with the SEF Rules (including, but not limited to, rules requiring cooperation and participation in investigatory and disciplinary processes) and to become subject to the jurisdiction of the SEF with respect to all matters arising from directly or indirectly engaging in trading activity on the SEF. For the avoidance of doubt, Persons which are not Participants of the SEF may not access the SEF or avail themselves of its services.
2. Unless agreed to in writing by the SEF, no agreement between a Prime Broker and a Trading Firm may supersede the SEF Rules with respect to trading activity on the SEF.

### Rule 304. Trading Privileges

1. Each Participant shall have the right to access the SEF and submit Orders as permitted by such Participant's Participant Category pursuant to the SEF Rules.
2. The granting of Trading Privileges to a Participant does not confer (i) any right of ownership in the SEF; (ii) any right to share in the profits of the SEF, nor (iii) any right to attend or vote at any meeting of the SEF, including, without limitation, any meeting of the Board or of any SEF Committee.
3. Trading Privileges are non-transferable, non-assignable and may not be sold or leased.
4. Trading Privileges, but not the obligations, of a Participant terminate upon dissolution of a Participant, and with respect to an Authorized Trader, upon the death or incapacity of the Authorized Trader.

### Rule 305. Trading Privileges by Participant Category

Each Participant Category will have the following trading authority:

1. A Prime Broker shall be authorized to authorize one or more Trading Firms to enter into Transactions for the account of the Prime Broker as its agent pursuant to the terms and conditions set forth in an agreement entered into between such Prime Broker and each such

Trading Firm. The Prime Broker shall indicate to the SEF, in writing, that certain of its clients shall constitute Trading Firms authorized to enter into Transactions for the account of the Prime Broker. The Prime Broker shall be solely responsible for for all of the financial and economic aspects of the relationship between it and such Trading Firms.

2. A Trading Firm shall be authorized to enter into Transactions for the account of and as agent for a Prime Broker pursuant to the terms and conditions set forth in an agreement entered into between such Trading Firm and such Prime Broker. A Trading Firm shall not be authorized to enter into Transactions for its own account.
3. A Principal Trading Firm shall be authorized to enter into Transactions for its own account.

**Rule 306. Restrictions on Trading Privileges**

1. No employee of the SEF shall be given Trading Privileges on the SEF or be permitted to enter into, directly or indirectly:
  - a. any Transaction executed on the SEF; and
  - b. any Transaction executed on another swap execution facility that is fungible with or economically equivalent to Transactions executed on the SEF.
2. No employee, Director, member of any SEF Committee, or consultant of the SEF shall enter into, directly or indirectly, any Transaction, swap, security or other instrument on the basis of material, non-public information obtained in connection with the performance of his or her official duties.
3. For the purposes of this SEF Rule the term “employee” shall mean any person hired or otherwise employed on a salaried or on a contractual basis by the SEF, but does not include any:
  - a. Director compensated by the SEF solely for his or her participation in Board matters;
  - b. SEF Committee member compensated by the SEF solely for his or her participation in SEF Committee matters; and
  - c. consultant performing consulting services for the SEF, unless such consultant is contractually seconded to the SEF.

**Rule 307. Eligibility**

To be admitted as a Participant on the SEF, an Applicant shall be an entity, including, without limitation, a corporation, limited liability company, partnership or trust, that meets the following requirements.

1. General Requirements. A Participant shall:
  - a. be duly organized and in good standing under the laws of the jurisdiction of its organization or incorporation;
  - b. be of good reputation and business integrity ;
  - c. have the requisite organizational power to become a Participant of and enter into Transactions on the SEF;
  - d. hold all necessary regulatory authorizations, licenses, registrations and approvals;

- e. not be subject to statutory disqualification under Section 8a(2) of the CEA, unless the CFTC has allowed such Participant to continue to act in that capacity;
  - f. not be prohibited, for any reason, from using the services of the SEF;
  - g. have appropriate technical, risk and operational controls;
  - h. be an ECP;
  - i. not currently be in bankruptcy or the subject of involency proceedings or otherwise unable to meet any financial obligation as it becomes due;
  - j. not be an ISV or an automated trading system; and
  - k. satisfy all other criteria that the SEF, from time to time, may require.
2. Continuing Obligations. Once an Applicant is admitted as a Participant, it shall continue to comply with all eligibility criteria established by the SEF.

**Rule 308. Additional Eligibility Requirements by Participant Category**

In addition to the eligibility criteria set forth in SEF Rule 307, an Applicant shall meet the following additional requirements for the Participant category for which it seeks to be admitted:

- 1. Prime Broker. A Prime Broker must be a Swap Dealer.
- 2. Trading Firm. A Trading Firm must:
  - a. have a contractual prime brokerage arrangement with a Prime Broker, and whereby such Prime Broker has designated to the SEF that it will act as such Trading Firm's prime broker on the SEF, and whereby such Trading Firm may enter into Transactions on the SEF for the account of, and as agent of, such Prime Broker; and
  - b. have at least one natural person that is an Authorized Trader, approved by the SEF.
- 3. Principal Trading Firm. A Principal Trading Firm must:
  - a. have at least one natural person that is an Authorized Trader, approved by the SEF; and
  - b. have the ability to settle each Transaction to which such Principal Trading Firm is party that is entered into on the SEF.

**Rule 309. Participant Application Process**

- 1. Any Person wishing to become a Participant of the SEF ("Applicant") shall complete and submit, with complete and accurate information, the forms required by the SEF which include, without limitation:
  - a. a SEF participant application ("Application"), which includes, without limitation, an agreement to abide by SEF Rules and applicable law and submit to SEF jurisdiction, and which includes provision relating to the licensing of the SEF Trading System by the Participant; and
  - b. any additional documents and information the SEF may reasonably deem necessary or desirable to further clarify information provided to the SEF by an Applicant.



2. Each Applicant ~~shall promptly update its 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.~~ agrees that if any of the information provided in its Application is no longer accurate or any other information becomes available that would affect the accuracy of any information provided by the Applicant in its Application, Applicant will promptly notify the SEF of such information. The obligation stated in the preceding sentence is a continuing obligation that shall commence upon the Applicant's submission of its Application to the SEF and continue throughout the application process and include the period of time that the Applicant is a Participant of the SEF.
3. In considering an Application from an Applicant, the SEF may investigate in a form and manner determined by the SEF any such Applicant, including, without limitation, such Applicant's Authorized Traders, executive Officers and Authorized Representatives, prior to the approval of the Application~~conduct an investigation to verify information submitted by the Applicant.~~
4. Each Application will be reviewed by SEF staff. Such review shall not take place until such Application is complete. The SEF shall provide each Applicant with written notice of its determination to grant or deny such Applicant's request to become a Participant.
5. The SEF may deny or condition the grant of Participant status of any Applicant:
  - a. if such Applicant is unable to satisfactorily demonstrate its ability to satisfy the eligibility criteria to become or remain a Participant;
  - b. if such Applicant is unable to satisfactorily demonstrate its capacity to adhere to SEF Rules; or
  - b.c. if such Applicant is the subject of an inquiry, investigation or proceeding conducted by a self-regulatory organization or governmental authority that involves the Applicant's fitness to be a Participant; or
  - c.d. for any other cause reasonably determined by the SEF.
6. Any Applicant whose application to become a Participant is denied shall not be entitled to re-apply to become a Participant for six (6) months from the date of such denial.

**Rule 310. Authorized Traders**

1. Each Participant that is a Trading Firm or a Principal Trading Firm shall designate one or more natural persons to be an Authorized Trader. Each Participant designating an Authorized Trader shall notify the SEF of such designation in writing. Prior to accessing the SEF, such prospective Authorized Trader shall satisfy the requirements of this SEF Rule and SEF Rule 311. Upon approval of its designation as an Authorized Trader by the SEF, an Authorized Trader shall be entitled to exercise Trading Privileges subject to the terms and conditions of the SEF Rules including, without limitation, such Authorized Trader being subject to the jurisdiction of the SEF with respect to disciplinary matters, and the possible conditioning, restriction or revocation of Trading Privileges. For the avoidance of doubt, a Prime Broker shall not have any Authorized Traders and shall not access the SEF Trading System, and shall not be responsible for any

obligations for which an Authorized Trader and its respective Trading Firm or Principal Trading Firm, as applicable, is responsible in connection with accessing the SEF Trading System.

2. Each Participant that is a Trading Firm or a Principal Trading Firm shall guarantee and assume responsibility for all of the trading activity of its Authorized Trader(s) on the SEF. Such trading activity shall include, without limitation: (i) Orders entered, (ii) Orders accepted for execution, (iii) Transactions executed, (iv) Orders such Authorized Trader fails to execute, (v) Orders executed negligently, (vi) Orders executed fraudulently, (vii) Orders executed in violation of SEF Rules, (viii) Orders executed in violation of applicable law; or (ix) any conduct set forth in SEF Rule 706.
3. At any time a Participant may revoke the designation it has granted to any Authorized Trader by providing written notice of such revocation and the reason therefor, to the SEF at least one Trading Day before the effective date of any such revocation. Each Participant shall take all immediate measures appropriate to insure that, after such revocation, the affected Authorized Trader(s) shall not (i) have access to the SEF or (ii) utilize his or her User ID. Upon receipt of notice of the revocation of the designation of Authorized Trader, the SEF shall act promptly, but in no event longer than one Trading Day, to take all steps necessary to disallow access to the SEF by such formerly designated Authorized Trader. Notwithstanding the foregoing, a Participant shall remain responsible for the actions of any Person accessing the SEF by utilizing a User ID of any of its Authorized Traders even after such Participant has notified the SEF of the revocation of the designation of Authorized Trader in the event the Participant fails to prohibit such Authorized Trader's access to the SEF.
4. Each Participant shall be responsible for the acts and omissions of each of its Authorized Traders and for the acts and omissions of any Person utilizing a User ID assigned to any of its current or former Authorized Traders. Each Participant shall make certain on an ongoing basis that none of its Authorized Traders is subject to a disqualification pursuant to applicable law and that each Authorized Trader is technically proficient in the use of the SEF Trading System. Each Participant shall have written procedures for performing day-to-day monitoring of its Authorized Trader(s) to make certain that each will conduct its business in a fair and equitable way and in accordance with the SEF Rules.
5. In connection with the application and interpretation of these SEF Rules, any reference to:
  - a. the Trading Privileges of a Participant shall also be deemed to refer and apply to the exercise of Trading Privileges by any such Participant's Authorized Trader(s);
  - b. a Participant's entry or receipt of Orders, bids, or offers into or from the SEF or entering into Transactions on the SEF, shall be deemed to also refer to and apply to any such actions engaged in by any of such Participant's Authorized Trader(s); and
  - c. the knowledge of, or matters known to, any Participant shall be deemed to also refer to and include, without limitation, the knowledge of, or matters known, to its Authorized Trader(s).

**Rule 311. Access to the SEF by Authorized Traders**

An Authorized Trader may directly access the SEF provided that the following requirements are satisfied;

1. The Authorized Trader shall only be permitted to submit Orders as permitted by the SEF Rules.
2. Each Participant designating an Authorized Trader shall provide to the SEF such information as reasonably requested by the SEF regarding their Authorized Trader(s) including, without limitation, name, email address, street address, phone number(s), fax number, and authorized account number(s).
3. Once the SEF is satisfied that all requested information has been provided, the SEF shall issue a User ID and password, or other such identifiers as the SEF shall determine are necessary, for such Authorized Trader to exercise his or her Trading Privileges.
4. The SEF will enable the User ID when it determines, in its sole discretion, that all requirements and procedures have been met and all necessary risk controls are in place. Notwithstanding the foregoing, each Participant shall remain accountable, pursuant to the SEF Rules, for the acts and omissions of any of its Authorized Traders, regardless of the risk controls.
- 4.5. A User ID issued to an Authorized Trader may not be used by any other natural Person or entity.

**Rule 312. Suspension and Termination of Participant Status**

1. The SEF may summarily limit, restrict, suspend or terminate Participation status of any Participant:
  - a. if such Participant is unable to demonstrate its ability to continue to satisfy all eligibility requirements;
  - b. within a reasonable time from, and in compliance with, a notice of Final Decision regarding a violation of SEF Rules; and
  - c. within a reasonable period of time from, and in compliance with, a notice of Final Decision of a self-regulatory organization or regulator in which the Participant has been barred, expelled or suspended.
2. The SEF may limit, restrict, suspend or terminate a Participant, including any of its Authorized Traders in accordance with Chapters 3, 6 and 7 of the SEF Rules.
3. All Participants shall receive prompt written notice of any restriction, suspension or termination of their Participant status.

**Rule 313. Process for Review of Denial or Change in Participant Status**

1. If the SEF determines to (i) deny an application for Participant status or (ii) condition, suspend and/or terminate a Participant's status ("Status Determination Notice"), then the SEF shall promptly notify such Applicant or Participant ("Affected Person") in writing at the address provided by such application or Participant for notices.

2. An Affected Person may, within five (5) business days of the date of Status Determination Notice, send a written request to the SEF requesting that SEF provide the reasons for the denial, conditioning or termination of Participant status. Within ten (10) business days after receiving such written request, the SEF shall respond to such Affected Person and provide the reasons for denial, conditioning or termination of Participant status. Within ten (10) business days of receiving the response, the Affected Person may request in writing that the Participation Committee review the determination to deny, condition or terminate its Participant status ("Reconsideration Request").
3. Upon receipt of the Reconsideration Request the Participation Committee may, in its sole discretion, schedule a hearing (in-person or via teleconference), request additional information from the Applicant or Participant, or establish any other process that it believes is appropriate or necessary to consider the Reconsideration Request.
4. Within the later of forty-five (45) days of receiving a Reconsideration Request or thirty (30) days from the date the hearing is concluded the Participation Committee shall either confirm, reverse or modify the denial, conditioning or termination of the Affected Person and shall promptly send notice to the Affected Person. The decision of the Participation Committee is the Final Decision of the SEF and is not subject to any appeal within the SEF and shall include a statement informing the Respondent of their right to appeal to the CFTC. No later than thirty (30) days after the date of the Participation Committee's decision, the SEF shall cause the decision to be delivered to the Respondent, at their last known address, by: (i) hand delivery; (ii) deposit in the United States mail, postage paid, via registered mail or certified mail return receipt requested; (iii) deposit in a nationally recognized overnight mail carrier; or (iv) sending of such documents by electronic mail with a confirmation copy promptly sent by United States mail.

**Rule 314. Participant Representatives**

1. Each Participant shall designate, subject to the SEF's approval, an Authorized Representative to be the primary contact with the SEF ("Authorized Representative"). An Authorized Representative may be an employee of the Participant that is not an Authorized Trader. Each such Authorized Representative will:
  - a. represent such Participant before the SEF and the SEF Committees and receive notices on behalf of such Participant including, without limitation, notice regarding a Disciplinary Proceeding and any subpoena or document demand, issued pursuant to the SEF Rules, related thereto; and
  - b. have authority to act on behalf of the Participant, and the SEF shall be entitled to rely on the actions and communications of such Authorized Representative.
2. A Participant may designate a Designated Operational Contact, subject to the SEF's approval, to liaise with the SEF for the purposes of on-boarding onto the SEF and to perform other operational duties. A Designated Operational Contact may be an employee of the Participant

that is not an Authorized Trader. The SEF shall be entitled to rely on the information supplied by the Designated Operational Contact to be accurate and complete.

3. A Participant may choose to designate, subject to the SEF's approval, a Trading Manager, who is an employee of Participant, who may provide notice to the SEF of the following matters:
  - a. the Products its Authorized Trader(s) may trade; and
  - b. the Credit Trading Limits to which its Authorized Trader(s) must adhere.

4. A Participant shall designate a Compliance Officer, who shall be responsible for liaising with the SEF in connection with any compliance-related matters.

4.5 The SEF shall promptly notify a Participant in writing of its approval or disapproval of a Participant's designation of an Authorized Representative, a Designated Operational Contact or a Trading Manager.

5.6 Upon the SEF's approval of a Participant's designation of an Authorized Representative, Designated Operational Contact or Trading Manager, and upon the Participant's designation of a Compliance Officer, and at all times that such Authorized Representative, Designated Operational Contact, ~~or~~ Trading Manager or Compliance Officer continues in such capacity, such Participant shall provide the SEF with:

- a. -current contact information and other information the SEF deems necessary or desirable, including email address, regarding its Authorized Representative, Designated Operational Contact, ~~or~~ Trading Manager or Compliance Officer, as applicable; and
- b. prompt written notice of the removal and replacement of any Authorized Representative, Designated Operational Contact, ~~or~~ Trading Manager or Compliance Officer.

6.7 For the avoidance of any doubt the replacement of any Participant Representative designated by a Participant shall be subject to the terms and conditions of this SEF Rule 314.

#### **Rule 315. Notices to Participants**

The SEF shall publish notice with respect to each amendment, modification, clarification or interpretation of SEF Rules or any action to implement any SEF Rules, in a form and manner that is reasonably designed to permit each Participant to become aware of and familiar with, and to implement any necessary preparatory measures to be taken by it with respect to, such additions or modifications, prior to the effective date thereof (each such notice "Notice to Participants"); provided however that any failure by the SEF to publish a Notice to Participants shall not affect the effectiveness of the amendment, modification, clarification or interpretation of SEF Rules. For the purposes of this SEF Rule 315, it shall be sufficient (without limiting the discretion of the SEF as to any other reasonable means of communication) if a Notice to Participants is published on the SEF's website. Notwithstanding the foregoing, any amendment, modification, clarification or interpretation of SEF Rules shall be made in compliance with the CFTC's Part 40 Rules.

**Rule 316. Communications between the SEF and Participants**

1. Each Participant shall provide the SEF with complete and current contact information, including email addresses, ~~without limitation, contact information~~ regarding its Authorized Representative, Authorized Trader(s), Trading Manager, ~~and~~ Designated Operational Contact and Compliance Officer, as applicable.
2. All communications made to an Authorized Representative shall be deemed to have been made to the Participant such Authorized Representative represents. Each Authorized Representative shall be responsible for conveying all communications from the SEF to the Participant it represents including, without limitation, its Authorized Trader(s), Trading Manager and Designated Operational Contact, as applicable.

**Rule 317. Fees and Assessments**

The Board or any Officer thereof, in its sole discretion, shall have the authority to determine the amounts and due dates of any fees to be paid by Participants to the SEF. All fees and amounts owed to the SEF by a Participant shall be payable upon receipt of an invoice from the SEF. The SEF shall have the right to limit, restrict, suspend or terminate Trading Privileges of a Participant that is more than sixty (60) days late in making payment to the SEF.

**Rule 318. Market Maker Program**

In order to provide liquidity and help to maintain a fair and orderly market, from time to time the SEF may establish one or more market maker programs in such Products and for such periods of time that it deems appropriate ("Market Maker Program"). The SEF will notify Participants of its Market Maker Programs by posting a Notice to Participants on the SEF's website, which will provide information concerning:

1. the Products eligible for the Market Maker Program;
2. the period of time the Market Maker Program will be in effect;
3. the qualifications for a Participant to become a market maker;
4. the procedure a Participant must follow to apply to become a market maker;
5. the commitments and/or obligations of a market maker which may include, without limitation, trading hours, minimum bid/ask spread and minimum trading volumes; and
6. the incentives offered to market makers, which may include, without limitation, rebates, reduced fees, the right to provide indicative quotes to the SEF and/or other benefits as determined by the SEF.

The SEF may withdraw any Market Maker Programs at any time for any reason. The SEF shall have the right to monitor trading activity to determine compliance with the commitments and/or obligations required by the SEF's Market Making Program(s), and to ensure that the Market Maker Program(s) does not cause detriment to Participants and/or distort market pricing.

**Rule 319. Withdrawal of a Participant**

A Participant may withdraw from the SEF by submitting a written request to the SEF. All requests for withdrawal of Participant status will be reviewed by SEF staff. Unless otherwise provided by written agreement a Participant's request to withdraw from the SEF shall be effective thirty (30) Trading Days after the SEF's receipt of a Participant's request to withdraw and shall be conditioned upon payment of all fees due and owing to the SEF by such Participant. Subject to Rule 320, a Participant shall be subject to the jurisdiction of the SEF for one year from the date of its withdrawal from the SEF, or such longer period as shall be required under CFTC Rules.

**Rule 320. Continuing Jurisdiction**

Notwithstanding Rule 319, any Participant which either has (i) withdrawn from the SEF or (ii) had its Trading Privileges terminated or revoked by the SEF, shall remain subject to the jurisdiction of the SEF with respect to all matters arising from, in connection with or related to the status, acts or omissions of such Participant that occurred prior to such Participant's withdrawal, or prior to the termination or revocation of such Participant's Trading Privileges.

**Rule 321. Independent Software Vendors**

An independent software vendor (an "ISV") means a Person that makes available to Participants a system or platform offering smart order routing, trading software, an aggregator platform or a combination of the foregoing, but does not provide Participants with the ability to enter into Transactions on the SEF. Only a SEF ISV may have access to the SEF. An ISV that has been approved by the SEF may become a SEF ISV. To be approved as a SEF ISV an ISV shall:

1. be an entity, including without limitation a corporation, limited liability company, partnership or trust, that is duly organized and in good standing under the laws of the jurisdiction of its organization or incorporation;
2. be of good reputation and business integrity;
3. have no legal restriction(s) that would prohibit it from obtaining access to the SEF;
4. have appropriate technical and operational controls;
5. meet minimum average trade volume requirements for such Participants which are directed by the ISV to the SEF, as such volumes are determined by the SEF;
6. enter into a binding agreement with the SEF whereby the SEF may impose certain fees in consideration of its agreement to service the ISV while it accesses the SEF; and
7. satisfy any other requirements regarding system testing and/or certification that the SEF may deem necessary or desirable.

**Rule 322. Reserved**

**Rule 323. Reserved**

**Rule 324. Impartial Access to the SEF**

1. The SEF will allow any ECP to access its markets and market services on an impartial basis provided that such ECP complies with the documentation and eligibility requirements set forth in the SEF Rules.
2. The SEF will allow any ISV to access its markets and market services on an impartial basis provided that such ISV complies with the documentation and eligibility requirements set forth in the SEF Rules.



## CHAPTER 4 PARTICIPANT OBLIGATIONS

### Rule 401. Payment of Fees and Assessments

All Participants shall promptly pay all fees and assessments as determined by the SEF.

### Rule 402. Compliance with SEF Rules

Each Participant shall:

1. comply with the SEF Rules and all laws applicable to its use of the SEF;
2. use the SEF in a responsible manner and not for any improper or illegal purpose;
3. comply with all applicable laws and regulations;
4. comply with high standards of integrity, market conduct, commercial honor, fair dealing, and just and equitable trading principles while performing or attempting to perform any acts related to any business related to or concerning the SEF;
5. not knowingly mislead or conceal any material fact or matter in any dealings with the SEF or in response to any SEF Proceeding; and
6. promptly inform the SEF of material changes in the information provided to the SEF in connection with the Participant's application for Participant status on the SEF.

### Rule 403. Supervision

Participants shall create, implement and maintain such reasonable written supervisory procedures as are necessary to adequately supervise its Related Parties~~Supervised Persons~~, independent contractors and consultants to ensure their compliance with SEF Rules, the rules of any self-regulatory organizations of which the Participant is a member and all applicable laws.

### Rule 404. Required Records

1. Required Records. Each Participant shall (i) prepare and keep current full, complete and systematic records and information which include all pertinent data and memoranda relating to the complete audit trail all of in the case of a Principal Trading Firm or a Trading Firm, the Transactions it executes and attempts to execute on the SEF, and, in the case of a Prime Broker, the Transactions executed for its account by a Trading Firm, each as are required to be kept by it pursuant to applicable law and regulation including, without limitation, all records required by CFTC Regulations 1.31, 1.35, and 37.404, including, without limitation, records of trading activity in the index or instrument used as a reference rate, the underlying commodity, and related derivatives markets, and (ii) shall keep current such other records and information and adopt such forms as the SEF may from time to time require ("Required Records"). Each Participant shall make all Required Records available, upon request, to the SEF, its regulatory service provider (if any) and the CFTC.

2. **Retention of Required Records.** Unless otherwise provided by applicable law or the SEF Rules, all Participants shall retain all Required Records for a period of five (5) years from the date on which they are first prepared. Required Records shall be readily accessible during the first two (2) years of the five-year retention period. During the five-year retention period, all Required Records shall be made available for inspection by, and copies thereof shall be provided to, the SEF and its authorized representatives promptly upon request, and such production shall be made at the expense of the Participant required to keep such Required Records.
3. **CFTC Requests.** Participants shall make Required Records available to the CFTC upon request and/or permit on-site visitation by duly authorized representatives of the CFTC.

**Rule 405. Disclosure and Reporting**

Each Participant shall immediately notify the SEF upon becoming aware of any of the following events:

1. any material change in the contact information it has provided to the SEF;
2. any material failure of or damage to the systems, facilities or equipment of such Participant used to enter into Transactions on the SEF;
3. any material failure or damage to the system, facilities or equipment of such Participant used to timely perform such Participant's financial obligations related to Transactions;
4. any expulsion or withdrawal of the Participant, under threat of expulsion, suspension or other penalty, in any self-regulatory organization, designated contract market or derivatives clearing organization;
5. any revocation, suspension or material conditioning of any registration or license granted by any governmental agency in respect of swaps trading (provided, however, that a Prime Broker shall not be required to notify the SEF upon becoming aware of any such event as it relates to a Trading Firm authorized to enter into Transactions on the SEF for the account of such Prime Broker);
6. the imposition of any material sanction or remedy imposed by a governmental agency, including without limitation, a cease and desist letter, a fine, a revocation of trading privileges, or a permanent bar from trading; and
7. the occurrence of an event of insolvency of a Participant, including without limitation, the filing of a bankruptcy petition by the Participant, the appointment of a trustee, receiver or administrator or the commencement of dissolution proceedings.

**Rule 406. System Security**

1. Each Participant that is a Trading Firm or a Principal Trading Firm shall be solely responsible for controlling and monitoring the use of the User ID(s) issued to it and to its Authorized Trader(s) and for ensuring (i) that each Authorized Trader accessing the SEF Trading System using such User ID is assigned a unique password, (ii) that each such password is used only by the Participant to which it is assigned, and (iii) that each Participant takes necessary precautions to prevent the unauthorized disclosure of its User ID and unique password.

2. In the event of any system security breach, including, without limitation, the unauthorized disclosure or use of a User ID or password or the unauthorized access to the SEF Trading System, each Participant that becomes aware of such security breach shall promptly notify the SEF by the fastest means possible.
3. Each Participant shall be bound by any and all actions taken through use of their User ID or passwords regardless of whether such actions were authorized by such Participant.
4. No Person may knowingly permit or assist the unauthorized use of a User ID for any purpose.

**Rule 407. ~~Reserved~~Financial Requirements**

~~1. Each Participant that is a Prime Broker shall maintain appropriate Trading Limits for each of its Trading Firms that is authorized to enter into Transactions as its agent. Each Participant shall provide notice to the SEF of such Trading Limits. Each Participant shall provide the SEF with immediate written notice of any change in such Trading Limits.~~

~~2. At least once a year, upon request by the SEF, each Participant shall provide the SEF with a written certification that (a) such Participant is and continues to be an ECP, and, (b) in the case of Participants which are Prime Brokers, such Participant continues to be a Swap Dealer.~~

**Rule 408. Reserved**

**Rule 409. Disaster Recovery; Business Continuity**

Each Participant shall have written disaster recovery and business continuity policies and procedures in place to ensure it is able to perform certain basic operational functions in the event of a significant internal or external interruption to its operations.

**Rule 410. Mandatory Trading**

Each Participant shall be responsible for compliance with the mandatory trading requirement under Section 2(h)(8) of the CEA and shall not enter into any Required Transaction off a SEF.

## CHAPTER 5 TRADING PRACTICES AND SDR REPORTING

### Rule 501. Scope

1. Scope. Unless otherwise provided in the SEF Rules, this Chapter 5 governs all trading activity on the SEF.
2. Transaction Execution. Transaction execution will occur by electronic order book.
3. Execution Market Places. The SEF operates an electronic order book.

### Rule 502. Trading Day and Trading Hours

From time to time the SEF shall determine the Trading Days for each calendar year and the Trading Hours in respect of each Trading Day. The SEF shall publish notice of Trading Hours, Trading Days and holidays on its website. Unless expressly stated on the website, all time references shall be based upon local time in New York, New York. Trading Hours may vary by Product. Unless otherwise noted in the Product specification for a Product listed in Chapter 10 of the SEF Rules, the Trading Hours of the SEF begin on each Sunday at 5:00 p.m., and end on the following Friday at 5:00 p.m., with a suspension of trading between 5:00 p.m. and 5:30 p.m. on each of the Monday through Thursday during each such period.

### Rule 503. Publication of Trading Information

The SEF will publish trading information as required by CEA Section 5h(f)(9) and Parts 16 and 37 of the CFTC Regulations.

### Rule 504. Order Entry on the SEF

1. No Person may use a User ID to place a request to trade except as permitted by the SEF Rules.
2. Orders shall be entered on the SEF by submitting the request into the SEF's order book, pursuant to SEF Rule 505.
3. The SEF shall maintain an electronic record of all Orders entered into the SEF that provides all data reflecting the details of each such Order including order modifications, cancellations and executions.
4. Each Trading Firm and each Principal Trading Firm shall be legally responsible for any and all obligations arising from trading activity or conduct of such Participant and such Participant's Authorized Traders, including without limitation, for any prohibited activity set forth in SEF Rule 706. Each Prime Broker shall be legally responsible for the financial obligations of each Transaction to which such Prime Broker is party, whether such Transaction was entered into by its Trading Firm or by such Trading Firm's Authorized Trader on behalf of such Prime Broker.
5. All Orders submitted to the SEF by a Participant shall contain the following information:
  - a. the name and Legal Entity Identifier of the Trading Firm or the Principal Trading Firm submitting the Order;
  - b. the name and Legal Entity Identifier of the Prime Broker or the Principal Trading Firm, as applicable, which will be the counterparty to the Transaction;

- c. the name of the Authorized Trader acting on behalf of the Participant;
- ~~e~~.d. Order type;
- ~~d~~.e. the Contract;
- ~~e~~.f. the Rate;
- ~~f~~.g. whether the Prime Broker or the Principal Trading Firm, as applicable, will be the buyer or seller of the Reference Currency;
- ~~g~~.h. the Notional Amount; and
- ~~h~~.i. the CTI code.

**Rule 505. Entry of Orders on the SEF's Order Book**

1. Acceptable Orders. The following types of Orders may be entered into the order book of the SEF:
  - a. Limit Orders. A Limit Order is a request to enter into a Transaction in respect of a Product at a specified Rate or a better Rate obtainable in the order book. A Limit Order may either be:
    - i. An "Immediate or Cancel" or "IOC" Order, which is a Limit Order in which any remainder of the request that is not executed immediately is cancelled; or
    - ii. A Session Limit Order, which remains on the market until the request is completely filled, canceled or the Participant loses connection with the SEF Trading System. A Session Limit Order may either be:
      1. An Iceberg Order, which is a Session Limit Order that is divided into a visible Notional Amount, which appears on the market, and a hidden Notional Amount, which does not. A Session Limit Order which is an Iceberg order will remain on the market until the request is completely filled or the Participant loses connection with the SEF Trading System. All Session Limit Orders which are Iceberg orders, including the full Notional Amount of the request, will retain their position in the market unless they are cancelled or modified.
      2. A non-Iceberg Order, which is a Session Limit Order where all of the Notional Amount is visible and appears on the market.
  - b. Market Orders. A Market Order is a request to enter into a Transaction in respect of a Product with no limit Rate. All Market Orders are IOC Orders.
2. Firm Liquidity and Indicative Quotes. Each of the acceptable Orders set forth in Rule 505(1), above, may be provided on a firm and, in some cases by certain categories of Participants as more fully set forth in Rule 318, on an indicative basis. Firm liquidity consists of Orders submitted to the SEF that are immediately executable against incoming Orders without any further action. Indicative quotes consist of Orders submitted to the SEF that require the Participant submitting the request to either accept or decline an incoming Order within the Order Review Timeframe.

3. **Entry of Orders.** An Order may be submitted by (a) a Trading Firm on behalf of a Prime Broker on whose behalf such Trading Firm is authorized to act, or (b) by a Principal Trading Firm for its own account.
4. **Priority.** All Orders received in the order book are sorted and matched based on a protocol of variables to be considered in the following order: (i) Rate, (ii) firm-versus-indicative, (iii) time.
5. **Resting Orders.** Resting Orders are visible to all Participants and are firm and executable until such time that the request is executed, modified or cancelled either by the Participant or the SEF pursuant to Rule 507, or as provided in the Acceptable Orders descriptions set forth in Rule 505(1) above.
6. **Available Contracts.** At the beginning of each Trading Day, the SEF shall provide to all Participants a list of Contracts in respect of which a Transaction may be executed on such Trading Day. In the case of an NDF, for example, an available Contract shall list the Reference Currency and the Settlement Date. Each Contract in respect of an NDF shall also be deemed to include all of the information listed in SEF Rule 1001, which information constitutes static data and which will apply equally to all such Contracts.
7. **Available Counterparties.** At any time, a Prime Broker or Principal Trading Firm will be able to enter into a Transaction on the SEF with another Prime Broker or Principal Trading Firm only to the extent that the counterparties to a Transaction are bound, on a bilateral basis, by the terms of master documentation required by CFTC Regulations to govern any such Transaction.

#### **Rule 506. Liquidity Configuration**

At any time the SEF may operate multiple order books, and at least one of such order books shall at all times constitute an all-to-all order book to which each Participant has access and which allows each Participant to view all Orders on the SEF Trading System at any time that are submitted by each other Participant which has opted to interact with the SEF's all-to-all order book. In addition to any other master documentation requirement (as set forth in SEF Rule 505(7)) or Credit Limit requirement (as set forth in SEF Rule 520), Participants may choose not to be able to enter into Transactions with one or more of the other Participants active on the SEF at any given time by subscribing to an order book with liquidity that is configured in accordance with such Participant's criteria. Participants may be able to identify and limit the Participants whose Orders are made available to them to accept on the SEF at any time. For example, a Participant may opt to exclude the Orders of a given Participant from its available liquidity for commercial reasons. For the avoidance of doubt, in addition to any configured order books which may be made available to certain Participants in accordance with this paragraph, at all times the SEF shall operate an all-to-all order book to which each Participant has full access. Any Participant that subscribes to an order book having such configured liquidity will be able to view such order book in addition to the SEF's all-to-all order book, if such Participant opts to interact with the SEF's all-to-all order book.

**Rule 507. Modification and Cancellation of Orders**

1. Modification or Cancellation of Orders by the Participant. Unless otherwise provided in the SEF Rules, any Order entered into the electronic order book may be modified or cancelled by the Participant until such time that such Order is executed or has otherwise expired, including, if applicable, upon the expiration of the relevant Order Review Timeframe. Any such modification or cancellation of an Order by a Participant requires that an Order Modify or Order Cancel be entered into the SEF by the Participant. Such modification or cancellation shall become effective upon receipt of the Order Modify or Order Cancel, as applicable, by the SEF.
2. Cancellation of Orders by the SEF. The SEF may cancel an open Order in any of the following circumstances:
  - a. The Order remains open when the Participant loses its connection to the SEF Trading System.
  - b. The Order is not executed prior to the expiration of an applicable Order Review Timeframe.
  - c. The SEF determines that the Settlement Date in respect of a Contract was determined by the SEF incorrectly, in which case all open Orders in respect of such Contract having such erroneous Settlement Date shall be cancelled.
  - d. The Order remains open at the end of a given Trading Day such that a Transaction having the Settlement Date set forth in such original request is no longer executable; in which case the SEF may modify such Settlement Date.
  - e. Any other circumstances that, in the sole determination of the SEF, results in an open Order becoming incapable of being executed.

**Rule 508. Market Information**

The SEF will make available to Participants on an anonymous basis, whether through the SEF Trading System, a ticker, a financial information services provider or otherwise, market information regarding Rates bid and offered, Transactions executed and any other information it deems appropriate in such manner and at such times as it believes is necessary or desirable and consistent with CFTC regulations. Each Participant receiving such information may only redistribute such information to such extent and in such manner as may be permitted by the SEF Rules.

**Rule 509. Real-Time Market Monitoring**

Real-time monitoring of trading activity on the SEF for compliance purposes shall be conducted by the Regulation Division~~Compliance Department~~.

1. The SEF shall monitor and evaluate data on:
  - a. an ongoing basis in order to detect and prevent manipulation, Rate distortion, and, where necessary, disruptions in the cash-settlement process, and

- b. general market data in order to detect and prevent manipulative activity that would result in the failure of the applicable Prevailing Market Rate to reflect the normal forces of supply and demand, unusual trading volumes, and impairments to market liquidity.
2. In addition, the SEF may seek to protect market integrity through use of the following system safeguards to prevent the entry of Orders in any of the following circumstances:
- a. pre-trade quantity limits on individual Orders to screen for order quantities not within acceptable parameters;
  - b. pre-trade rate collars to screen for Orders outside of current market conditions;
  - c. throttles to screen for the submission of too many messages in a specified period of time; and
  - d. maximum open exposure limits to prevent any Participant from submitting Orders in excess of a pre-determined maximum exposure.

**Rule 510. Error Trades; Off-Market Transactions; Breach of Prime Broker Credit Limits**

1. Authority. The SEF shall be authorized to adjust Rates or cancel Transactions when necessary to mitigate market disrupting events, which include, without limitation, errors resulting from Order entry or system malfunctions.
2. Transaction Review. The SEF may adjust Transaction Rates or cancel any Transaction that, if allowed to remain, would have meaningful adverse effects on the integrity of the market that result from (i) the SEF’s observation of the market, (ii) system malfunction, or (iii) a request from a Participant. If a Participant believes that (a) the execution of its Order was done in error in terms of the applicable Rate in respect of the executed Transaction as more fully described below, or that (b) as a result of a systems error, a Transaction is entered into by a Trading Firm on behalf of a Prime Broker in violation of such Prime Broker’s establishment of such Trading Firm’s Credit Limit in accordance with SEF Rule 520, such Participant may submit a Transaction for review or request that a Transaction be cancelled in accordance with the procedures set forth below.
3. Process for Transaction Review; Off-Market Transactions.
  - a. If a Participant believes that the execution of its Order was done in error in terms of the applicable Rate in respect of the executed Transaction and that such Rate deviates from the Prevailing Market Rate in excess of the range set forth below (the “Fair Trade Range”), such Participant may initiate a review by making a request within ten (10) minutes of Transaction execution via electronic mail to [SEFerrortrade@bats.com](mailto:SEFerrortrade@bats.com). Such requests for review must contain the following information :
    - time of submission of the Order to the SEF;
    - time of Transaction execution;
    - Reference Currency;
    - Notional Amount;
    - Rate;



- whether the party requesting review was the buyer or seller of the Reference Currency; and
  - the factual basis for believing that the Transaction is an off-market Transaction.
- b. The Fair Trade Range test shall be applied to all Transactions accepted for review as follows:
- i. If the Rate in respect of a Transaction under review is within the Fair Trade Range, the Transaction will stand;
  - ii. If the Rate in respect of a Transaction under review falls outside the Fair Trade Range, the Rate will be adjusted to the fair value level determined by the SEF Market Monitor, plus or minus the non-reviewable range.

The following Fair Trade Ranges shall apply to the SEF<sup>1</sup>:

| Currency Pair | Tenor    | Fair Trade Range:<br>Deviation from Prevailing<br>Market Rate<br>(+ or -) |
|---------------|----------|---|
| BRL/USD       | 1 month  | 100 pip range   |
| BRL/USD       | 2 months |   |
| BRL/USD       | 3 months |   |
| BRL/USD       | 6 months |   |
| BRL/USD       | 1 year   |   |
| CLP/USD       | 1 month  |   |
| CLP/USD       | 2 months |   |
| CLP/USD       | 3 months |   |
| CLP/USD       | 6 months |   |
| CLP/USD       | 1 year   |   |
| CNY/USD       | 1 month  |   |
| CNY/USD       | 2 months |   |
| CNY/USD       | 3 months |   |
| CNY/USD       | 6 months |   |
| CNY/USD       | 1 year   |   |
| COP/USD       | 1 month  |   |
| COP/USD       | 2 months |   |
| COP/USD       | 3 months |   |
| COP/USD       | 6 months |   |
| COP/USD       | 1 year   |   |

<sup>1</sup> The Fair Trade Ranges in respect of other Contracts shall be provided via a subsequent Rule filing prior to any such Contracts being made available on the SEF.

| Currency Pair | Tenor    | Fair Trade Range:<br>Deviation from Prevailing<br>Market Rate<br>(+ or -) |
|---------------|----------|---|
| INR/USD       | 1 month  |   |
| INR/USD       | 2 months |   |
| INR/USD       | 3 months |   |
| INR/USD       | 6 months |   |
| INR/USD       | 1 year   |   |
| IDR/USD       | 1 month  |   |
| IDR/USD       | 2 months |   |
| IDR/USD       | 3 months |   |
| IDR/USD       | 6 months |   |
| IDR/USD       | 1 year   |   |
| KRW/USD       | 1 month  |   |
| KRW/USD       | 2 months |   |
| KRW/USD       | 3 months |   |
| KRW/USD       | 6 months |   |
| KRW/USD       | 1 year   |   |
| MYR/USD       | 1 month  |   |
| MYR/USD       | 2 months |   |
| MYR/USD       | 3 months |   |
| MYR/USD       | 6 months |   |
| MYR/USD       | 1 year   |   |

4. Process for Transaction Review; Breach of Prime Broker Credit Limits. In the event that, as a result of a systems error, a Transaction is entered into by a Trading Firm on behalf of a Prime Broker in violation of such Prime Broker's establishment of such Trading Firm's Credit Limit in accordance with SEF Rule 520, the Prime Broker may seek to cancel the Transaction by notifying the SEF of such request as soon as possible, but in any case not later than two (2) hours following receipt by the Prime Broker of confirmation of such Transaction. Should the Prime Broker request that the SEF cancel the Transaction, the SEF shall be responsible for any administrative requirements of such cancellation, including but not limited to correcting the reporting of the Transaction with the SDR. If the Prime Broker fails to notify the SEF of its request to cancel the Transaction within the timeframe set forth in this paragraph, the Transaction shall stand.
5. Process for Transaction Review and Results of Review
  - a. If a series of Transactions is the subject of a review or cancellation request, one email request will be considered sufficient if the fact that the Transaction is part of a series is made known to the SEF. The SEF Market Monitor, in its sole discretion, will determine if

the request for review or cancellation will be accepted. If the request to review a Transaction is granted, the SEF Market Monitor will issue a notice to all Participants that the Transaction has entered the review process.

- b. In the event of a Transaction review that results in a Rate adjustment or cancellation, Participants agree that Transactions will be subject to cancellation and correct protocols.
- c. Promptly upon completion of its Transaction review, the SEF will issue a Notice to Participants of the results of the Transaction review indicating whether the Transaction stands, the Transaction has been cancelled, or, if the Transaction has been adjusted, the adjusted Rate.

**Rule 511. Price Limits**

Subject to Rule 203, the SEF's Chief Executive Officer or his or her designee shall have the authority to impose (i) Rate limits, (ii) trading pauses, and/or (iii) trading halts, to trading in a particular Product in the event of extraordinary Rate movements that may result in distorted Rates or that may trigger market disruptions.

**Rule 512. Limitation of Liability and Prohibition on Claims**

ANY CLAIM BROUGHT AGAINST THE SEF (AND ANY OF ITS AFFILIATES, SUBSIDIARIES AND THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, CONSULTANTS, COMMITTEE MEMBERS AND MEMBERS) MUST BE BROUGHT IN COMPLIANCE WITH THIS RULE. LIMITATIONS ON LIABILITY SET FORTH IN THIS RULE SHALL BE SUBJECT TO THE SEF'S OBLIGATIONS ARISING UNDER THE CEA AND CFTC REGULATIONS, INCLUDING PART 37. A PERSON THAT HAS BEEN FINALLY ADJUDICATED TO HAVE ENGAGED IN WANTON OR WILLFUL MISCONDUCT CANNOT AVAIL ITSELF OF THE PROTECTIONS OF THIS RULE.

1. EACH PARTICIPANT UNDERSTANDS AND AGREES THAT THE SEF IS NOT A PARTY (EITHER DIRECTLY OR INDIRECTLY) TO ANY TRANSACTION CONDUCTED OR EXECUTED THROUGH THE SEF, AND THE SEF IS NOT LIABLE FOR ANY REASON TO ANY PERSON (INCLUDING WITHOUT LIMITATION ANY PARTICIPANT, AND/OR CLIENT, AGENT OR EMPLOYEE OF A PARTICIPANT) FOR THE ACT OR OMISSION OF ANY PERSON (INCLUDING, WITHOUT LIMITATION, ANY PARTICIPANT, AND/OR CLIENT, AGENT OR EMPLOYEE OF A PARTICIPANT) ENTERING INTO ANY TRANSACTIONS ON THE SEF.
2. NEITHER THE SEF, NOR ANY OF ITS AFFILIATES, SUBSIDIARIES AND THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, CONSULTANTS, COMMITTEE MEMBERS, MEMBERS AND SHAREHOLDERS (COLLECTIVELY "SEF REPRESENTATIVES") SHALL BE LIABLE TO ANY PERSON FOR ANY LOSSES, DAMAGES, COSTS OR EXPENSES, INCLUDING, WITHOUT LIMITATION, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES REGARDING A CLAIM, BROUGHT DIRECTLY OR AS A THIRD-PARTY CLAIM, REGARDLESS OF NATURE OF THE CAUSE OF ACTION, ARISING FROM:

- a. ANY FAILURE, MALFUNCTION, FAULT IN DELIVERY, DELAY, OMISSION, SUSPENSION, INACCURACY, INTERRUPTION, TERMINATION OR OTHER CAUSE RELATED TO THE FURNISHING, MAINTENANCE, PERFORMANCE, OPERATION, USE, INABILITY TO USE ALL OR ANY PART OF THE SEF TRADING SYSTEM OR SERVICES OF THE SEF, INCLUDING, WITHOUT LIMITATION, ORDER ENTRY/DELIVERY, TRADING BY ELECTRONIC MEANS, ELECTRONIC COMMUNICATION OF INFORMATION OR MARKET DATA, PRICE REPORTING SYSTEMS AND ALL SOFTWARE AND HARDWARE RELATED THERETO;
  - b. ANY FAILURE, MALFUNCTION, FAULT IN DELIVERY, DELAY, OMISSION, SUSPENSION, INACCURACY, INTERRUPTION, TERMINATION OR OTHER CAUSE RELATED TO THE SET TRADING SYSTEM OR ANY SYSTEM OR SERVICES USED BY THE SEF TO SUPPORT THE SEF TRADING SYSTEM AND SERVICES PROVIDED BY THE SEF, INCLUDING, WITHOUT LIMITATION, THIRD PARTIES SUCH AS NETWORK PROVIDERS AND/OR ISVs;
  - c. ANY UNAUTHORIZED USE OR UNAUTHORIZED ACCESS TO THE SEF TRADING SYSTEM, OR TO SEF SERVICES, EQUIPMENT OR FACILITIES, BY ANY PERSON; OR
  - d. EXCEPT FOR ORDER STATUS, ANY ERRORS OR INACCURACIES IN INFORMATION PROVIDED BY THE SEF.
3. TO THE EXTENT PERMITTED BY LAW, THE TOTAL COMBINED LIABILITY OF THE SEF AND ITS AFFILIATES, SUBSIDIARIES AND/OR ANY OF THE SEF REPRESENTATIVES SHALL NOT EXCEED \$100,000; PROVIDED, HOWEVER, THAT SUCH LIMITATION DOES NOT APPLY IN RESPECT OF ANY LIABILITY ARISING OUT OF THE SEF'S GROSS NEGLIGENCE, FRAUD OR WILLFUL MISCONDUCT.
  4. THERE ARE NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY AND WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE OR USE, PROVIDED BY THE SEF, OR ANY OF ITS AFFILIATES OR SUBSIDIARIES, TO ANY PERSON REGARDING THE SEF TRADING SYSTEM.
  5. ANY ACTION, PROCEEDING OR SUIT BROUGHT AGAINST THE SEF OR ANY OF ITS SEF REPRESENTATIVES SHALL BE BROUGHT WITHIN ONE (1) YEAR FROM THE DATE THAT THE CAUSE OF ACTION ACCRUED. ANY SUCH ACTION, PROCEEDING OR SUIT SHALL BE COMMENCED IN THE STATE ~~ORAND~~ FEDERAL COURTS LOCATED IN THE STATE, CITY AND COUNTY OF NEW YORK, AND EACH PARTY EXPRESSLY WAIVES ANY OBJECTION TO VENUE THEREIN AND CONSENTS TO THE JURISDICTION OF SUCH COURTS. IN ANY SUCH ACTION, PROCEEDING OR SUIT AGAINST THE SEF AND/OR A SEF REPRESENTATIVE EACH PARTY WAIVES ANY RIGHT IT MAY HAVE TO A JURY TRIAL.

**Rule 513. Customer Type Indicator Codes**

At the time of Order entry, all Participants shall identify each Order submitted to the SEF with the correct Customer Type Indicator Code ("CTI Code"). The CTI Codes are as follows:

CTI 1: All Orders submitted by a Principal Trading Firm for such Principal Trading Firm's own account.

CTI 2: All Orders submitted by a Trading Firm for the account of a Prime Broker.

**Rule 514. Reserved**

**Rule 515. Block Trades**

Participants shall not submit Block Trades to the SEF, nor shall the SEF accept Block Trades submitted by a Participant. A “Block Trade” shall mean a publically reportable swap transaction that: (a) involves a swap that is listed on a registered swap execution facility or a designated contract market, (b) occurs away from the registered swap execution facility's or designated contract market's trading system or platform and is executed pursuant to the registered swap execution facility's or designated contract market's rules and procedures; (c) has a notional or principal amount at or above the appropriate minimum block size applicable to such swap; and (d) is reported subject to the rules and procedures of the registered swap execution facility or designated contract market and the rules described in this part, including the appropriate time delay requirements set forth in CFTC Regulation 43.5.

**Rule 516. SDR Reporting**

1. In order for the SEF to report to a registered swap data repository (an “SDR”) Transactions and pricing data necessary to publically disseminate such data pursuant to CFTC Regulation Part 43 and Appendix A thereto, each Participant shall provide to the SEF information sufficient to enable the SEF to report all swap creation data, as required by applicable law.
2. The SEF shall determine the identity of the reporting counterparty to the Transaction, as required by applicable law, and will, as soon as technologically practicable after a publicly reportable Transaction has been executed on or pursuant to the SEF Rules, report the Transaction to DTCC Data Repository (US) LLC. In the event that both counterparties to the Transaction are of the same category of market participant (eg: Swap Dealers), the SEF shall determine the reporting counterparty in accordance with the ISDA FX Cash Rule.
3. As soon as technologically practicable after execution of the publicly reportable Transaction, the SEF shall report to a registered SDR Transaction and pricing data necessary to publicly disseminate such data pursuant to CFTC Regulation Part 43 and Appendix A thereto, confirmation data for the Transaction as defined in CFTC Regulations Part 23 and 45.1, and all primary economic data terms for the Transaction as defined in CFTC Regulation 45.1.
4. A counterparty to a Transaction, upon becoming aware (either through its own initiative or through notice by the other party to the Transaction) of an error or omission in the Transaction or pricing data which was publically reported by the SEF with respect to such Transaction shall promptly submit corrected data to the SEF.

**Rule 517. Position Limits**

The SEF may set position limits for any Product (“Position Limits”). Except as provided by the SEF Rules, no Participant that enters into Transactions on the SEF may hold or control a position in excess of such

Position Limit. To reduce the potential threat of market manipulation or congestion, the SEF may adopt for each of the Products available for trading on the SEF, as is necessary and appropriate, position limitations or position accountability levels for speculators. Where the CFTC has established a position limit for any Product, the SEF's position limit for that Product shall not be higher than the limit established by the CFTC in respect of such Product. Position Limits established by the SEF shall apply only with respect to trading activity on or subject to the SEF Rules.

**Rule 518. Position Limit Exemptions**

Any Participant that enters into Transactions on the SEF may seek an exemption from Position Limits by submitting a Position Limit exemption application in the manner required by the SEF. The SEF, in its sole discretion, subject to CFTC regulations, may take the following action with respect to a Position Limit exemption application: (a) grant the exemption conditioned upon certain limitations or conditions, (b) grant the exemption, or (c) deny the exemption. Factors to be taken into account by the SEF in determining whether to limit or condition a position limit exemption may include, among others, the liquidity of the markets involved, sound commercial practices and the Participant's financial condition and business circumstances. The SEF shall provide the applicant with written notice of its determination, which shall constitute a Final Decision. The SEF shall have the authority at any time in its sole discretion to review and rescind, limit or condition any position limit exemption granted by it.

**Rule 519. Position Accountability**

The SEF may establish a position accountability level for any Product. Any Participant which holds or controls a position that exceeds the position accountability level in a Product shall provide notice to the SEF prior to, or within one business day of, exceeding the position accountability level. Such notice shall include, upon the request of the SEF, information to the SEF regarding the nature and size of the position, trading strategy or hedging activities, as applicable. The SEF shall have the right to direct a Participant not to increase the size of a position that is subject to position accountability levels.

**Rule 520. Pre-Execution Order Screening**

In making the determination of whether or not to permit an Order from or on behalf of any Trading Firm to be entered into the SEF pursuant to this Rule 520 by determining whether such Order falls within the trading parameters, including, without limitation, the permissible Products, currency pairs, Tenors, net open settlement or position limits and any other limits established by the Prime Broker on whose behalf such Trading Firm is authorized to trade (a "Credit Limit"), as may be amended by the Prime Broker from time to time, the SEF shall be entitled to rely upon information provided to it by the Prime Broker through the SEF Trading System and the SEF shall not be responsible for any losses to a Participant or other Person arising from the Prime Broker's failure to adequately and appropriately monitor its Trading Firms' Credit Limits. The Prime Broker may, alternatively, communicate to the SEF the Credit Limits of the Trading Firms authorized to trade on its behalf in writing via email or via other form of communication; provided, however, that the Credit Limits shall only be effective upon entry into the SEF Trading System, either by the Prime Broker or by SEF staff on such Prime Broker's behalf. In the event

that the Prime Broker so requests that SEF staff enters the Credit Limits into the SEF Trading System on the Prime Broker's behalf ~~at its request~~, SEF staff shall do so promptly upon receipt of relevant instructions from the Prime Broker and shall send email confirmation of such entry to the Prime Broker as soon as practicable.

**Rule 521. Reserved**

**Rule 522. Reserved**

**Rule 523. Reserved**

**Rule 524. Reserved**

**Rule 525. Legal Certainty of Transactions**

Any Transaction entered into on or pursuant to the SEF Rules shall not be void, voidable, subject to rescission, otherwise invalidated or rendered unenforceable as a result of:

- a. The SEF's violation of section 5h of the CEA or Part 37 of the CFTC Regulations;
- b. Any CFTC proceeding to alter or supplement a rule, term, or condition under Section 8a(7) of the CEA or to declare an emergency under Section 8a(9) of the CEA; or
- c. Any other proceeding the effect of which is to (i) alter or supplement a specific term or condition or trading rule or procedure, or (ii) require a swap execution facility to adopt a specific term or condition, trading rule or procedure, or to take or refrain from taking a specific action.

**Rule 526. Written Record of Transactions**

Contemporaneously with the execution of a Transaction, the SEF will provide each counterparty to a Transaction with a written record of all terms of the Transaction ("Transaction Confirmation"), which shall legally supersede any previous agreement and serve as a confirmation of the Transaction. The Transaction Confirmation shall state, where applicable, that it incorporates by reference the terms of the underlying previously-negotiated freestanding agreements between the counterparties (the "Counterparty Master Agreement"). In the event of any inconsistency between a Transaction Confirmation and an applicable Counterparty Master Agreement, the terms of the Transaction Confirmation legally supersede any contradictory terms set forth in the Counterparty Master Agreement, and the Transaction Confirmation shall include a statement to such effect. On request of the SEF, a Participant shall provide a copy of any applicable Counterparty Master Agreement to the SEF. The SEF shall be required to request that a Participant provide a copy of an applicable Counterparty Master Agreement to the SEF if requested to do so by the CFTC, and if so requested the SEF shall provide such copies to the CFTC.

**Rule 527. Product Specifications**

1. The SEF shall only permit trading in Transactions that are not readily susceptible to manipulation. The SEF shall, at the time it submits a new Product in advance to the CFTC pursuant to Part 40 of the CFTC Regulations, provide the applicable information as set forth in Appendix C to Part 38 of the CFTC Regulations – Demonstration of Compliance that a Contract is not Readily Susceptible to Manipulation.
2. Notwithstanding any provision of the SEF Rules to the contrary, the Product Specification with respect to a particular Product shall govern the applicability of the SEF Rules to trading in such Product and, in the event of any conflict between the SEF Rules and the Product Specification, the Product Specification shall govern with respect to trading in the relevant Product.
3. The Product Specification for each individual Product must specify, to the extent applicable:
  - a. Different classes of Participants eligible to trade such Products, and the rights and obligations of each such class of Participant as specified by the Product Specification for each such Product;
  - b. Whether such Product may be settled via cash settlement, physical delivery of the underlying commodity, or by any other means, as applicable; and
  - c. The method for determining Settlement Rates, and that the cash settlement of the Contract is at a Rate reflecting the underlying market, will not be subject to manipulation or distortion, and is based on data that is reliable, acceptable, publicly available and timely.
4. Product Specifications will be contained in Chapter 10 to the SEF Rules and each Product Specification shall constitute a SEF Rule. In addition, each Product Specification will be published by the SEF on its website.



**CHAPTER 6 RESERVED**

- Rule 601. Reserved**
- Rule 602. Reserved**
- Rule 603. Reserved**
- Rule 604. Reserved**
- Rule 605. Reserved**
- Rule 606. Reserved**
- Rule 607. Reserved**

## CHAPTER 7 BUSINESS CONDUCT

### Rule 701. General

All Participants shall be subject to the jurisdiction of the SEF, which includes, without limitation, compliance with the SEF's business conduct rules. For purposes of this Chapter 7, the term "Participant" shall include a Participant and all of its Authorized Traders, ~~Related Parties~~~~Supervised Persons~~ and Participant Representatives. All Participants are deemed to know, consent to and agree to be bound by the SEF Rules. The SEF may hold a Participant liable for its acts and omissions that constitute violations of SEF Rules and impose sanctions against such Participant as provided in the SEF Rules.

### Rule 702. Inquiries and Investigations

The SEF's ~~Regulatory Department~~~~Regulatory Division, assisting the Compliance Department,~~ will monitor compliance with the SEF Rules and will commence an investigation upon the discovery or receipt of information indicating that a reasonable basis exists to believe that a SEF Rule violation is about to occur or has occurred, and recommend the commencement of Summary Proceedings and/or Disciplinary Proceedings as it deems appropriate. The ~~Regulatory Department~~~~Regulatory Division and the Compliance Department~~ shall have the authority to examine all books and records kept by Participants which are the subject of such inquiries and investigations, and to examine all books and records kept by Participants to ensure that the SEF is compliant with the requirements of the CEA and CFTC regulations. In addition to discovery or receipt of information that is an indication of a possible rule violation, the SEF will commence an investigation upon the request of a regulator or law enforcement agency.

### Rule 703. Services Agreement with Regulatory Services Provider

The SEF may, at any time, choose to contract with a registered futures association, or other registered entity, for the provision of regulatory services which includes, without limitation, assistance with the SEF's enforcement of the SEF Rules. Any act or requirement that is required to be performed by the Compliance Department or the ~~Regulatory Department~~~~Regulatory Division~~ under the SEF Rules may be performed by a regulatory service provider. The SEF shall retain ultimate decision-making authority with respect to any functions that are contracted to a Regulatory Service Provider.

### Rule 704. ~~Busines Conduct Committee Conflicts~~~~Appointment of Disciplinary Panel~~

~~1. At the commencement of a Disciplinary Proceeding the Disciplinary Committee shall serve the Regulatory Department, the Respondent, as applicable, and the Disciplinary Panel members with written notice of the appointment of such Disciplinary Panel. The Respondent shall not be provided with notice of the appointment of a Disciplinary Committee unless the Respondent has been notified that it must appear before the Disciplinary Committee.~~

~~2. Within ten (10) days of service of the appointment of a Disciplinary Panel, the Regulatory Department and the Respondent, as applicable, may seek to disqualify any individual named to serve on~~

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~~the Disciplinary Panel because such individual has a Material Conflict of Interest or for reasons provided in SEF Rule 206 or for any other reason by serving written notice of their disqualification request on the Chairperson of the Disciplinary Committee and contemporaneously serving a copy of the request for disqualification on the Compliance Department. By failing to timely file a request for disqualification, the Regulatory Department or Respondent, as applicable, shall be deemed to have consented to and waived any objection to the composition of the Disciplinary Panel. The Chairperson of the Disciplinary Committee, in his or her sole discretion, shall determine the merits of any request for disqualification. If the Chairperson of the Disciplinary Committee determines that the request for disqualification has merit, the Disciplinary Panel member shall be replaced and a new member shall be appointed. Any such decision shall be final and not subject to appeal.~~

~~3- Upon appointment to a Disciplinary Panel e~~Each member of the Business Conduct Committee~~Disciplinary Panel~~ shall promptly disclose to the Chief Regulatory Officer any actual or potential Material Conflict of Interest. The Chief Regulatory Officer will determine if an actual or potential Material Conflict of Interest exists. In the event that the Chief Regulatory Officer determines that an actual or potential Material Conflict of Interest exists, the member of the Business Conduct Committee~~Disciplinary Panel~~ having such actual or potential Material Conflict of Interest shall be removed ~~from the Disciplinary Panel~~ and another panel member shall be appointed.

#### **Rule 705. Confidentiality**

All information regarding a Disciplinary Proceeding shall be confidential and not be disclosed except as necessary to conduct such Disciplinary Proceeding, or as may be required by law.

#### **Rule 706. Rule Violations**

The following conduct and abusive trading practices by Participants shall be a violation of SEF Rules and will result in the commencement of a Disciplinary Proceeding and/or Summary Proceeding.

1. Aiding and Abetting. Participants are prohibited from aiding and abetting, or attempting to aid and abet, any Person that is alleged to have violated, or is about to violate, any SEF Rule or any provision of applicable law for which the SEF has jurisdiction.
2. Conduct Detrimental to the SEF. Participants are prohibited from engaging in conduct that is detrimental to the welfare of the SEF. Orders entered into the SEF for the purpose of upsetting the equilibrium of the market in any Product without the intent to reflect fair market values or creating a condition in which Rates do not or will not reflect fair market values are prohibited, and any Participant or other person with Trading Privileges on the SEF which makes or assists in entering any such Order with knowledge of the purpose thereof or who, with such knowledge, in any way assists in carrying out any plan or scheme for the entering of any such Order, will be deemed to have engaged in conduct detrimental to the welfare of the SEF.

3. Disclosing of Orders. Except in accordance with any policies or procedures for pre-execution discussions from time to time adopted by the SEF, Participants are prohibited from disclosing Orders to third-parties unrelated to the Order.
4. Disruptive Trading Practices. Participants are prohibited from engaging in any trading practice or conduct that is disruptive of fair and equitable trading in violation of the CEA, which includes without limitation (i) violating a bid or offer, (ii) intentional or reckless disregard for orderly execution of Transactions, or (iii) bidding or offering with the intent to cancel the bid or offer before execution (i.e.; “spoofing”). All Orders must be entered for the purpose of executing bona fide Transactions and all Orders must be entered in good faith for legitimate purposes. In addition, no Person shall (a) enter or cause to be entered an Order with the intent at the time of entry to cancel the Order before execution or to modify the Order to avoid execution, (b) enter or cause to be entered an Order with intent to mislead other Participants; (c) enter or cause to be entered an Order with intent to overload, delay or disrupt the SEF Trading System or the system of other Participants, or (d) enter or cause to be entered an Order with the intent to disrupt, or with reckless disregard for the adverse impact on, the orderly conduct of trading or the fair execution of Transactions.
5. Fictitious Transactions. Participants are prohibited from engaging in, or attempting to engage in, fictitious Transactions.
6. Fraud. Participants are prohibited from engaging in, or attempting to engage in, any fraudulent act or any manipulative device, scheme or artifice to defraud, mislead, or deceive in any activity related to their participation on the SEF.
7. Market Manipulation. Participants are prohibited from directly or indirectly manipulating or attempting to manipulate the Rate of any Product or underlying commodities or securities including, without limitation, trading activity in violation of CEA sections 6(c)(1) and (3), 9(a)(2), 4c(a)(5)(A) and (C), and CFTC Regulations 180.1(a) and 180.2. Any manipulation or attempted manipulation is prohibited. Orders entered into the SEF Trading System for the purpose of generating or creating a condition in which Rates do not or will not reflect the fair market value of the Products or any underlying commodities or securities are prohibited and any Participant which enters or causes to be entered any such Order with knowledge of the purpose thereof or which, with such knowledge, in any way assists in carrying out any plan or scheme for the entering of any such Order, shall be deemed to have engaged in manipulation.
8. Material Misstatements. No Participant shall knowingly make any material misstatement of fact to the SEF including, without limitation, any member of SEF staff or a SEF Committee.
9. Non-Competitive Trades and Accommodation Transactions. Except as otherwise provided by the SEF Rules, Participants are prohibited from engaging in non-competitive trades and accommodation trades.
10. Violation of Applicable Law. Participants are prohibited from engaging in activity on the SEF that violates applicable law.

11. **Wash Trades.** Participants are prohibited from submitting Orders to the SEF in respect of the same Contract, Rate and Tenor while taking opposite positions where such Participant knows or reasonably should know that the purpose of the Orders is to avoid taking a *bona fide* market position exposed to market risk (Transactions commonly known as wash trades).
12. **Violation of SEF Rules.** Participants are prohibited from violating the SEF Rules.
13. **Money Passing.** No Participant may prearrange the execution of Transactions on the SEF for the purpose of passing money between accounts. All Transactions entered into on the SEF must be made in good faith for the purpose of executing *bona fide* Transactions, and prearranged trades intended to effectuate a transfer of funds from one account to another are prohibited.
14. **Strobing.** No Participant may engage in high-frequency trading strategy that rapidly sends and cancels the same order many times to create the (false) appearance of liquidity.
15. **Laddering.** No Participant shall use any high frequency trading strategy that seeks to intercept trading that would otherwise take place and extract profits from the SEF Trading System without participating in the transference of risk.
16. **Front Running.** ~~No~~ Participants shall take a position in a Contract based upon non-public information regarding an impending Transaction by another Participant in the same or a related Contract~~not engage in front running.~~
17. **Pre-Arranged Trading.** Except for the execution of Block Trades, as provided by Part 43 of the CFTC Regulations or as otherwise permitted by law, Participants are prohibited from engaging in pre-arranged trading. Notwithstanding the foregoing, pursuant to SEF Rule 515, Block Trades are not permitted on the SEF.

#### **Rule 707. Disciplinary Proceedings and Summary Proceedings**

The ~~Chief Regulatory Officer and the SEF, through its Regulatory Department~~Regulatory Division, ~~to assist the Chief Compliance Officer~~, will conduct market surveillance and Disciplinary Proceedings that include, without limitation, inquiries, investigations, disciplinary proceedings, disciplinary hearings, appeals from disciplinary decisions, and Summary Proceedings. The ~~Business Conduct Committee~~SEF may impose sanctions, as provided by the SEF Rules, against Participants regarding conduct (including the failure to act) that constitutes a violation of SEF Rules.

#### **Rule 708. Service of Documents**

~~Any Complaint, Answer or other documents regarding SEF Disciplinary Proceeding, Access Denial Proceeding or Summary Proceeding may be served, and s~~Service of any document under this Chapter shall be deemed completed upon (i) hand delivery, (ii) deposit in the United States mail, postage paid, via registered mail or certified mail return receipt requested; (iii) deposit in a nationally recognized overnight mail carrier; or (iv) sending of such documents by electronic mail ~~with a confirmation copy promptly sent by United States mail~~. Service made on a Respondent shall be to the address or email address Respondent provided to the SEF for notices from the SEF. Service to the ~~Regulatory Department~~Regulatory Division or Business Conduct Committee shall be made to the address of the

Chief Regulatory Officer ~~or regulatory staff, or such other address designated by the Chief Regulatory Officer. Service to a Disciplinary Committee shall be made at the address of the SEF and shall state the name of the relevant SEF Committee and its Chairperson.~~

#### **Rule 709. Representation**

During any SEF Disciplinary Proceeding, a Respondent may represent itself, or be represented by counsel (at such Respondent's sole cost and expense), the compliance staff of such Respondent or another Participant (including in-house counsel or compliance staff of a Participant) other than a Participant that is a member of a ~~Disciplinary Committee~~Business Conduct Committee. A Respondent shall provide the Chief Regulatory Officer with prompt notice of the name and contact information of its counsel or representative. For the purposes of this Chapter 7, all references to Respondent shall include such Respondent's counsel or representative, and any reference to Respondent's counsel shall include Respondent's representative.

#### **Rule 710. Prohibited Activities**

No Person shall delay, impede, interfere with, or attempt to influence a SEF Disciplinary Proceeding or Summary Proceeding. Any Person that learns of any activity prohibited by this SEF Rule shall give prompt notice of such activity to the Chief Regulatory Officer.

#### **Rule 711. Ex Parte Communications**

~~1. The Respondent and the SEF regulatory staff involved in a Disciplinary Proceeding shall have the opportunity to participate in all communications with the Disciplinary Committee.~~

2.1 Neither the SEF's regulatory staff nor any Respondent, or its counsel, involved in a Disciplinary Proceeding shall knowingly make or cause to be made an ex-parte communication regarding the merits of such Disciplinary Proceeding with any member of the ~~Disciplinary Committee~~Business Conduct Committee assigned to handle such Disciplinary Proceeding.

3.2 No member of the ~~Disciplinary Committee~~Business Conduct Committee assigned to handle a Disciplinary Proceeding shall knowingly make or cause to be made an ex parte communication with the Respondent or SEF regulatory staff regarding a Disciplinary Proceeding.

~~4. It shall not be a violation of this SEF Rule for the Respondent or SEF regulatory staff involved in a Disciplinary Proceeding to individually have communications with the Disciplinary Committee regarding scheduling or procedural matters, nor shall it be a violation of this SEF Rule if a Person refuses an attempted ex parte communication concerning the merits of a Disciplinary Proceeding as soon as it becomes apparent that such communication concerns the merits of a Disciplinary Proceeding.~~

5.3 Any Person that receives or learns of any communication prohibited by this SEF Rule shall give prompt notice of such communication (including any response thereto) to the Chief Regulatory Officer.

**Rule 712. Testimony and Production of Documents**

The Board, Chief Executive Officer, Chairperson of any ~~Disciplinary Committee~~Business Conduct Committee, Chief Compliance Officer, Chief Regulatory Officer and ~~SEF compliance and~~ regulatory staff engaged in any Disciplinary Proceeding shall have the power to ~~issue~~ (i) ~~subpoenas~~ compelling the appearance of any Participant before ~~the Business Conduct~~SEF Committee or ~~SEF compliance and~~ regulatory staff conducting a Disciplinary Proceeding ~~or investigation~~, or (ii) ~~document demands~~ compelling the production of documents, information, records and other tangible evidence to ~~the Business Conduct~~SEF Committee or ~~SEF compliance or~~ regulatory staff conducting a Disciplinary Proceeding ~~or investigation~~. A Participant receiving a ~~summons to appear~~subpoena pursuant to the SEF Rules shall appear by an Authorized Trader, Participant Representative, Officer or employee fully familiar with the relevant facts and circumstances. ~~A Related Party of a Participant that receives a request to appear pursuant to SEF Rules shall personally appear.~~ A Participant's ~~or Related Party's~~ failure to provide testimony ~~as requested by a subpoena~~ or the failure to provide documents, information, records and other tangible evidence as required by a document demand shall be a violation of the SEF Rules and shall be subject to disciplinary action.

**Rule 713. Reserved**

**Rule 714. Authority of the Chief Compliance Officer, the Compliance Department, the Chief Regulatory Officer and the ~~Regulatory Department~~Regulatory Division**

The Chief Compliance Officer shall be responsible for enforcing SEF Rules and shall have available to him or her all the resources of the SEF Compliance Department. ~~Under the direction of the Chief Compliance Officer, the SEF Compliance Department will determine the nature and scope of its inquiries and investigations and will perform its compliance functions independently of any commercial interests of the SEF.~~ Notwithstanding the foregoing, the Chief Compliance Officer and the Compliance Department shall be assisted by the Chief Regulatory Officer and the ~~Regulatory Department~~Regulatory Division, in particular with respect to the surveillance function and disciplinary proceedings of the SEF as set forth in this Chapter. ~~Under the direction of the Chief Regulatory Compliance Officer, the Regulation~~SEF Compliance Division ~~Department will determine the nature and scope of its inquiries and investigations and will perform its regulatory compliance functions, including its surveillance function and conducting disciplinary proceedings, independently of any commercial interests of the SEF.~~ The ~~Regulatory Department~~Regulatory Division shall have the authority to:

1. conduct annual audit trail and recordkeeping reviews;
2. initiate inquiries;
3. request that Participants appear for an interview, which ~~at the Compliance Department's discretion~~ may be conducted under oath;
4. request documents and/or other tangible evidence;
5. review other trading activity;

6. gather any additional information the Compliance Department, in its discretion, deems necessary;
7. prepare investigative reports, make determinations as to whether or not reasonable cause exists to believe that a rule violation has been committed, and make recommendations as to what charges should be brought;
8. recommend the commencement of a Summary Proceeding or Disciplinary Proceeding;
9. prosecute alleged violations of SEF Rules within the SEF's disciplinary jurisdiction;
10. represent the ~~Regulatory Department~~Regulatory Division before the ~~Disciplinary Committee~~Business Conduct Committee during all phases of the disciplinary process, including, without limitation, obtaining charges, settlement offers, hearings and appeals;
11. issue and serve ~~Statements of Charges~~notices of disciplinary charges ("Complaint") on Participants;
12. review denials of access to the SEF for disciplinary reasons; and
13. issue ~~appearancesubpoenas~~ and document requests as provided in the SEF Rules.

**Rule 715. Obligations of Participants**

Each Participant shall:

1. promptly respond to inquiries made by the ~~Regulatory Department~~Regulatory Division, including requests for telephonic or in-person interviews;
2. produce documents and/or other tangible evidence in response to a document demand issued pursuant to SEF Rules;
3. appear before a regulatory staff or the Disciplinary Committee~~Business Conduct Committee~~ in response to a request for an interview~~subpoena~~;
4. appear before a ~~Disciplinary Committee~~Business Conduct Committee as a witness called by either party to a SEF Disciplinary Proceeding; or
5. appear before a ~~Disciplinary Committee~~Business Conduct Committee as a Respondent in any Disciplinary ~~Proceeding~~ or appear before the Regulatory Oversight Committee in connection with a Summary Proceeding.

**Rule 716. Investigative Reports**

1. Investigation. The ~~Regulatory Department~~Regulatory Division shall maintain a log of all inquiries, investigations and their disposition. At the conclusion of each investigation the ~~Regulatory Department~~Regulatory Division will prepare a written report of such investigation ("Investigative Report"). The Investigative Report will provide the following information: (i) whether there is reasonable cause to believe that a rule violation is about to occur or has occurred, (ii) a description of the facts supporting the ~~Regulatory Department~~Regulatory Division's determination, (iii) the Respondent's disciplinary history, and (iv) the recommendations of the ~~Regulatory Department~~Regulatory Division regarding whether disciplinary action should be pursued. All investigations will be completed in a timely manner.



2. Review of Investigative Reports by Chief Regulatory Officer. All Investigative Reports will be reviewed by the Chief Regulatory Officer or a senior member of the ~~Regulatory Department~~Regulatory Division to determine whether there is reasonable cause to believe that a rule violation is about to occur or has occurred. ~~At the conclusion of such review if the Chief Regulatory Officer or such senior member of the Regulatory Department determines that additional evidence or investigation is needed to determine whether a reasonable basis exists to believe that a rule violation is about to occur or has occurred, the Chief Regulatory Officer or such senior member of the Regulatory Department may direct the Regulatory Department to conduct such further investigation.~~
3. Recommendations of the ~~Regulatory Department~~Regulatory Division. At the conclusion of its investigation the ~~Regulatory Department~~Regulatory Division may make any of the following recommendations, which will be included in the Investigative Report:
  - a. that the investigation be closed without any further action;
  - b. that a staff ~~warning letter~~ of Warning be issued ~~in lieu of recommending action by a Disciplinary Committee;~~
  - ~~c. that the matter be submitted to a Disciplinary Committee with a recommended settlement prior to preparation of a complaint; or~~
  - c. that the matter be submitted to a ~~Disciplinary Committee~~Business Conduct Committee with a recommendation that ~~charges against the Respondent~~a Complaint be issued; or
  - d. that a Summary Fine pursuant to SEF Rule 726 be issued.
4. Notice of Enforcement. If the Regulatory Division makes a recommendation under SEF Rule 716(3)(c), the Regulatory Division shall serve the Respondent with a Notice of Enforcement that the Regulatory Division has recommended that disciplinary charges be brought against it.
5. Respondent. In response to a Notice of Enforcement the Respondent may:
  - a. propose an Offer of Settlement in accordance with SEF Rule 723,
    - i. if the Regulatory Division supports the Offer of Settlement, it shall be reviewed by a Charging Panel for approval;
    - ii. if the Regulatory Division does not support the Offer of Settlement, the Regulatory Division may proceed to request the issuance of a Statement of Charges pursuant to SEF Rule 718. Once a Statement of Charges is issued, Respondent may propose one written unsupported Offer of Settlement to the Charging Panel within sixty (60) days of service of a Statement of Charges.
  - ~~a.~~ b. submit, within fifteen (15) days, a written statement explaining why a Disciplinary Proceeding should not be commenced or why one or more of the alleged charges should not be brought. Any such statement shall be presented to the Business Conduct Committee along with the Investigative Report should the Regulatory Division request that charges be issued.

**Rule 717. Review of Investigative Reports by the ~~Disciplinary Committee~~Business Conduct Committee**

The ~~Regulatory Department~~Regulatory Division shall present all Investigative Reports issued under SEF Rule 716(3)(c) ~~or (d)~~ to the ~~Disciplinary Committee~~Business Conduct Committee.

~~1-~~ Upon due consideration of the Investigative Report the ~~Disciplinary Committee~~Business Conduct Committee may:

- ~~1. find that probable cause exists for a violation and that further proceedings are warranted and, in such case, the Regulatory Division shall prepare a Statement of Charges pursuant to SEF Rule 718;~~
- ~~2. find that no probable cause exists for a violation and issue a written statement to that effect setting forth its reasons for such finding;~~
- ~~3. reject the recommendation(s) of the Regulatory Department and send the matter back for further investigation; or~~
  - ~~a. —~~
  - ~~b. adopt the recommendation(s) of the Regulatory Department;~~
  - ~~c. — adopt in part the recommendation(s) of the Regulatory Department; or~~
  - ~~d. — approve or reject the proposed Offer of Settlement in accordance with SEF Rule 723 of disciplinary charges (based upon the Investigative Report and prior to the issuance of a Complaint).~~
  - ~~2. — If the Regulatory Department makes a recommendation that the preparation and service of a Complaint is warranted, then the Regulatory Department may serve the Respondent with notice that the Regulatory Department has recommended that disciplinary charges be brought against it.~~
  - ~~3.4. The Regulatory Department may permit the Respondent to propose a settlement of the alleged charges or submit a written statement explaining why a disciplinary proceeding should not be commenced or why one or more of the charges alleged should not be brought.~~

**Rule 718. Statement of ChargesComplaint**

If the ~~Charging Panel of the Disciplinary Committee~~Business Conduct Committee determines that ~~charges~~a Complaint should be issued, the ~~Regulatory Department~~Regulatory Division shall prepare a ~~Statement of Charges~~Complaint and serve it within thirty (30) days of ~~such determination~~the ~~Disciplinary Committee's~~ determination that a Complaint should be issued. -The ~~Statement of Charges~~Complaint shall:

1. describe the acts, omissions or conduct in which the Respondent is alleged to have engaged;
2. indicate the SEF Rules that the Respondent is alleged to have violated or is about to violate;
- ~~3. — indicate the proposed sanctions for such violation(s);~~

- 4.3 advise the Respondent of ~~its Respondent's~~ right to respond ~~to the Complaint~~ and request a hearing and the time deadline provided in the SEF Rules for doing so;
- 5.4 advise the Respondent that, except for good cause, Respondent's failure to respond to the ~~Statement of Charges Complaint~~ within the time deadline provided in the SEF Rules will be deemed to be a waiver of the right to a hearing; and
- 6.5 advise the Respondent that all allegations in the ~~Statement of Charges Complaint~~ not expressly denied shall be deemed admitted.

**Rule 719. Answer**

The Respondent shall serve a ~~written~~ Answer no later than ~~fifteen (15) twenty (20)~~ days after service of the ~~Statement of Charges Complaint, or such other date agreed upon by the Respondent and the Regulatory Department.~~ The Answer shall:

- 1. ~~specifically admit or deny each allegation contained in the Statement of Charges; state the allegations the Respondent admits or denies;~~
- 2.1 ~~state which allegations the Respondent does not have sufficient knowledge to either admit or deny;~~
- 3.2 state any affirmative defenses and, where applicable, include any facts that contradict the notice of charges; and
- 4.3 be signed by the Respondent or its representative.

A general denial of the charges shall not satisfy the requirements of this SEF Rule. Any allegation for which the Answer does not provide a response shall be deemed admitted. Unless good cause is shown, if a Respondent fails to serve an Answer within the required time frame, then all charges in the ~~Statement of Charges Complaint~~ shall be deemed admitted.

**Rule 720. ~~Procedure~~ hearing Procedures**

- 1. Motions. Any motions or requests of the Respondent shall be served upon the Regulatory Division, which will file same with the Business Conduct Committee. The Regulatory Division shall serve a copy of its motions or request upon the Respondent or its representative.
- 2. Filing of Offer of Settlement. Respondent may file one unsupported Offer of Settlement with the Business Conduct Committee within sixty (60) days after the issuance of a Statement of Charges.
- 4.3 Discovery between the Respondent and the Regulatory Department. Within sixty (60) days after the issuance of a Statement of Charges, At any time prior to the start of a hearing a Respondent may make a written request to the ~~Regulatory Department~~Regulatory Division to review the records, information and tangible evidence in the possession and control of the ~~Regulatory Department~~Regulatory Division on which the ~~Regulatory Department~~Regulatory Division will rely to support the allegations and proposed sanctions stated in the Complaint. ~~Such review shall occur at a date and time mutually convenient to the Respondent and Regulatory Department. The Respondent may obtain a copy of all such evidence at the sole cost and~~

~~expense of the Respondent.~~ The SEF may withhold documents that: (i) are privileged or constitute attorney work product, (ii) were prepared by an employee of the SEF but will not be offered in evidence in the ~~Disciplinary Proceedings~~; (iii) may disclose a technique or guideline used in examinations, investigations, or enforcement proceedings, (iv) may disclose the identity of a confidential source; or (v) may include information that could adversely affect competitive positions. The ~~Regulatory Department~~Regulatory Division is not required to produce or obtain documents that are not in its possession and control. For the avoidance of any doubt, information that could adversely affect competitive positions include positions in Products currently held, trading strategies used in establishing or liquidating positions, the identity of any Respondent and the personal finances of the Person providing the information.

~~2.4~~ Discovery Between the Respondent and Third Parties. Prior to the hearing the Respondent may make a written application to the Business Conduct Committee seeking documents, information or other tangible evidence not in the possession of the ~~Regulatory Department~~Regulatory Division from a third party. If such third party is subject to the jurisdiction of the SEF and fails to provide the documents, information or other tangible evidence requested by the Respondent on a voluntary basis the Respondent may make a written application to the Hearing Panel for an order compelling such production. ~~In addition, At any time prior to the hearing~~ the Respondent may make an written application to the ~~Business Conduct Committee~~Hearing Panel requesting ~~that it~~ the Hearing Panel issue a subpoena compelling the appearance and testimony of a Person, subject to the jurisdiction of the SEF, at the hearing. ~~The Respondent shall serve the Regulatory Department with a copy of any application made to the Hearing Panel pursuant to this SEF Rule and the Regulatory Department may object in whole or in part to any such application made by the Respondent.~~

~~3.5~~ Resolution of Discovery Disputes. Either party may make a written application to the Hearing Panel of the Business Conduct Committee for resolution of any discovery dispute. ~~Any party making an application to the Hearing Panel for the resolution of a discovery dispute shall timely serve the other party with a copy of their written application to the Hearing Panel.~~ Any such application to the Hearing Panel shall include the following information (i) a description of the documents, information or other tangible evidence that is sought, (ii) the name of the custodian of the documents, information or other tangible evidence that is sought, (iii) the nature of the objection to their production, and (iv) the reasons why the Hearing Panel should compel the production of documents, information or other tangible evidence that is sought.

~~4.6~~ Pre-Hearing Disclosure. At least ~~seven~~fourteen (14) days before the start of the hearing each party shall provide the other party with a (i) list of witnesses that the party intends to call to testify at the hearing, and (ii) copies of the documents, information and other tangible evidence that the party intends to rely upon at the hearing. The Hearing Panel may refuse to consider any documents, information or other tangible evidence which was not produced to a party or

permit testimony from a witness whose name was not disclosed to the other party pursuant to this SEF Rule.

~~5.7.~~ Pre-Hearing Conference. Prior to the hearing the Hearing Panel may hold a meeting to hear motions, and to determine procedural issues and evidentiary matters.

~~6.8.~~ Notice of the Hearing. The Hearing Panel shall provide the parties with fifteen (15) days' reasonable notice, ~~confirmed in writing~~, of the date, time and place of the hearing.

#### **Rule 721. Hearing Procedures**

1. Hearing Panel Procedures. After the Statement of Charges/Complaint is served on the Respondent and the settlement period under SEF Rule 723 has expired, the proceeding will be referred to the Business Conduct Committee/Hearing Panel. ~~The Hearing Panel will have the authority to review and consider (i) any settlement offers made by the Respondent and (ii) any evidence presented at a hearing.~~
2. Hearing Procedures. ~~Hearings shall be fair and shall be promptly convened after reasonable notice to the respondent.~~ The following procedures will apply during a hearing:
  - a. The entire Hearing Panel shall be present during the hearing. The Chairperson of the Hearing Panel may adjourn, continue, or otherwise conduct the hearing.
  - b. The ~~Regulatory Department~~Regulatory Division will represent the SEF at the hearing and may present evidence in support of its case.
  - c. The ~~Regulatory Department~~Regulatory Division shall have the burden of proof and shall prove alleged rule violations by a preponderance of the evidence.
  - d. The Respondent may present evidence in support of his or her defense.
  - ~~d.e.~~ If the Respondent fails to appear at the hearing, the hearing may proceed without the Respondent.
  - e.f. Each party will have the right to call and cross-examine witnesses.
  - f.g. The formal rules of evidence do not apply. The Chairperson of the Business Conduct Committee/Disciplinary Panel will make all evidentiary and procedural determinations, including, without limitation, the admissibility and relevance of evidence. SEF staff may provide guidance to the Chairperson of the Disciplinary Panel conducting the hearing.
  - h. Interlocutory review of any decision made by a Hearing Panel prior to completion of a hearing is generally prohibited. Such interlocutory review shall be permitted only if a Hearing Panel agrees to such review after determining that a particular issue is a controlling issue of rule or policy and that immediate Board review would materially advance the ultimate resolution of a matter before the Hearing Panel.
  - i. Should the alleged rule violation(s) be proven, the Hearing Panel shall sanction Respondent pursuant to SEF Rule 728.
  - g.i. After the conclusion of the hearing pursuant to SEF Rule 722, the Hearing Panel will issue a written decision, which it shall provide to all parties.
  - h.k. The hearing proceedings will be recorded in a format that can be transcribed.

l. A summary record of the hearing will be retained unless transcription of the hearing proceedings is required pursuant to Rule 724 or CFTC Regulation 37.206(c)(2)(i)-(iii).

m. ~~In the sole discretion of the Chairman of the Business Conduct Committee, Respondent may submit an Offer of Settlement to the Hearing Panel in accordance with SEF Rule 723 prior to or during a hearing.~~

#### **Rule 722. Decision of the Hearing Panel**

As soon as reasonably practicable after the hearing, the Hearing Panel will issue a written decision and order rendering its determination based upon the weight of the evidence contained in the record of the hearing, ~~along with a sanction pursuant to SEF Rule 728,~~ and will serve a copy on the ~~Regulatory Department~~ Regulatory Division and the Respondent. A decision of the majority of the Hearing Panel shall constitute the decision of the Hearing Panel. The Hearing Panel's decision and order shall contain the following: (i) a summary of the allegations contained in the Complaint; (ii) a summary of the Answer, including any affirmative defenses asserted; (iii) a brief summary of the documents, information, testimony and/or other tangible evidence admitted into evidence at the hearing; (iv) the Hearing Panel's findings and conclusions concerning each of the allegations charged in the Complaint, including each SEF Rule and provision of law the Respondent is found to have violated and a complete explanation of the evidentiary and other basis for SEF's findings and conclusions with respect to each charge; (v) the sanctions imposed, if any, and the effective date of each sanction; and (vi) notice of the Respondent's right to appeal. No later than thirty (30) days after the date of the Hearing Panel's decision, the SEF shall cause the decision to be delivered to the Respondent, at their last known address, by: (i) hand delivery; (ii) deposit in the United States mail, postage paid, via registered mail or certified mail return receipt requested; (iii) deposit in a nationally recognized overnight mail carrier; or (iv) sending of such documents by electronic mail ~~with a confirmation copy promptly sent by United States mail.~~ Unless a timely notice of appeal is filed pursuant to SEF Rules, the decision and order of the Hearing Panel will become a Final Decision.

#### **Rule 723. Offers of Settlement**

1. A Respondent may propose ~~one~~ an Offer of ~~S~~settlement supported by the Regulatory Division within one hundred twenty (120) days of service of the Notice of Enforcement at any time during the disciplinary process.

~~1-2.~~ A Respondent may propose one Offer of Settlement unsupported by the Regulatory Division within sixty (60) days of service of the Statement of Charges.

~~2-3.~~ All Offers of Settlement shall be in writing, signed by the Respondent and contain proposed findings and sanctions agreed upon by the Respondent and the Regulatory Department. A Respondent may offer to settle a Disciplinary Proceeding without admitting or denying the findings contained in the Complaint, but must consent to the jurisdiction of the SEF to impose sanctions on Respondent in connection with the Disciplinary Proceeding.

~~3.4~~ Respondent shall serve a copy of the Offer of Settlement on the ~~Regulatory Department~~ Regulatory Division and the Chairperson of the ~~Disciplinary Committee or Hearing Panel, as applicable.~~ The Regulatory Division may file written support or objection to the Offer of Settlement.

~~4.5~~ The ~~Disciplinary Committee~~ Business Conduct Committee or ~~Hearing Panel, as applicable,~~ will review any Offers of Settlement to determine if the proposed settlement terms are in accord with SEF Rule 728 (Sanctions), and may accept or reject the Offer of Settlement, but may not modify the terms of the offer without the Respondent's consent. In making its determination the ~~Disciplinary Committee~~ Business Conduct Committee or Hearing Panel may provide the ~~Regulatory Department~~ Regulatory Division and the Respondent the reasons why the Offer of Settlement has been accepted or rejected. If the Business Conduct Committee Panel accepts an Offer of Settlement that is not supported by the Regulatory Division, it shall issue a written decision detailing the reasons for its acceptance.

~~5.6~~ A Respondent may withdraw an Offer of Settlement any time ~~prior to acceptance of such offer of settlement by the Hearing Panel.~~

~~6.7~~ If the Offer of Settlement is not accepted by the ~~Business Conduct Committee~~ Hearing Panel, then the Disciplinary Proceeding shall continue as if the Offer of Settlement had not been made. All documents relating to such Offer of Settlement shall not become part of the record in such Disciplinary Proceeding. Neither the ~~Regulatory Department~~ Regulatory Division, nor the Respondent shall use an unaccepted Offer of Settlement for any purpose during any stage in the Disciplinary Proceeding, including, without limitation, as an admission of wrongdoing. -The decision of the Business Conduct Committee Panel shall be the Final Decision of the SEF and will not be subject to further appeal within the SEF.

#### **Rule 724. Appeals**

1. No later than thirty (30) days after service of a hearing decision, any party may file a notice of appeal with the ~~Regulatory Department~~ Regulatory Division that shall state the reason for the appeal. Upon the timely service of a notice of appeal the sanctions imposed in the decision and order of the Hearing Panel will be suspended pending the determination of the Respondent's appeal, unless the Hearing Panel determines that it is in the best interest of the SEF that Respondent be denied access to the SEF while the appeal is pending.
2. The notice of appeal shall state the grounds for appeal, including the findings of fact, conclusions or sanctions to which the Respondent objects. Any objections to a decision not specified by written exception shall be considered to have been abandoned. A Respondent may appeal a decision and order of the Hearing Panel on the grounds that:
  - a. the decision and order was arbitrary, capricious, an abuse of discretion, or not in accordance with SEF Rules;
  - b. the decision and order exceeded the authority or jurisdiction of the Hearing Panel;
  - c. the decision and order failed to observe required procedures;

- d. the decision and order was unsupported by the facts or evidence; or
  - e. the imposed sanctions are inappropriate or unsupported by the record.
3. Upon receipt of the notice of appeal the ~~Regulatory Department~~Regulatory Division will compile the appeal record, ~~which will include~~ing, without limitation, (i) the Complaint, (ii) the Answer, (iii) a copy of all items accepted into evidence, (iv) the transcript of the hearing, and (v) the hearing decision. The ~~Regulatory Department~~Regulatory Division will provide the Respondent(s) and Appeal Panel with a copy of the record on appeal ~~no later than sixty (60) days after the Regulatory Department's receipt of the notice of appeal or such other deadline agreed upon by the Respondent and the Regulatory Department.~~
  4. No later than ~~fifteen (15)~~twenty (20) days after service of the record on appeal by the ~~Regulatory Department~~Regulatory Division, the Respondent shall serve the ~~Regulatory Department~~Regulatory Division and the Chairperson of the Appeal Panel with a brief supporting its appeal.
  5. No later than ~~thirty (30)~~twenty (20) days after service of Respondent's appeal brief, the ~~Regulatory Department~~Regulatory Division may serve a brief in response to Respondent's appeal brief on the Respondent and the Chairperson of the Appeal Panel.
  6. No later than ten (10) days after service of the ~~Regulatory Department~~Regulatory Division's responding brief, the Respondent may serve a reply brief on the ~~Regulatory Department~~Regulatory Division and the Chairperson of Appeal Panel.
  7. After service of the notice of appeal, the Appeal Panel will schedule a meeting at which each party will be given an opportunity to present oral argument to the Appeal Panel. The proceedings held during this meeting will be recorded in a format that can be transcribed. The Appeal Panel shall only consider the record before it, the notice of appeal and the briefs submitted by the parties. The Appeals Panel may only consider new evidence if the Appeals Panel determines that good cause exists as to why the evidence was not introduced during the hearing.
  8. After the conclusion of the appeal proceeding, the Appeal Panel will issue a written decision, which it shall provide to all parties.

**Rule 725. Decision of the Appeal Panel**

~~Within thirty (30) days~~As promptly as reasonably possible after the conclusion of oral argument, the Appeal Panel will issue a written decision, based upon the weight of the evidence before the Appeal Panel. The decision of the Appeal Panel will include a statement of the findings of fact and conclusion for each of the findings and sanctions made by the Hearing Panel. In its decision the Appeal Panel may affirm, modify or reverse, in whole or in part, the decision and order of the Hearing Panel, including the increasing, decreasing or elimination of sanctions or remedies imposed by the Hearing Panel. The Appeals Panel shall not set aside, modify or amend the Hearing Panel's decision unless it determines by majority vote that:



- a. the Hearing Panel's decision and order was arbitrary, capricious, an abuse of discretion, or not in accordance with SEF Rules;
- b. the Hearing Panel's decision and order exceeded the authority or jurisdiction of the Hearing Panel;
- c. the Hearing Panel's decision and order failed to observe required procedures;
- d. the ~~the~~ Hearing Panel's decision and order was unsupported by the facts or evidence; or
- e. the sanctions imposed by the Hearing Panel were inappropriate or unsupported by the record.

If the standards for setting aside, modifying or amending the Hearing Panel's decision and order have not been met, and a majority of the Appeal Panel believes that the Hearing Panel's decision and order resulted from a specific error, impropriety, or deficiency in the hearing it may order, by majority vote, that a new hearing be held. In the event that the Appeal Panel determines that a new hearing be held, the Appeals Panel shall provide a copy of the Appeal Panel's decision to the Chairperson of the Regulatory Oversight Committee. No later than thirty (30) days after the receipt of the Appeal Panel's decision, the Regulatory Oversight Committee shall appoint a new Hearing Panel and serve the ~~Regulatory Department~~Regulatory Division and the Respondent with notice of such panel appointment.

No later than thirty (30) days after the date of the Appeal Panel's decision, the SEF shall cause the decision to be delivered to the Respondent, at their last known address, by: (i) hand delivery; (ii) deposit in the United States mail, postage paid, via registered mail or certified mail return receipt requested; (iii) deposit in a nationally recognized overnight mail carrier; or (iv) sending of such documents by electronic mail with a confirmation copy promptly sent by United States mail. The decision of the Appeal Panel shall be the Final Decision of the SEF and will not be subject to further appeal within the SEF and shall include a statement informing the Respondent of their right to appeal to the CFTC.

#### **Rule 726. Imposition of Summary Fines**

1. The Chief Regulatory Officer or a senior member of the ~~Regulatory Department~~Regulatory Division may, in its sole discretion, summarily issue a Letter of Warning or impose a summary fine not to exceed \$15,000 against a Respondent for (i) failing to make timely and accurate submissions of notices, reports or other required information to the SEF, (ii) failing to keep such books and records as required by the SEF Rules, (iii) other minor violations. In addition, the SEF may, whenever it determines that any violation is intentional, egregious or otherwise not minor in nature, proceed under the SEF's formal disciplinary rules as set forth in SEF Rules 707 through 725, rather than under this SEF Rule 726impose a fine, pursuant to SEF Rule 728(5), against a Respondent for failing to (i) make timely and accurate submissions of notices, reports or other required information to SEF or (ii) keep such books and records as required by the SEF Rules.
2. The Chief Regulatory Officer or a senior member of the ~~Regulatory Department~~Regulatory Division shall serve the Letter of Warning or written notice of each summary fine imposed which

shall include (i) the violation of the SEF Rule for which the fine has been issued; (ii) the date of the violation of the SEF Rule; (iii) the amount of the fine; and (iv) the payment due date which, unless stated otherwise, is thirty (30) days after the service of the notice of summary fine.

~~2.3.~~ Letters of Warning are not reviewable, but may be withdrawn by the Regulatory Division in its sole discretion.

~~3.4.~~ On or before the No later than twenty (20) days after service of the notice of a summary fine due date, the Respondent upon whom the notice of summary fine was served may appeal the imposition of such summary fine by serving a written request for review of the summary fine to the ~~Regulatory Oversight Committee and the~~ Chief Regulatory Officer. The service of a request to review a summary fine shall suspend the payment due date pending the determination of the Respondent's request for review.

~~4.5.~~ Within ten (10) days after service of the request for review of a summary fine, the Chief Regulatory Officer or a senior member of the ~~Regulatory Department~~ Regulatory Division may serve a response to the Respondent's request for review on the Respondent ~~and the Regulatory Oversight Committee.~~ Upon agreement of the Respondent and the Regulatory Division, the request for review and response shall be forwarded to the Business Conduct Committee for review.

~~5.6.~~ As soon as reasonably possible after service of the ~~Chief Regulatory Officer's response to the Respondent's~~ request for review of the summary fine and the response, the Business Conduct Committee, the Regulatory Oversight Committee will render a written decision that affirms, modifies or sets aside the summary fine imposed by the Chief Regulatory Officer. The decision of the ~~Business Conduct Regulatory Oversight~~ Committee shall be the Final Decision of the SEF and will not be subject to further appeal within the SEF.

#### **Rule 727. Summary Proceedings**

1. A Summary Proceeding may be commenced in addition to any other Disciplinary Proceeding.
2. After consultation with the Chief Regulatory Officer, ~~the Business Conduct~~ the Regulatory Oversight Committee may summarily suspend, restrict or revoke the Trading Privileges of any Respondent as result of (i) Respondent's statutory disqualification, (ii) the reasonable belief that immediate action is required to protect the public or Participants; or (iii) the nonpayment of disciplinary fines ("Summary Proceeding"). The ~~Business Conduct~~ Regulatory Oversight Committee's determinations from the Summary Proceeding shall be in a written decision that states (i) the acts, omissions or conduct the Respondent is alleged to have committed; (ii) the sanctions imposed and their effective date; and (iii) the Respondent's right to appeal ("Summary Proceeding Decision"). The sanctions imposed by Summary Proceeding Decision may be effective immediately, on a future date or dependent upon the occurrence of a future event. The Chief Regulatory Officer shall promptly serve a copy of the Summary Proceeding Decision on the Respondent.

3. No later than ten (10) days after service of the Summary Proceeding Decision, the Respondent may appeal the Summary Proceeding Decision by serving a written request ("Summary Proceeding Review Notice") on the ~~Chairperson of the Regulatory Oversight Committee and serving a copy on the~~ Chief Regulatory Officer. The Summary Proceeding Review Notice shall state the grounds for appeal, including the findings of fact, conclusions or sanctions to which the Respondent objects. The Respondent's failure to serve Summary Proceeding Review Notice in a timely manner shall constitute a waiver of Respondent's right to appeal the Summary Proceeding Decision.
4. The ~~Business Conduct~~ Regulatory Oversight Committee shall meet to consider the Summary Proceeding Review Notice as soon as practicable after its receipt by the ~~Chairperson of the Chief Regulatory Officer~~ Oversight Committee ("Summary Proceeding Review Conference"). Both the Chief Regulatory Officer and the Respondent may be present at the Summary Proceeding Review Conference. No later than twenty (20) days after the Summary Proceeding Review Conference, the ~~Business Conduct~~ Regulatory Oversight Committee shall issue a written decision that either affirms, modifies or reverses the Summary Proceeding Decision. Such decision shall be promptly served on the Chief Regulatory Officer and the Respondent and shall not be subject to further review by any SEF Committee.

**Rule 728. Sanctions**

1. ~~Disciplinary Committee~~ Business Conduct Committees and Hearing Panels are authorized to impose the following sanctions upon a finding of a rule violation or pursuant to an Offer of Settlement:
  - a. a ~~warning~~ Letter of Warning, as provided below;
  - b. a condition or limit to Trading Privileges;
  - c. a suspension ~~of Trading Privileges~~ or, in lieu of a suspension and with the Respondent's consent, a fine as described in Rule 728(2), below;
  - d. restitution in accordance with Rule 728(6), below;
  - e. ~~expulsion from the~~ SEF; or
  - f. disgorgement of any benefit received from violative trading;  
e.g. a fine; of
  - f. any combination of sanctions.
- ~~2. As an alternative to suspension, a Respondent may choose to pay a fine to the SEF provided that the Disciplinary Committee that imposed such suspension consents to the imposition and amount of the fine. The SEF may impose a fine in an amount not less than \$1,000 and up to \$100,000 for each disciplinary offense. Failure to pay an agreed fine within thirty (30) days of the date from which the fine is due shall result in suspension and/or further disciplinary action.~~
- ~~3.2. The following restriction shall apply to the issuance of warning letters.~~ No more than one ~~warning~~ Letter of Warning, in lieu of stronger disciplinary action, shall be issued to a Respondent for the same SEF Rule violation during a rolling twelve (12) month period.

4.3 The ~~Business Conduct~~ ~~Regulatory Oversight~~ Committee is authorized to impose the following sanctions in connection with a Summary Proceeding:

- condition or limit to Trading Privileges;
- suspension of Trading Privileges;
- expulsion from the SEF; or
- any combination of sanctions.

5.4 ~~The SEF may impose summary fines in an amount not less than \$1,000 and up to \$5,000 per offense. Failure to pay a fine, restitution or disgorgement within thirty (30) days of the date of imposition of such sanction from on the fine is due shall result in the accrual of interest on the fine at the prime rate, such rate to be determined by the SEF in its sole discretion. Failure to pay a fine within sixty (60) days from the date on which the fine is due~~ may result in suspension and/or ~~further~~ disciplinary action.

6.5 In the event of demonstrated customer harm, disciplinary sanctions will include full customer restitution, except where the amount of restitution or to whom it should be provided cannot be reasonably determined.

7.6 Sanctions imposed will take into account the Respondent's disciplinary history, shall be commensurate with the violation(s) committed and clearly sufficient to deter recidivism or similar violations.

#### **Rule 729. Rights and Responsibilities after Suspension or Termination**

1. If the Trading Privileges of a Respondent are suspended by the SEF, none of such Respondent's rights and Trading Privileges (including the right to submit Orders to the SEF and hold oneself out as a Participant) nor the Trading Privileges of its Authorized Traders will apply during the period of suspension, except for the Respondent's right to assert claims against others as provided in the SEF Rules. Any such suspension will not affect the rights of creditors under the SEF Rules or relieve the Respondent from his or her obligations under the SEF Rules to perform its obligations under Transactions entered into before the effective date of such suspension, or for any SEF fees or costs incurred during the suspension. The SEF may discipline any suspended Respondent for any violation of SEF Rules committed by such Respondent before, during or after the suspension.
2. If the Trading Privileges of a Respondent are terminated, all of such Respondent's rights and Trading Privileges will terminate (including the right to submit Orders into the SEF and hold oneself out as a Participant, and including the Trading Privileges of such Respondent's Authorized Traders), except for the right of such Respondent to assert claims against others, as provided by the SEF Rules. Any such termination will not affect the rights of creditors under the SEF Rules or relieve the Respondent from Respondent's obligations under the SEF Rules to perform its obligations under Transactions entered into before the effective date of such termination. Any Respondent who has had its Trading Privileges terminated may obtain reinstatement of Trading Privileges solely by applying to become a Participant pursuant to the

SEF Rules, and such Respondent may not apply to be a Participant until six (6) months after the effective date of the termination of such Respondent's Trading Privileges.

3. A terminated Respondent remains subject to the SEF Rules and the jurisdiction of the SEF for the acts and omissions that occurred before such Respondent's termination and must cooperate in any Disciplinary Proceeding as if the suspension or termination had not occurred. A suspended Respondent remains subject to the SEF Rules and the jurisdiction of the SEF for the acts and omissions that occurred before, during or after such Respondent's suspension and must cooperate in any Disciplinary Proceeding as if the suspension had not occurred.

**Rule 730. Notice of Final Decision**

Contemporaneously with the delivery of a Final Decision including, without limitation, a written decision of the Hearing Panel, ~~Offer of Settlement~~ accepted by the ~~Business Conduct Committee~~ or a decision of the Appeal Panel, the SEF will send, pursuant to CFTC Regulation 9.11, a copy of such Final Decision to the CFTC. Such Final Decision will be effective fifteen (15) days after written notice of such Final Decision is delivered to the Person disciplined in accordance with SEF Rule 708.

## CHAPTER 8 ARBITRATION

### **Rule 801. Disputes Subject to Arbitration**

Disputes between Participants that arise out of any trading activity on or subject to the SEF Rules shall be subject to mandatory arbitration in accordance with the SEF Rules.

### **Rule 802. NFA's Code of Arbitration**

Any dispute, claim or controversy subject to arbitration in accordance with Rule 801 shall be arbitrated in accordance with NFA's Code of Arbitration ("NFA Arbitration Code"), subject to the Arbitration Fees set forth in the NFA's Member Arbitration Rules ("NFA Member Rules"), provided that:

1. The arbitration filing satisfies the timeliness requirements set forth in Section 5 and 6 of the NFA Arbitration Code;
2. The dispute, claim or controversy arises out of any Transaction executed on the SEF or subject to the SEF Rules; and
3. The matter does not require for adjudication the presence of essential witnesses or third parties over whom the SEF does not have jurisdiction and who are not otherwise available.

### **Rule 803. Appropriateness; Incorporation by Reference**

1. All challenges to the appropriateness of submitting a matter to arbitration under this Chapter 8 shall be decided in accordance with the NFA Arbitration Code.
2. The NFA Arbitration Code and the NFA Member Rules, as they may be amended or modified from time to time, are hereby incorporated by reference into this Chapter 8.

**Rule 804. Reserved**

**Rule 805. Reserved**

**Rule 806. Reserved**

**Rule 807. Reserved**

**Rule 808. Reserved**

**Rule 809. Reserved**

**Rule 810. Reserved**

**Rule 811. Reserved**

**Rule 812. Reserved**

## CHAPTER 9 MISCELLANEOUS

### Rule 901. Market Data

1. Subject to each Participant's rights in its Participant Data, each Participant acknowledges and agrees that the SEF shall have a proprietary interest in all market data and information entered into and/or created on the SEF and/or displayed on the SEF's Trading System ("SEF Market Data") including without limitation:
  - a. Rate, quantity, structure, date and time of entry of each and every bid and offer submitted on the SEF;
  - b. Rate, quantity, structure, date and time of trade execution of each and every Transaction executed on the SEF;
  - c. the end of day Rate for each Contract traded on the SEF;
  - d. any information that can be derived from (a), (b) or (c) above; and
  - e. the dissemination or transmission of SEF Market Data to Participants and/or any publisher of market data with which the SEF has a written agreement, provided that such Market Data has been aggregated with and displayed as a composite of the same type of Market Data or information of at least three (3) Participants and that its dissemination or transmission does not identify the Participant that is the specific source of such Market Data or other information.
2. Except as permitted by the SEF Rules, Participants shall not sell, distribute, re-transmit, transfer, license or otherwise provide SEF Market Data to any third party. ~~The SEF will not use SEF Market Data to replicate or reverse engineer the trading strategy of a Participant.~~
3. Except in respect of its Participant Data, Participant shall not (a) provide to any third party access to or the ability to use SEF Market Data, or any content or data that may be accessible , in whole or in part, on the SEF, (b) store, copy, modify, reverse engineer, reverse assemble or reverse compile the SEF Trading System, SEF Market Data, or any content or data that may be accessible, in whole or in part, on the SEF ; (c) distribute, rent, sell, retransmit, redistribute, release or license to any third party, other than a Participant, the SEF Trading System, the SEF Market Data, or any content or data that may be accessible , in whole or in part, on the SEF, and (d) use the SEF, the SEF Market Data, or any content or data that may be accessible, in whole or in part, on the SEF in constructing or calculating the value of any index or index products. For the avoidance of any doubt this section shall not prohibit a Participant from (i) providing the SEF Trading System, SEF Market Data, any content or data that may be accessible, in whole or in part, on the SEF to an employee of a Participant engaged in risk management or supervisory activities with the authority to establish, monitor, or modify credit controls for Orders

transmitted to the SEF, or (ii) use SEF Market Data for internal business and regulatory reporting purposes.

4. The SEF acknowledges and agrees that a Participant shall be permitted, and the SEF hereby grants to the Participant a non-exclusive, revocable, non-transferable and royalty-free license (without warranties of any kind, express or implied), to use for the benefit of the Participant the SEF Market Data, and in particular to use the SEF Market Data to create pricing data for Participant's internal business purposes, and Participant shall retain all ownership and proprietary interest with respect to such pricing data. Subject to the foregoing license, and subject to a Participant's rights in its Participant Data as between the SEF and such Participant, the SEF retains all ownership and proprietary interest with respect to the SEF Market Data.
5. The SEF shall have the right to monitor compliance with this SEF Rule as follows: no more than once every ~~six~~<sup>twelve</sup> (~~6~~<sup>12</sup>) months, unless the SEF has reasonable basis to believe that a Participant is in breach of this section, the SEF may conduct an audit into a Participant's use of SEF Market Data (a "Market Data Audit"). ~~The SEF shall provide to the Participant prior written notice of a Market Data Audit, and such notice shall identify the areas of inquiry and the date such Market Data Audit will be performed.~~ All Market Data Audits will be performed upon at least three (3) business days' notice, or such other time as mutually agreed by the SEF and the Participant, during normal business hours. In performing a Market Data Audit, the SEF (by its employees or by an independent audit firm) shall be authorized, subject to applicable law, to inspect or review such systems and records relating to the use and/or distribution of SEF Market Data solely for the purpose of verifying the Participant's compliance with the SEF Rules.
6. The SEF shall report such SEF Market Data to a swap data repository required by Parts 43 and 45 of CFTC Regulations. In addition, the SEF shall publish information required by Part 16 of the CFTC Regulations. The SEF shall not disclose SEF Market Data in a manner that identifies the Participant or the trading activity or market positions of any Participant, except that the SEF may disclose SEF Market Data as required by law, governmental agency, court of competent jurisdiction, or administrative body.
- ~~6.7.~~ The SEF will report the closing price of a Contract as the daily settlement price of a Contract for purposes of publishing SEF Market Data required by CFTC Regulation 16.01. The SEF may, in its sole discretion, establish a daily settlement price for a Contract that it deems to be a fair and reasonable reflection of the market if (i) there is no Transaction in respect of such Contract executed during the applicable Trading Day; or (ii) there is a trading halt in the Contract or other unusual circumstance at the scheduled close of trading. If no Transaction in respect of such Contract is executed during the applicable Trading Day, the SEF will report a dash ("-") in respect of the closing price field for purposes of CFTC Regulation 16.01.

#### **Rule 902. SEF Employees**

1. SEF employees, Officers, agents, independent contractors and consultants are prohibited from disclosing material, non-public information obtained as a result of their employment or



relationship with the SEF. SEF employees, Officers, agents, independent contractors and consultants are prohibited from providing non-public information obtained as a result of their employment or relationship with the SEF if such employee, Officer, agent, independent contractor or consultant expects or should have reasonably expected that such disclosed information may assist a Person trading in a Product traded on the SEF or other trading venue.

2. Except as otherwise provided, an employee or Officer of the SEF shall not, directly or indirectly, enter into any Transactions in a Product traded on the SEF, or any other trading venue that trades such Products. This SEF Rule does not prohibit an employee or Officer of the SEF who has received the prior written approval of the SEF's Chief Compliance Officer from participating in a pooled investment vehicle or other investment vehicle that is directed by a third-party advisor over which such Officer or employee has no direct or indirect control.
3. Unless a written waiver is granted by the Chief Compliance Officer, no SEF Officer or employee may accept a gift or gratuity from a Participant having a value of more than fifty dollars (\$50) (per person) during any calendar year.

**Rule 903. Information Sharing Agreements**

1. The SEF may enter into information-sharing agreements or other arrangements or procedures to coordinate surveillance with other markets and clearing organizations on which swaps or financial instruments related to the Products traded on the SEF are traded or cleared. As part of any information-sharing agreements or other arrangements or procedures adopted pursuant to this SEF Rule, the SEF may, without limitation:
  - a. provide market surveillance reports to other markets;
  - b. share information and documents concerning current and former Participants with other markets and clearing organizations;
  - c. share information and documents concerning on-going and completed investigations with other markets and clearing organizations; and/or
  - d. require Participants to provide information and documents to the SEF at the request of other markets or clearing organizations with which the SEF has an information-sharing agreement or other arrangements or procedures.
2. The SEF may enter into an information-sharing arrangement with any Person or body (including, without limitation, the CFTC, the SEC, or any governmental authority, self-regulatory organization, exchange, market, clearing organization or foreign regulatory authority) if the SEF (i) believes that such Person or body exercises a legal or regulatory function under any law or regulation, or a function comprising or associated with the enforcement of a legal or regulatory function, or (ii) considers such arrangement to be in furtherance of the SEF's purpose or duties under applicable law.

3. The SEF may disclose to any Person or body information concerning or associated with a Participant or other Person that the SEF believes is necessary and appropriate in exercising a legal or regulatory function (including, without limitation, information concerning any aspect of the business of the SEF) whether or not a formal arrangement governing the disclosure exists or a request for information was made.

**Rule 904. Recording of Communications**

In the regular course of business, the SEF may record conversations and retain copies of electronic communications between (a) the SEF and (b) Participants and their ~~Related Parties~~<sup>Supervised Persons</sup>. All such recording will be retained by the SEF in such manner and for such period of time as the SEF, in its sole discretion, determines is necessary or desirable to comply with applicable law. For the avoidance of any doubt, any Regulatory Service Provider that provides regulatory services to the SEF will have access, to the extent necessary to perform regulatory services, to all such recordings.

**Rule 905. Books and Records**

The SEF shall keep, or cause to be kept, complete and accurate books and records of accounts of the SEF, including, without limitation, all books and records required to be maintained pursuant to CEA and CFTC Regulations, as well as the Securities Exchange Act of 1934 and applicable SEC Regulations. The SEF shall retain all such books and records for five (5) years, or such longer time as may be required by applicable law, and shall make such books and records readily accessible for inspection, as may be required by applicable law, during the first two (2) years of such five-year period. Upon request, the SEF shall make its books and records available to the CFTC and/or permit on-site visitation by duly authorized representatives of the CFTC. In addition, the SEF will keep records relating to swaps defined in section 1a(47)(A)(v) of the CEA open to inspection and examination by the SEC.

**Rule 906. Service Agreement with Technology Services Provider**

The SEF may contract with a Technology Service Provider to provide certain technology services to the SEF. In accordance with any agreement between the Technology Services Provider and the SEF, the Technology Services Provider may perform certain functions under the SEF Rules and the SEF may provide information to the Technology Services Provider in connection with the Technology Services Provider's performance of such functions.

**Rule 907. Governing Law**

The SEF Rules, and the rights and obligations of the SEF and Participants under the SEF Rules, shall be governed by, and construed in accordance with, the laws of the State of New York.

**Rule 908. SEF Disaster Recovery, Business Continuity and Risk Oversight**

1. The SEF shall establish and maintain a program of risk analysis and oversight to identify and minimize sources of operational risk through the development of appropriate controls and procedures and automated systems that are scalable, reliable and secure. Such risk analysis and oversight shall address each of the following categories: (i) information security, (ii) business continuity and disaster recovery planning and resources, (iii) capacity and performance planning, and (iv) systems operations.
2. The SEF shall establish and maintain emergency procedures, back-up facilities and a plan for disaster recovery that permits the timely recovery and resumption of operations, and the fulfillment of the responsibilities and obligations of the SEF. Such written policies regarding business continuity and disaster recovery will ensure that the SEF is able to continue to operate during periods of stress. The SEF shall perform periodic testing of disaster recovery and business continuity plans, duplication of critical systems at back up sites and periodic back-up of critical information.

**Rule 909. Appointment of Agent for Service of Process**

Any Participant organized or located outside of the United States will enter into a written agreement acceptable to the SEF appointing a third party as its U.S. agent for service of process for purposes of CFTC Regulation 15.05, and will provide the SEF with a copy of such agreement.

**Rule 910. Prohibited Use of Data Collected for Regulatory Purposes**

The SEF shall not use for business or marketing purposes any proprietary data or personal information it collects or receives, from or on behalf of any person, for the purpose of fulfilling its regulatory obligations. Notwithstanding the foregoing, the SEF may use such data or information for business or marketing purposes if the Person from whom it collects or receives such data or information clearly consents in writing to the SEF's use of such data or information in such manner. The SEF shall not condition access to the SEF's market(s) or market services upon a Person's consent to the SEF's use of proprietary data or personal information for business or marketing purposes. Where necessary for regulatory purposes, the SEF may share such data or information with one or more swap execution facilities or designated contract markets registered with the CFTC.

## CHAPTER 10 PRODUCT SPECIFICATIONS

### Rule 1001. Non-Deliverable Forwards

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| <b>Contract Overview</b>                  | A non-deliverable foreign exchange forward Transaction (an “ <u>NDF</u> ”) is a cash-settled, foreign exchange forward contract in a thinly traded or nonconvertible foreign currency (the “ <u>Reference Currency</u> ”) against a freely traded currency (the “ <u>Settlement Currency</u> ”) where the profit or loss at the Settlement Date of the Transaction is calculated by taking the difference between the agreed upon exchange rate (the “ <u>Forward Rate</u> ”) and the spot rate at time of settlement (the “ <u>Settlement Rate</u> ”), for an agreed upon Notional Amount. The gain or loss is then settled in the Settlement Currency. |
| <b>Participant Category</b>               | All Participants with Trading Privileges on the SEF are eligible to enter into Transactions in respect of this Product.  |
| <b>Trade Date</b>                         | The date the Transaction is executed on the SEF. The Trade Date of a Transaction shall be the calendar date on which the Transaction is executed, unless the Transaction is executed after 5:00 p.m., in which case the Trade Date shall be the following Trading Day.   |
| <b>Reference Currency</b>                 | Any of the following currencies:<br>Brazilian Real (BRL)<br>Chilean Peso (CLP)<br>Chinese Renmibi (CNY)<br>Colombian Peso (COP)<br>Indian Rupee (INR)<br>Indonesian Rupiah (IDR)<br>Korean Won (KRW)<br>Malaysian Ringgit (MYR)<br>Philippine Peso (PHP)<br>Taiwanese Dollar (TWD)   |
| <b>Notional Amount</b>                    | The quantity of Settlement Currency.   |
| <b>Forward Rate</b>                       | The currency exchange rate, expressed as the amount of Reference Currency per one unit of Settlement Currency, agreed by the parties.  |
| <b>Reference Currency Notional Amount</b> | The quantity of Reference Currency.  |
| <b>Reference Currency Buyer</b>           | The party to which an amount denominated in the Reference Currency is owed on the Settlement Date.   |

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| <b>Reference Currency Seller</b>          | The party that owes an amount denominated in the Reference Currency on the Settlement Date.   |
| <b>Settlement Currency</b>                | United States dollars (USD)   |
| <b>Settlement Date</b>                    | The date indicated as such on the Transaction Confirmation, subject to adjustment in accordance with the Following Business Day Convention.   |
| <b>Settlement Rate</b>                    | The currency exchange rate determined on the Valuation Date with reference to the Settlement Rate Option.   |
| <b>Settlement Rate Option<sup>2</sup></b> | The Settlement Rate Option in respect of each Reference Currency shall be as follows:<br>BRL: BRL PTAX (BRL09)<br>CLP: CLP DOLAR OBS (CLP10)<br>CNY: CNY SAEC (CNY01)<br>COP: COP TRM (COP02)<br>INR: INR RBIB (INR01)<br>IDR: IDR JISDOR (IDR04)<br>KRW: KRW KFTC18 (KRW02)<br>MYR: MYR KL REF (MYR04)<br>PHP: PHP PDSPEO (PHP06)<br>TWD: TWD TAIFX1 (TWD03) |
| <b>Valuation Date</b>                     | The date indicated as such on the Transaction Confirmation, subject to adjustment in accordance with the Preceding Business Day Convention. The Valuation Date is the date on which the difference between the Forward Rate and the Settlement Rate is calculated.  |
| <b>Settlement</b>                         | Non-deliverable (cash settled).   |
| <b>Contract Size</b>                      | The Contract size may be any size, with a minimum Notional Amount of USD 100,000.   |
| <b>Tenor</b>                              | The duration of time from the Trade Date to the Settlement Date. The Tenor of a Contract may be one month, two months, three months, six months or one year.  |

<sup>2</sup> The Settlement Rate Option in respect of each Reference Currency shall be as defined in the 1998 FX and Currency Option Definitions as promulgated by the International Swaps and Derivatives Association, the Emerging Markets Traders Association and The Foreign Exchange Committee, as amended from time to time.

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| <b>Relevant City for Business Day for Valuation Date</b>  | The Relevant City for Business Day for Valuation Date in respect of each Reference Currency shall be as follows:<br>BRL: Any of Rio de Janeiro, Brasilia or Sao Paulo, <u>and</u> New York City<br>CLP: Santiago<br>CNY: Beijing<br>COP: Bogota<br>INR: Mumbai<br>IDR: Jakarta<br>KRW: Seoul<br>MYR: Kuala Lumpur<br>PHP: Manila<br>TWD: Taipei  |
| <b>Relevant City for Business Day for Settlement Date</b> | New York City  |
| <b>Preceding Business Day Convention</b>                  | If an event falls on a date that is not a Business Day, such event will be adjusted to occur on the first preceding day that is a Business Day.  |
| <b>Following Business Day Convention</b>                  | If an event falls on a date that is not a Business Day, such event will be adjusted to occur on the first following day that is a Business Day.  |
| <b>Fallbacks</b>  | If the Settlement Rate in respect of a Transaction cannot be determined on the relevant Valuation Date for any reason, including but not limited to a failure by the relevant institution which publishes such Settlement Rate to do so at the time required, such Settlement Rate shall be determined by the counterparties to such Transaction in accordance with the dispute resolution provisions set forth in any master documentation entered into between such counterparties of which such Transaction forms a part and by which such Transaction is governed. |