

LatAm SEF, LLC
CORE PRINCIPLES COMPLIANCE CHART
EXHIBIT L-1

<u>SEF CORE PRINCIPLES</u>	<u>APPLICANT NARRATIVE</u>	<u>RELATED RULES/DOCUMENTS</u>
<p>Core Principle 1. Compliance with Core Principles.</p> <p>(a) <i>In general.</i> To be registered, and maintain registration, as a swap execution facility, the swap execution facility shall comply with—</p> <p>(1) The core principles described in section 5h of the Act; and</p> <p>(2) Any requirement that the Commission may impose by rule or regulation pursuant to section 8a(5) of the Act.</p> <p>(b) <i>Reasonable discretion of a swap execution facility.</i> Unless otherwise determined by the Commission by rule or regulation, a swap execution facility described in paragraph (a) of this section shall have reasonable discretion in establishing the manner in which the swap execution facility complies with the core principles described in section 5h of the Act.</p>	<p>a) LatAm SEF, LLC (“the SEF”) believes that all materials submitted with this application for designation as a swap execution facility (“SEF”) on Form SEF and the Exhibits thereto (the “Application”), including but not limited to the SEF Rulebook (the “Rules”) provided in <u>Exhibit M-1</u> to the Application, demonstrate compliance with Core Principle 1.</p> <p>Capitalized terms that are used in this <u>Exhibit L-1</u> without definition have the meaning ascribed to those terms in the Rules.</p> <p>b) Although the SEF will comply with all the requirements in the Core Principles necessary for it to qualify as a SEF, the business of the SEF currently consists exclusively of Permitted Transactions relating to the following products:</p> <p><u>Interest Rate Swaps (IRS)</u></p> <p><u>Argentina</u></p> <ul style="list-style-type: none"> • Fixed Argentine CER vs. Floating USD 6-Month Libor Interest Rate Swap • Fixed Argentine ARS vs. Floating USD 6-Month Libor Cross-Currency Interest Rate Swap <p><u>Brazil</u></p> <ul style="list-style-type: none"> • Fixed Brazilian CDI vs. Floating Brazilian CDI Interest Rate Swap <p><u>Chile</u></p> <ul style="list-style-type: none"> • Fixed Chilean CLF vs. Floating Camara Cross-Currency Overnight Index Swap • Floating USD 6-Month Libor vs. Floating Chilean Camara Basis Swap • Fixed Chilean CLP vs. Floating Camara Overnight Index 	<p>This Application.</p> <p><u>Exhibit M</u> (SEF Rulebook)</p>

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	<p style="text-align: center;">Swap</p> <p><u>Colombia</u></p> <ul style="list-style-type: none"> • Fixed Colombian UVR vs. Floating USD 6-Month Libor Interest Rate Swap • Fixed Colombian IBR vs. Floating Colombian IBR Interest Rate Swap • Fixed Colombian COP vs. Floating USD 6-Month Libor Cross-Currency Interest Rate Swap • Floating USD 3-Month Libor vs. Floating Colombian IBR Cross-Currency Basis Swap <p><u>Mexico</u></p> <ul style="list-style-type: none"> • Fixed Mexican TIIE vs. Floating Mexican TIIE Interest Rate Swap • Floating Mexican TIIE vs. Floating USD 1-Month Libor Interest Rate Swap • Fixed Mexican UDI vs. Floating Mexican TIIE Interest Rate Swap • Floating Mexican UDI vs. Floating USD 6-Month Libor Basis Swap <p><u>Peru</u></p> <ul style="list-style-type: none"> • Fixed Peruvian VAC vs. Floating USD 6-Month Libor Interest Rate Swap • Fixed Peruvian PEN vs. Floating USD 6-Month Libor Cross-Currency Interest Rate Swap • Fixed Peruvian PEN vs. Floating Peruvian TIS Interest Rate Swap <p><u>Foreign Exchange (FX)</u></p>	

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	<p><u>NDFs</u></p> <ul style="list-style-type: none"> • Non-Deliverable Forwards Argentinian Peso (ARS) • Non-Deliverable Forward Brazilian Real (BRL) • Non-Deliverable Forward Chilean Peso (CLP) • Non-Deliverable Forward Colombian Peso (COP) • Non-Deliverable Forward Peruvian Nuevo Sol (PEN) 	
<p>Core Principle 2. Compliance with rules.</p> <p>A swap execution facility shall:</p> <p>(a) Establish and enforce compliance with any rule of the swap execution facility, including the terms and conditions of the swaps traded or processed on or through the swap execution facility and any limitation on access to the swap execution facility;</p> <p>(b) Establish and enforce trading, trade processing, and participation rules that will deter abuses and have the capacity to detect, investigate, and enforce those rules, including means to provide market participants with impartial access to the market and to capture information that may be used in establishing whether rule violations have occurred;</p> <p>(c) Establish rules governing the</p>	<p>Operation of the SEF and Compliance with Rules</p> <p>The SEF has established Rules governing the operation of its SEF including rules regarding the operation of its trading systems (the “Trading System”). Chapter 5 of the Rules sets out the framework for operation of the Trading System, which can currently be used only for Permitted Transactions. Although this means that the Trading System will not be used for Required Transactions, the Trading System nevertheless has the functionality to process Orders through a Central Limit Order Book See Rule 512.</p> <p>Pursuant to Rule 505, all Orders must be submitted to the Trading System using the relevant Trader ID and must include the required information set out in that Rule, including price, quantity, product, expiration date and CTI code. Orders may be submitted electronically. Under Rule 315 (currently inactive), directions to effect a Transaction may be given to a Voice Specialist who is an employee of the SEF. An Order may be modified or cancelled unless and until such Order is executed or has otherwise expired. See Rule 514.</p> <p>The SEF has also adopted Rules regarding access to the Trading System for Trading Privilege Holders and Authorized Persons (Chapter 3 of the Rules), business conduct (Chapter 7 of the Rules), disciplinary matters (Chapter 8 of the Rules) and mandatory trading requirements). The SEF’s audit trail requirements are set out in Rule 901.</p>	<p><u>Rules:</u> Rules 311 and 315.</p>

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<p>operation of the facility, including rules specifying trading procedures to be used in entering and executing orders traded or posted on the facility, including block trades; and</p> <p>(d) Provide by its rules that when a swap dealer or major swap participant enters into or facilitates a swap that is subject to the mandatory clearing requirement of section 2(h) of the Act, the swap dealer or major swap participant shall be responsible for compliance with the mandatory trading requirement under section 2(h)(8) of the Act.</p>	<p>The SEF will enforce its Rules impartially. In addition, the SEF will publish a notice to its Trading Privilege Holders with respect to each new Rule and Rule amendment submitted to the Commodity Futures Trading Commission (“CFTC” or “Commission”) pursuant to the Commission’s Part 40 Regulations. See Rule 311.</p> <p>Access Requirements</p> <p>Participants have the right to access the Trading System for their own accounts and, if properly registered, on behalf of Customers, and must designate at least one of their employees as an Authorized Person. See Rules 303 and 306. Trading Privilege Holders must be an “eligible contract participant” as defined in the Commodity Exchange Act (“CEA”) and CFTC Regulations. See Rule 304(1)(a). Rule 303 sets forth the qualification standards for Participants. See also Core Principle 7 (Financial Integrity of Transactions). Rule 307 sets out the requirements for a Trading Privilege Holders the right to access the SEF. Trading Privilege Holders are required to designate at least one person as Authorized Person pursuant to Rule 305. Independent Software Vendors are permitted to access the Trading System provided they satisfy the SEF’s technological integrity requirements as set out in Rule 309. Pursuant to Rule 314, the SEF shall charge comparable fees for all Participants that receive comparable access to the Trading System. Any person that initiates or executes a transaction pursuant to the Rules, directly or indirectly, is subject to the SEF’s jurisdiction. See Rule 301. Each Authorized Person, and each automated trading system, of a Trading Privilege Holders must have a unique Trader ID, and each Participant is responsible for controlling and monitoring the use of the Trader IDs assigned to its Authorized Persons. See Rule 408(2).</p> <p>The SEF will apply these access criteria in an impartial manner through the application process described in Rule 305 and the Participation Committee review process described in</p>	<p><u>Rules:</u> 204, 301, 303, 304, 305, 307, 308, 309, 314, 316, 408, 410, 811 and 805.</p>

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	<p>Rule 204. Failure of an applicant to demonstrate a capacity to comply with the requirements of the Rules or of Applicable Law may lead to a denial of the application under Rule 305(3). Applicants have the right to appeal a denial or conditional grant of their Participant application under Rule 305(4). Other provisions in the Rulebook set out the authority of the SEF to revoke, suspend or limit a Trading Privilege Holder's or Authorized Person's access to the Trading System. The SEF also reserves the right to summarily terminate the Trading Privileges of a Participant or any of its Trading Privilege Holders or its Authorized Persons under Rules 410 and 818. Any denial of access, or suspension, expulsion or other restriction imposed pursuant to disciplinary procedures will similarly restrict access to the Trading System pursuant to Rule 814.</p> <p>The SEF may grant a Trading Privilege Holder's request to withdraw if the requirements of Rule 316 are met.</p> <p>Rule Enforcement Program</p> <p>The SEF will monitor and enforce compliance with its Rules, including the Rules prohibiting abusive trade practices. Rule 401 sets out duties and responsibilities of Trading Privilege Holders, including the requirement to utilize the SEF's services in a responsible manner, comply with all Rules of the SEF, cooperate with SEF investigations, inquiries, audits, examinations and proceedings, and observe high standards of integrity, market conduct, commercial honor, fair dealing and equitable principles of trade. Under Rule 402, Trading Privilege Holders are also required to maintain books and records as required under the CEA and CFTC Regulations.</p> <p>Chapter 5 of the Rules contains the SEF's trading practice rules and Rule 707 identifies numerous forms of conduct and trade practices including: fraudulent, fictitious or noncompetitive transactions, fraudulent or misleading communications, market disruption, market manipulation, disruptive trading practices, misstatements, withholding of</p>	<p><u>Rules: 308, 401, 402 and 801.</u></p>

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	<p>customer orders, front-running, wash sales, pre-negotiated and noncompetitive trades, including money passes and trading against customer orders. The Rules also require compliance with the Rules (Rule 401). In addition, Rule 308 prohibits a Participant from accepting an Order from another person unless such Participant is properly registered with the CFTC as a futures commission merchant or an introducing broker, as applicable.</p> <p>Chapter 7 also includes prohibitions against acts detrimental to the SEF (Rule 707), conduct inconsistent with just and equitable principles of trade (Rule 704) and misuse of the Trading System (Rule 705). It also includes requirements for supervision of personnel (Rule 703). In addition, no Trading Privilege Holder may disclose an Order other than to a designated SEF Employee, to the CFTC or as necessary to execute the Order. See Rule 707.</p> <p>The SEF has made appropriate arrangements to ensure that it has sufficient resources to enforce its Rules. The SEF's Chief Compliance Officer (the "CCO") and Regulatory Oversight Committee (the "ROC") monitor the compliance resources of the SEF and will engage additional personnel as deemed necessary on a temporary or permanent basis. The SEF's ability to detect, investigate and take action with respect to violations of its rules will be provided by the ROC and the CCO. Pursuant to Rule 402, the SEF has the right to require a Trading Privilege Holder to furnish information regarding the Trading Privilege Holder's business that is subject to the Rules. In addition, Rule 801 requires Trading Privilege Holders and Authorized Persons to produce books and records related to a Rule, inquiry or investigation as requested by the Compliance Department. As described in further detail below, the Compliance Department is primarily responsible for financial surveillance, daily market surveillance, daily trade practice surveillance and inquiries and investigations. The Compliance Department is primarily responsible for real-time market monitoring. The Compliance Department also</p>	

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	<p>performs real-time market monitoring and provides services related to disciplinary proceedings.</p> <p>The ROC is responsible for monitoring the sufficiency, independence and effectiveness of the SEF's regulatory program. . See also Core Principle 4 (Monitoring of Trading and Trade Processing).</p> <p>Regulatory Services Provider</p> <p>Rule 212 permits the SEF to enter into an agreement with a regulatory services provider to provide certain regulatory services to the SEF, but the SEF has not entered into such an agreement.</p> <p>The Compliance Department has primary responsibility for the SEF's real-time market monitoring. The Compliance Department reviews trading activity on the Trading System.. The Compliance Department will receive and review reports of any unusual trading activities on the Trading System. The Compliance Department also performs real-time market monitoring of trading activity on the Trading System using a view-only market monitor screen through which it can track the activity of specific traders, monitor price and volume information and is alerted to any market messages. See also Core Principle 4 (Monitoring of Trading and Trade Processing).</p> <p>Pursuant to Rules 513 and 514, the SEF may cancel or adjust trades if the SEF determines that allowing the trade to stand could have a material, adverse effect on the integrity of the market or due to disruptions caused by the improper or erroneous use of the Trading System or by system defects or malfunctions. Decisions will be made as soon as practicable after the SEF becomes aware of an anomaly, error or other event and the SEF will notify Trading Privilege Holders and the Swap Data Repository pursuant to Rule 513 and 514.</p> <p>Audit Trail</p>	<p><u>Rules:</u> 212 and 514</p>

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	<p>The SEF's audit trail arrangements, which are designed to capture all relevant trading information to facilitate the SEF's trade practice and market surveillance activities described above. The audit trail program is based on original source documents that are unalterable, sequentially identified records. The records reflect the terms of the order entered, the time of the order, a unique Trader ID for the user entering the order and an account identifier. The system further reflects information regarding orders which are filled, unfilled or cancelled.</p> <p>The audit trail also includes an electronic transaction history database that contains a history of all Orders as well as the following: (i) all data entered into the Trading System to allow the Order to match; (ii) the categories of market participant for which each Order is executed, including the specific account; and (iii) timing and sequencing data enabling each Order to be reconstructed. All audit trail data contained in the transaction database is organized in a manner that allows the Compliance Department to search, sort and present the information in order to reconstruct trading and identify potential violations.</p> <p>All data gathered as part of the audit trail is maintained in accordance with the CFTC's recordkeeping requirements and is kept in a manner that does not allow for unauthorized alteration, erasure or other potential loss.</p> <p>The Compliance Department will conduct reviews of all Trading Privilege Holders and Authorized Persons to verify their compliance with the SEF's audit trail and recordkeeping requirements. Upon completion of such review, the Compliance Department will identify, if any, the foregoing has demonstrated deficiencies in complying with the SEF's audit trail requirements, which may lead to the imposition of sanctions for purposes of deterring additional violations.</p> <p>Disciplinary Procedures</p> <p>Chapter 8 of the Rules sets forth the SEF's disciplinary and</p>	<p><u>Rules: 901.</u></p>

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	<p>enforcement process and demonstrates the SEF’s capacity to detect and investigate rule violations. The Compliance Department, in accordance with Rule 802, has the authority to initiate and conduct inquiries and investigations, prepare investigative reports, make disciplinary recommendations and prosecute violations. Rule 802 also provides the Compliance Department with the authority to collect information and documents and examine Participants’ books and records during an investigation.</p> <p>Pursuant to Rule 802, the Compliance Department will commence an investigation upon the receipt of a request from Commission staff or upon the discovery or receipt of information that indicates a reasonable basis for a finding that a violation has occurred or will occur. Absent mitigating circumstances, Rule 803 provides that all investigations must be completed within twelve months after the date the investigation is opened. No person with a conflict of interest will be permitted to participate in any SEF enforcement action or Disciplinary Panel. See Rule 208.</p> <p>Investigations may be resolved through a warning letter provided that no more than one warning letter for the same potential violation may be issued to the same potential respondent during a rolling 12-month period. See Rule 803.</p> <p>Chapter 8 of the Rules provides detailed procedures for the SEF’s disciplinary proceedings, including the establishment of an optional Review Panel to review an investigation report (Rule 804), the preparation of a notice of charges (Rule 805), the answer to a notice of charges by a Respondent (Rule 806), service of a notice of charges (Rule 807), settlements (Rule 808), the establishment and operation of the Disciplinary Panel (Rule 809), convening hearings of the Disciplinary Panel (Rule 810), the Respondent’s right to review evidence (Rule 811), conducting hearings of the Disciplinary Panel (Rule 812), Disciplinary Panel decisions (Rule 813), and the imposition of sanctions (Rule 814). Rule 816 sets out the</p>	<p><u>Rules: 208.</u></p>

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	<p>procedures for filing appeals, including the creation of an Appeal Panel.</p> <p>The SEF may impose summary fines relating to submission of records pursuant to Rule 817. The SEF also reserves the right to impose summary suspensions in accordance with Rule 818. The rights and responsibilities of a Person after suspension or termination are governed by Rule 819. The SEF will provide written notice of disciplinary proceedings to the parties and to the Commission in accordance with Rule 820.</p> <p>Each Disciplinary Panel and Appeal Panel must be constituted in accordance with the composition requirements set out in Commission Regulations.</p>	
<p>Core Principle 3. Swaps not readily susceptible to manipulation.</p> <p>The swap execution facility shall permit trading only in swaps that are not readily susceptible to manipulation.</p>	<p>The SEF lists Latin American Interest Rate Swaps and Foreign Exchange Non-Deliverable Forwards, none of which are currently subject to mandatory clearing at a Derivatives Clearing Organization. The SEF has certified swap terms and conditions pursuant to CFTC Regulations 37.4 and 40.6.</p> <p>Swaps traded on the SEF involve periodic fixed and floating payments by the parties to the Swaps. The settlement amount on any payment date is based on the net amount due between the swap counterparties. The amount owed by each party is calculated on the basis of a reference rate applied over a period of time to a notional amount, where the referenced rates, period of time and notional amount are terms of the relevant Swap. Each reference rate may be constant or may be determined on the basis of interest rates applicable to the swap.</p> <p>The terms of each Swap traded on the Trading System will be set by the parties to the Swap within parameters established for each type of Swap offered. The rates used to calculate payments due are typically rates determined by market-driven process in large markets so such rates are generally not susceptible to manipulation. To the extent that recent</p>	<p><u>Rules: 504.</u></p>

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	<p>enforcement actions by regulators have alleged manipulation of certain interest rates, the SEF believes that the increased scrutiny given to market practice as a result of such proceedings has reduced the risk of future rate manipulation.</p> <p>The SEF offers the following types of Swaps:</p> <p>1. Fixed /Float Interest Rate Swaps (“IRS”)</p> <p>IRS transactions are transactions in which two parties agree to exchange or swap cash flows in the future. For example, two parties may enter into an IRS to exchange a fixed interest payment for a floating interest payment based on a reference rate or to exchange payments based on two different floating reference rates. In a single-currency IRS, periodic payments between the counterparties are calculated based on the difference between the agreed rates multiplied by the notional amount.</p> <p>2. Zero Coupon Swaps</p> <p>Zero coupon (single-period) swaps are interest rate swaps in which the floating rate payments are made periodically while the fixed rate payments are paid in a single lump sum payment, which is typically made when the Swap matures. Zero coupon swaps can be structured so that both floating and fixed rate payments are paid as a lump sum.</p> <p>4. Cross-Currency Basis Swaps</p> <p>A cross-currency basis swap is an agreement between two parties to exchange a floating interest payment based on a reference rate for a floating interest payment based on another reference rate in a different currency. For example, parties may exchange a floating interest payment based on the one-month U.S. Dollar LIBOR for a floating interest payment based on the one-month Great Britain Pound LIBOR to gain exposure to currency fluctuations.</p> <p>5. Overnight Index Swaps (“OIS”)</p>	

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	<p>An OIS is an agreement between two parties to exchange a fixed interest payment for a floating interest payment based on the geometric average of an overnight index over every day of the payment period. An OIS is generally a short-term or medium-term instrument with duration as short as a few weeks, but in some cases as long as three or four years.</p> <p>7. Non-Deliverable Forward - NDF</p> <p>A cash-settled, short-term forward contract on a thinly traded or non-convertible foreign currency, where the profit or loss at the time at the settlement date is calculated by taking the difference between the agreed upon exchange rate and the spot rate at the time of settlement, for an agreed upon notional amount of funds.</p> <p>Finally, the Rules restrict trading on the basis of non-public information. In particular, Rule 901 prohibits SEF officials from trading in Swaps or related Swaps absent prior written consent from the SEF.</p>	
<p>Core Principle 4. Monitoring of trading and trade processing.</p> <p>The swap execution facility shall:</p> <p>(a) Establish and enforce rules or terms and conditions defining, or specifications detailing:</p> <p>(1) Trading procedures to be used in entering and executing orders traded on or through the facilities of the swap execution facility; and</p> <p>(2) Procedures for trade processing of swaps on or</p>	<p>Pursuant to Rule 205, the ROC oversees the SEF’s regulatory program and has the authority to monitor the sufficiency, effectiveness and independence of the SEF’s regulatory program. The ROC is required to: (1) oversee the SEF’s regulatory program on behalf of the Board; (2) monitor the SEF’s regulatory program for sufficiency, effectiveness and independence; (3) review all regulatory proposals, actions or changes prior to implementation; (4) review the size and allocation of the regulatory budget and resources, and review the number, hiring and termination, and compensation of regulatory personnel; (5) review the performance of the CCO and make recommendations to the Board accordingly; and (6) recommend changes that would ensure fair, vigorous and effective regulation. See also Section 18.2 of the Manual.</p> <p>Chapter 7 of the Rules sets forth certain prohibited trading practices and specifically proscribes manipulation, price distortion and disruptive trading practices. Chapter 8 of the</p>	<p><u>Rules:</u> 205, 303 and 402.</p>

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<p>through the facilities of the swap execution facility; and</p> <p>(b) Monitor trading in swaps to prevent manipulation, price distortion, and disruptions of the delivery or cash settlement process through surveillance, compliance, and disciplinary practices and procedures, including methods for conducting real-time monitoring of trading and comprehensive and accurate trade reconstructions.</p>	<p>Rules describes the SEF’s disciplinary and enforcement procedures, which include inquiries, investigations and disciplinary proceedings. <i>See also</i> Core Principle 2 (Compliance with Rules).</p> <p>The CCO and the Compliance Department implement the SEF’s monitoring, surveillance and other enforcement functions, and the ROC will oversee this activity. The Rules provide the framework for the SEF’s enforcement activities. , The Compliance Department uses automated trade surveillance systems that capture all trade and order data, including modifications and cancellations. The Compliance Department uses that data to perform trade practice and market surveillance services and conducts market monitoring on a trade day plus one (“T+1”) basis. The Compliance Department is also responsible for reviewing the SEF’s trades on a routine basis to determine whether suspicious activity relating to applicable trading standards exists. The CCO oversees the Compliance Department’s performance.</p> <p>The audit trail requirements described in Core Principle 2 (Compliance with the Rules) above ensure the SEF’s ability to comprehensively and accurately reconstruct all trading on the Trading System.</p> <p>The SEF monitors the pricing of the index against which the Swap settles as well as the appropriateness of the methodology for deriving the index and has the ability to address circumstances that may threaten market disruption, manipulation and/or distortion.</p> <p>Pursuant to Rule 402, all Trading Privilege Holders must maintain all records required by the Rules including all records of trading, activity in the underlying commodity and activity in related markets. All such books and records shall be made available for inspection by, and copies thereof shall be delivered to, the SEF and its authorized representatives upon request.</p>	

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	<p>In addition, under Rule 303, in order to be eligible for admission as a Trading Privilege Holder and to maintain continued access to the SEF, the applicant must be in compliance with all recordkeeping requirements set forth in the Rules.</p> <p>As described above, the SEF maintains comprehensive audit trail data to accurately reconstruct all trading on the Trading System. Pursuant to Rule 402, each Trading Privilege Holder is required to furnish the SEF, upon request, with information regarding such Trading Privilege Holder's trading in related derivatives markets as well as in the products underlying the Swaps listed for trading on the SEF.</p> <p>The SEF will implement trading risk controls, including a maximum quantity limit for any single order, a maximum notional value limit and a price variance warning. These risk controls are designed to avoid market disruptions and interference with the SEF's price discovery function. To the extent practicable, the SEF will coordinate its trading controls with other designated contract markets and with swap execution facilities and national securities exchanges.</p>	
<p>Core Principle 5. Ability To Obtain Information.</p> <p>The swap execution facility shall:</p> <p>(a) Establish and enforce rules that will allow the facility to obtain any necessary information to perform any of the functions described in section 5h of the Act;</p> <p>(b) Provide the information to the Commission on request; and</p>	<p>Pursuant to Rule 301, 303, Rule 307 and Rule 401, Trading Privilege Holders and Authorized Persons must agree to abide by the Rules and consent to the SEF's jurisdiction when accessing the SEF. Trading Privilege Holders and ISVs are required to provide notice to the SEF upon the occurrence of any of the events set out in Rule 403. Rule 402 requires each Trading Privilege Holder to provide the SEF or the Compliance Department information related to its business that is subject to the Rules, including relating to Swaps executed on or processed through the Trading System or in related markets. Pursuant to Rule 301, each Trading Privilege Holder, Authorized Person and ISV is required to cooperate with a SEF investigation by making an appearance and making its books and records available to the SEF.</p>	<p><u>Rules:</u> 211, 301, 303, 307, 401, 402 and 403.</p>

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<p>(c) Have the capacity to carry out such international information-sharing agreements as the Commission may require.</p>	<p>In addition, Rule 402 obliges the SEF to keep, or cause to be kept, all books and records required to be maintained pursuant to the CEA and CFTC Regulations and to make such books and records readily accessible for inspection, in each case in the form and manner required under the CEA and CFTC Regulations.</p> <p>Under Rule 211, the SEF may enter into agreements or other arrangements or procedures to coordinate surveillance with domestic or foreign regulators, self-regulatory organizations, clearing organizations, exchanges, markets or other execution facilities to share information and provide other forms of mutual assistance for market surveillance, audits, investigations, enforcement actions and other regulatory purposes the SEF deems necessary or appropriate for the SEF or required by Applicable Law.</p>	
<p>Core Principle 6. Position limits or accountability.</p> <p>(a) <i>In general.</i> To reduce the potential threat of market manipulation or congestion, especially during trading in the delivery month, a swap execution facility that is a trading facility shall adopt for each of the contracts of the facility, as is necessary and appropriate, position limitations or position accountability for speculators.</p> <p>(b) <i>Position limits.</i> For any contract that is subject to a position limitation established by the Commission pursuant to section 4a(a) of the Act, the swap</p>	<p>Rule 708 sets forth the SEF's position limit and position accountability rules. Pursuant to Rule 708, the SEF may adopt position limits for Swaps and grant exemptions from position limits, as it may determine to be necessary and appropriate, in accordance with CFTC Regulations. The SEF may not set its position limit for any Swap that is subject to a position limit set by the CFTC at a level higher than the CFTC's limit. Persons with positions in excess of position accountability levels established by the SEF will be required to provide, upon request by the SEF, information about their positions in excess of the relevant position accountability threshold and consent to halt any further increases in those positions.</p> <p>Procedures regarding the establishment or position limits and position accountability thresholds, as well as the availability of bona fide hedging exemptions and rules relating to aggregation.</p> <p>Pursuant to Rule 209, the SEF may impose or modify trading limits or position limits or order the reduction of positions in the</p>	<p><u>Rules:</u> 209 and 708.</p>

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<p>execution facility shall:</p> <p>(1) Set its position limitation at a level no higher than the Commission limitation; and</p> <p>(2) Monitor positions established on or through the swap execution facility for compliance with the limit set by the Commission and the limit, if any, set by the swap execution facility.</p>	<p>event of an Emergency. See <i>also</i> Core Principle 8 (Emergency Authority).</p>	
<p>Core Principle 7. Financial integrity of transactions.</p> <p>The swap execution facility shall establish and enforce rules and procedures for ensuring the financial integrity of swaps entered on or through the facilities of the swap execution facility, including the clearance and settlement of the swaps pursuant to section 2(h)(1) of the Act.</p>	<p>The SEF ensures the financial integrity of Swaps through the financial oversight of its Trading Privilege Holders. Rule 308 prohibits a Trading Privilege Holder from accepting an Order from another person unless such Trading Privilege Holder is properly registered with the CFTC as a futures commission merchant or an introducing broker, as applicable. Rule 405 requires Trading Privilege Holder that are registered with a Regulatory Authority to comply with the minimum financial and financial reporting requirements of the Regulatory Authority. A Trading Privilege Holder that is not registered with the CFTC must provide the financial information required by the SEF from time to time. In addition, Trading Privilege Holder handling customer Orders are subject to specific requirements in connection with such Orders that are set out in the Rules, including specific Rules prohibiting certain trade practices as described in Core Principle 2 (Compliance with Rules).</p>	<p><u>Rules:</u> 308, 405.</p>
<p>Core Principle 8. Emergency authority.</p> <p>The swap execution facility shall adopt rules to provide for the exercise</p>	<p>The SEF has adopted procedures and guidelines for implementing an emergency intervention in the market. Pursuant to Rule 209, the Board may implement temporary emergency procedures and rules (“Emergency Rules”) subject to applicable provisions of the CEA and CFTC Regulations.</p>	<p><u>Rules:</u> 208 and 209.</p>

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<p>of emergency authority, in consultation or cooperation with the Commission, as is necessary and appropriate, including the authority to liquidate or transfer open positions in any swap or to suspend or curtail trading in a swap.</p>	<p>The Emergency Rules may require or authorize the SEF, the Board, any committee of the Board, the Chief Executive Officer or any other Officer to take actions necessary or appropriate to respond to the Emergency, including , but not limited to , the following actions (i) suspending or curtailing trading or limited trading to liquidation only (in whole or in part); (ii) extending, limiting or changing Trading Hours for one or more Swaps: (iii) ordering the liquidation of Swaps or the reduction of positions: (iv) temporarily modifying or suspending any provision of the Rules; (v) imposing or modifying trading limits, price limits, or position limits; (vi) requiring additional margin to be collected from customers; (vii) any other action as directed by the CFTC.</p> <p>Under Rule 209(2), if the Chief Executive Officer (or in his or her absence., the Chief Operating Officer) determines that Emergency Rules must be implemented before a meeting of the Board can reasonably be convened, the Chief Executive (or Chief Operating Officer) shall have the authority, without Board Action, to implement any Emergency Rules that he or she deemed necessary or appropriate to respond to such an Emergency. Specific procedures relating to Emergencies arising from suspicious activities detected on the Trading System are provided as needed.</p> <p>The SEF will promptly notify its Trading Privilege Holders whenever the SEF takes actions necessary or appropriate to respond to an Emergency. If the Emergency is related to a swap that is fungible with financial products traded on another platform, the SEF will attempt to coordinate its response with any directions received from CFTC or the CFTC staff.</p> <p>The SEF will use reasonable efforts to notify the CFTC prior to implementing, modifying or terminating an Emergency Rule. If such prior notification is not possible or practicable, the SEF will notify the Commission as soon as reasonably practicable, but in all circumstances within 24 hours of the implementation, modification or termination of such Emergency Rule.</p>	

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	Any action take in respect of an Emergency remains subject to the conflict of interest requirements set out in Rule 208.	
<p>Core Principle 9. Timely publication of trading information.</p> <p>(a) <i>In general.</i> The swap execution facility shall make public timely information on price, trading volume, and other trading data on swaps to the extent prescribed by the Commission.</p> <p>(b) <i>Capacity of swap execution facility.</i> The swap execution facility shall be required to have the capacity to electronically capture and transmit trade information with respect to transactions executed on the facility.</p>	<p>The SEF will publish on its website each day information regarding volume, price ranges, open interest and settlement prices provided that such prices reflect market conditions accurately. The SEF shall also publish on its website on a daily basis the total quantity of Block Trades that are included in the total volume of trading.</p> <p>In addition, Rule 903 requires the SEF to transmit Required Swap Reporting Data for each Swap executed pursuant to the Rules to the appropriate Swap Data Repository in the form and manner, and within the timeframe, required by the CEA and CFTC Regulations. Rule 513 obliges a Trading Privilege Holder that becomes aware of an error in any Required Swap Creation Data to promptly submit corrected data to the SEF and, in the case of a Block Trade, to the counterparty to the Block Trade. The SEF may provide such Required Swap Reporting Data to Trading Privilege Holders and Authorized Persons no earlier than the time it transmits such information to a Swap Data Repository and in a form that does not disclose the identities, or otherwise facilitate identification, of the parties to the Swap.</p> <p>The SEF provides each counterparty to a Swap with a written record of all the terms of the Swap pursuant to Rule 515. The SEF also makes information regarding Orders and trades available to Trading Privilege Holders as it deems necessary or advisable from time to time. See Rule 412.</p>	<p><u>Rules:</u> 412, 515 and 903.</p>
<p>Core Principle 10. Recordkeeping and reporting.</p> <p>(a) <i>In general.</i> A swap execution facility shall:</p>	<p>Rule 210 requires the SEF to: (i) keep, or cause to be kept, complete and accurate books and records of all activities relating to the business of the SEF, including all books and records required to be maintained pursuant to the CEA and CFTC Regulations, and (ii) retain all such books and records for at least five years, making such books and records readily accessible for inspection by the Commission and the U.S.</p>	<p><u>Rules:</u> 205, 210, 313 and 901.</p>

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<p>(1) Maintain records of all activities relating to the business of the facility, including a complete audit trail, in a form and manner acceptable to the Commission for a period of five years;</p> <p>(2) Report to the Commission, in a form and manner acceptable to the Commission, such information as the Commission determines to be necessary or appropriate for the Commission to perform the duties of the Commission under the Act; and</p> <p>(3) Keep any such records relating to swaps defined in section 1a(47)(A)(v) of the Act open to inspection and examination by the Securities and Company Commission.</p> <p>(b) <i>Requirements.</i> The Commission shall adopt data collection and reporting requirements for swap execution facilities that are comparable to corresponding requirements for derivatives clearing organizations and swap data repositories.</p>	<p>Department of Justice during the first two years of such five-year period.</p> <p>Under Rule 313, the SEF may record conversations and retain copies of electronic communications between SEF officials and Trading Privilege Holders or Authorized Persons. Any such copies of electronic communications will be retained by the SEF in such manner and for such periods of time as the SEF may deem necessary or appropriate. The SEF will retain such records in compliance with CFTC regulations.</p> <p>The SEF also maintains pursuant to Rule 901 full, complete, and systematic records, together with all pertinent data and memoranda, of all of the SEF's activities with respect to Swaps, including the real-time swap data reporting requirements set out in Part 43 of CFTC Regulations as well as the swap creation data reporting requirements in Part 45 of the CFTC Regulations.</p> <p>Under Rule 205, the ROC will oversee all facets of the regulatory program, including compliance with recordkeeping requirements.</p> <p>Exhibit S describes the procedures for maintaining trade data for transactions on the SEF. In addition, the SEF maintains records of Board meetings in accordance with the Limited Liability Company Agreement.</p>	
<p>Core Principle 11. Antitrust</p>	<p>The SEF's Rules and policies have been designed to avoid unreasonable restraints of trade or the imposition of any</p>	

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<p>considerations.</p> <p>Unless necessary or appropriate to achieve the purposes of the Act, the swap execution facility shall not:</p> <p>(a) Adopt any rules or take any actions that result in any unreasonable restraint of trade; or</p> <p>(b) Impose any material anticompetitive burden on trading or clearing.</p>	<p>material anticompetitive burden on the SEF. The SEF has not adopted any rule or taken any action with the intent or result of restraining trade. The SEF will not require Trading Privilege Holders to acquire an equity interest in the SEF and access will be available to a broad number of Trading Privilege Holders.</p> <p>As set forth in Core Principle 2 (Compliance with Rules), the SEF will not restrict access or impose burdens on access in a discriminatory manner within each category or class of Trading Privilege Holders or between similarly situated categories or classes of Trading Privilege Holders. Moreover, the SEF will make public daily information related to Swaps traded on or processed through the SEF. See Core Principle 9 (Timely Publication of Trading Information).</p>	
<p>Core Principle 12. Conflicts of interest.</p> <p>The swap execution facility shall:</p> <p>(a) Establish and enforce rules to minimize conflicts of interest in its decision-making process; and</p> <p>(b) Establish a process for resolving the conflicts of interest.</p>	<p>Rule 208 provides the SEF's rules for minimizing and resolving conflicts of interest. Under Rule 208(1), no member of the Board or any Disciplinary, Review and or Appeal Panel will participant in such body's deliberations on any significant action if such member: (i) is named party in interest; (ii) is an employer, employee or fellow employee of a named part in interest; (iii) has any other significant , ongoing business relationship with named party in interest; (iv) has a family relationship with a named ;0party in interest; or (v) has a direst and substantial financial interest in the result of the vote.</p> <p>See also Core Principal 2 (Compliance with Rules).</p>	<p><u>Rule: 208.</u></p>
<p>Core Principle 13. Financial resources.</p> <p>(a) <i>In general.</i> The swap execution facility shall have adequate financial, operational, and managerial resources to discharge each responsibility of the swap</p>	<p>The SEF has adequate financial, operational, and managerial resources to discharge each of its responsibilities. As required by the CFTC Regulations, the SEF will calculate its financial resources to ensure that the amount of such resources are sufficient (and sufficiently liquid) to cover its operations costs for a one-year period, as calculated on a rolling basis.</p> <p>In preparing these financial resources calculations, the SEF</p>	<p>.</p>

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<p>execution facility.</p> <p>(b) <i>Determination of resource adequacy.</i> The financial resources of a swap execution facility shall be considered to be adequate if the value of the financial resources exceeds the total amount that would enable the swap execution facility to cover the operating costs of the swap execution facility for a one-year period, as calculated on a rolling basis.</p>	<p>applies “haircuts: to the market value of certain resources where appropriate reflect market and credit risk and the ROC may require that the value of financial resources be calculated more often than monthly if the ROC determines that doing so is necessary or advisable. The SEF will submit monthly reports of it financial resources and calculations to the CFTC.</p>	
<p>Core Principle 14. System safeguards.</p> <p>The swap execution facility shall:</p> <p>(a) Establish and maintain a program of risk analysis and oversight to identify and minimize sources of operational risk, through the development of appropriate controls and procedures, and automated systems, that:</p> <p style="padding-left: 20px;">(1) Are reliable and secure; and</p> <p style="padding-left: 20px;">(2) Have adequate scalable capacity;</p> <p>(b) Establish and maintain emergency procedures, backup facilities, and a plan for disaster recovery that</p>	<p>The SEF has developed a program of risk analysis and oversight to identify and minimize sources of operational risk, through the development of appropriate controls and procedures, and the development of automated systems that are reliable, secure, and have adequate scalable capacity.</p> <p>The SEF’s emergency plan and includes a description of the back-up systems and emergency procedures that include recovery time objectives. Under the emergency plan, the SEF has procedures to conduct failover tests twice a year to ensure that backup resources are sufficient to ensure continued order processing and trade matching, price reporting, market surveillance, and maintenance of a comprehensive and accurate audit trail.</p> <p>Rule 408 requires each Trading Privilege Holder to identify an employee or agent as its “Responsible Person” for purposes of serving as administrator in respect of such Trading Privilege Holder use of the SEF. In particular, a Responsible Person must be able to access and, if required, modify or cancel, any and all Orders placed by the relevant Participant or any of its Trading Privilege Holders.</p> <p>In addition, Rule 209 authorizes the SEF to adopt and</p>	<p><u>Rules:</u> 209 and 408.</p>

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<p>allow for:</p> <ul style="list-style-type: none"> (1) The timely recovery and resumption of operations; and (2) The fulfillment of the responsibilities and obligations of the swap execution facility; and <p>(c) Periodically conduct tests to verify that the backup resources of the swap execution facility are sufficient to ensure continued:</p> <ul style="list-style-type: none"> (1) Order processing and trade matching; (2) Price reporting; (3) Market surveillance; and (4) Maintenance of a comprehensive and accurate audit trail. 	<p>implement Emergency Rules. See <i>also</i> Core Principle 8 (Emergency Authority).</p>	
<p>Core Principle 15. Designation of Chief Compliance Officer.</p> <p>(a) <i>In general.</i> Each swap execution facility shall designate an individual to serve as a chief compliance officer.</p> <p>(b) <i>Duties.</i> The chief compliance</p>	<p>The SEF has appointed a CCO and has conferred on the CCO all of the obligations and powers specified by the CEA and the CFTC Regulations. The authority and resources of the CCO to enforce the SEF's policies and procedures designed to achieve compliance with the CEA and CFTC Regulations.. In addition, the CCO is responsible for supervision of key aspects of the SEF's self-regulatory program. Rule 207 obliges the Board to appoint the CCO, who in turn reports to and is supervised by the ROC as provided in Rule 205. The CCO's compensation is set by a</p>	<p><u>Rules:</u> 205 and 207.</p>

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<p>officer shall:</p> <p>(1) Report directly to the board or to the senior officer of the facility;</p> <p>(2) Review compliance with the core principles in this subsection;</p> <p>(3) In consultation with the board of the facility, a body performing a function similar to that of a board, or the senior officer of the facility, resolve any conflicts of interest that may arise;</p> <p>(4) Be responsible for establishing and administering the policies and procedures required to be established pursuant to this section;</p> <p>(5) Ensure compliance with the Act and the rules and regulations issued under the Act, including rules prescribed by the Commission pursuant to section 5h of the Act; and</p> <p>(6) Establish procedures for the remediation of noncompliance issues found during compliance office reviews, look backs, internal or external</p>	<p>majority of the Board and the CCO shall meet annually with the Board and quarterly with the ROC to provide an overview of the compliance and market surveillance programs of the SEF.</p> <p>The CCO is required to:</p> <p>(i) oversee and review the SEF's compliance with the Core Principles for SEFs set forth in the CEA and Part 37 of the CFTC Regulations;</p> <p>(ii) resolve, in consultation with the Board, the ROC, or the CEO (as appropriate), any conflicts of interest that may arise, including:</p> <p>a. conflicts between business considerations and compliance requirements;</p> <p>b. conflicts between business considerations and the requirement that the SEF provide fair, open, and impartial access; or</p> <p>c. conflicts between the SEF's management and members of the Board;</p> <p>(iv) establish and administer written policies and procedures reasonably designed to prevent violations of the CEA and CFTC Regulations, including without limitation Part 37 of such Regulations;</p> <p>(v) take reasonable steps to ensure compliance with the CEA and CFTC Regulations;</p> <p>(vi) establish and follow appropriate procedures for the handling, management response, remediation, retesting, and closing of noncompliance issues identified through compliance office reviews, look-backs, internal or external audit findings, self-reported errors or validated complaints;</p> <p>(vii) supervise the SEF's self-regulatory program administered by the Compliance Department with respect to trade practice surveillance, market surveillance, real-time</p>	

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<p>audit findings, self-reported errors, or through validated complaints.</p> <p>(c) <i>Requirements for procedures.</i> establishing procedures under paragraph (b)(6) of this section, the chief compliance officer shall design the procedures to establish the handling, management response, remediation, retesting, and closing of noncompliance issues.</p> <p>(d) <i>Annual reports.</i></p> <p>(1) <i>In general.</i> In accordance with rules prescribed by the Commission, the chief compliance officer shall annually prepare and sign a report that contains a description of:</p> <p>(i) The compliance of the swap execution facility with the Act; and</p> <p>(ii) The policies and procedures, including the code of ethics and conflict of interest policies, of the swap execution facility.</p> <p>(2) <i>Requirements.</i> The chief</p>	<p>market monitoring, compliance with audit trail requirements, enforcement and disciplinary proceedings, audits, examinations, and other regulatory responsibilities with respect to members and market participants in accordance with CFTC Regulations; and</p> <p>(ix) prepare the SEF’s Annual Compliance Report.</p> <p>The annual report must contain: (i) a summary description of the SEF’s written policies and procedures, including the SEF’s Code of Business Conduct and Ethics and conflict of interest policies; (ii) a list of any material changes to the SEF’s compliance policies and procedures; (iii) a compliance chart containing a description of the SEF’s compliance policies and procedures, an assessment of the effectiveness of these policies and procedures and a summary of areas for improvement; (iv) a description of the SEF’s compliance resources; and (v) a discussion of material non-compliance matters arising in the previous year. The CCO must certify that, to the best of his or her knowledge and reasonable belief, and under penalty of perjury, the report is accurate and complete.</p> <p>The CCO’s annual compliance report will be provided to the Board prior to submission to the CFTC. The Board does not have the authority to compel the CCO to make any changes to the contents of the Report. The compliance report must be submitted to the CFTC not later than 60 days after the end of the SEF’s fiscal year. The CCO must file an amendment to correct any material error or omission.</p>	

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<p>compliance officer shall:</p> <ul style="list-style-type: none"> (i) Submit each report described in clause (1) with the appropriate financial report of the swap execution facility that is required to be submitted to the Commission pursuant to this section; and (ii) Include in the report a certification that, under penalty of law, the report is accurate and complete. 		