



Exhibit A-1: General Information/Compliance

*Attach as **Exhibit A-1**, a regulatory compliance chart setting forth each Core Principle and providing citations to the Applicant's relevant rules, policies, and procedures that address each Core Principle, and a brief summary of the manner in which Applicant will comply with each Core Principle.*

Next Gen Clearing, LLC Response:

Core Principle	Compliance	Relevant Exhibits, Policies, or Procedures
Compliance 39.10		
IN GENERAL.—To be registered and to maintain registration as a derivatives clearing organization, a derivatives clearing organization shall comply with each core principle described in this paragraph and any requirement that the Commission may impose by rule or regulation pursuant to section 8a(5). DISCRETION OF DERIVATIVES CLEARING ORGANIZATION.—Subject to any rule or regulation prescribed by the Commission, a derivatives clearing organization shall have reasonable discretion in establishing the manner by which the derivatives clearing organization complies with each core principle described in this paragraph.	Next Gen Clearing, LLC (“Next Gen Clearing,” “Applicant,” or “Clearinghouse”) is applying for registration as a derivatives clearing organization (“DCO”) by submitting the Form DCO (the “Application”). The Clearinghouse is structured and maintains its internal operations to meet each core principle set forth in the Commodity Exchange Act. The way in which the Clearinghouse meets each core principle is explained in this document, Exhibit A-1, and further detailed in all other Exhibits submitted with the Clearinghouse’s application, including the Clearinghouse Rulebook (attached as Exhibit A-2a) and Clearinghouse Compliance Manual (attached to Exhibit A-11a)	• This Application, including all exhibits and attachments.
Financial Resources 39.11		
IN GENERAL.—Each derivatives clearing organization shall have adequate	The Clearinghouse maintains sufficient financial resources by operating a fully	• Exhibit B-1: General;

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financial, operational, and managerial resources, as determined by the Commission, to discharge each responsibility of the derivatives clearing organization. MINIMUM AMOUNT OF FINANCIAL RESOURCES.— Each derivatives clearing organization shall possess financial resources that, at a minimum, exceed the total amount that would—(I) enable the organization to meet its financial obligations to its members and participants notwithstanding a default by the member or participant creating the largest financial exposure for that organization in extreme but plausible market conditions; and (II) enable the derivatives clearing organization to cover the operating costs of the derivatives clearing organization for a period of 1 year (as calculated on a rolling basis).	collateralized DCO. The Clearinghouse has calculated its financial resource requirements in Exhibit B-1 and projects its financial expenses necessary to maintain a Commission-compliant DCO. The materials attached to Exhibit B describe how the Clearinghouse meets its financial resource obligations.	• Exhibit B-1a: Financial Statement of DCO; • Exhibit B-1b: Projected Operating Costs; • Exhibit B-1c: DCO Pro Forma Financials; • Exhibit B-2: Default Resources; • Exhibit B-3: Operating Resources; • Exhibit B-3a: Bank Statement; • Exhibit B-3b: Letter of Financial Commitment; • Exhibit B-4: Human Resources; • Exhibit B-4a: Organizational Chart; • Exhibit B-4b: Names and Qualifications for Required Personnel Staff.
Participant and Product Eligibility 39.12		
IN GENERAL.—Each derivatives clearing organization shall establish—(I) appropriate admission and continuing eligibility standards (including	The Clearinghouse has detailed requirements to be approved for membership. Once approved, the Clearinghouse continues to monitor the	• Exhibit A-2a: Clearinghouse Rulebook; • Exhibit C-1: Participant Eligibility;

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sufficient financial resources and operational capacity to meet obligations arising from participation in the derivatives clearing organization) for members of, and participants in, the derivatives clearing organization; and (II) appropriate standards for determining the eligibility of agreements, contracts, or transactions submitted to the derivatives clearing organization for clearing. REQUIRED PROCEDURES.—Each derivatives clearing organization shall establish and implement procedures to verify, on an ongoing basis, the compliance of each participation and membership requirement of the derivatives clearing organization. REQUIREMENTS.—The participation and membership requirements of each derivatives clearing organization shall—(I) be objective; (II) be publicly disclosed; and (III) permit fair and open access.	status of all participants' compliance. The Clearinghouse applies access criteria in a fair and nondiscriminatory manner that is not anti-competitive. The Clearinghouse provides for fair and open access to all participants who apply. If Clearinghouse staff decide to decline or condition the Clearing Privileges of an application for admission or to terminate a Person's status as Member, such Person may request that they reconsider the determination. Upon submission of a Transaction, the Clearinghouse will conduct a review to ensure that the Transaction is fully collateralized prior to accepting the Transaction for clearing. The Clearinghouse requires all trades to satisfy the criteria of the Clearinghouse. The Clearinghouse's criteria will be non-discriminatory across trading venues. All terms of a cleared swap must conform to product specifications established under Clearinghouse rules. See Rule 3.2 (Member Agreements, Eligibility Criteria, Classifications and Privileges) and Rule 6.2 (Prohibited Activities) of the Clearinghouse Rulebook.	Exhibit C-2: Product Eligibility.
Risk Management 39.13		

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IN GENERAL.—Each derivatives clearing organization shall ensure that the derivatives clearing organization possesses the ability to manage the risks associated with discharging the responsibilities of the derivatives clearing organization through the use of appropriate tools and procedures. MEASUREMENT OF CREDIT EXPOSURE.—Each derivatives clearing organization shall—(I) not less than once during each business day of the derivatives clearing organization, measure the credit exposures of the derivatives clearing organization to each member and participant of the derivatives clearing organization; and (II) monitor each exposure described in subclause (I) periodically during the business day of the derivatives clearing organization. LIMITATION OF EXPOSURE TO POTENTIAL LOSSES FROM DEFAULTS.—Each derivatives clearing organization, through margin requirements and other risk control mechanisms, shall limit the exposure of the derivatives clearing organization to potential losses from defaults by members and participants	The Clearinghouse only clears fully collateralized contracts, so the margin requirements and accompanying model and parameter requirements are not currently applicable. The Clearinghouse will implement real-time monitoring at the clearing member level to ensure all positions remain fully collateralized as provided in Exhibits D-1, D-2, D-3 and D-4. The Clearinghouse Risk Management Policy describes the way in which the Clearinghouse will manage its risk and any potential risks that could threaten the security of the Clearinghouse. <i>See the</i> Clearinghouse Compliance Manual (attached to Exhibit A-11a) and Exhibit I (System Safeguards).	● Exhibit A-11a: Compliance Manual; ● Exhibit D-1: Risk Management Framework; ● Exhibit D-1a: Clearinghouse Risk Management Policy; ● Exhibit D-2: Measuring Risk; ● Exhibit D-3: Limiting Risk; ● Exhibit D-4: Collateral Requirements; ● Exhibit I: System Safeguards.

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of the derivatives clearing organization to ensure that— (I) the operations of the derivatives clearing organization would not be disrupted; and (II) nondefaulting members or participants would not be exposed to losses that nondefaulting members or participants cannot anticipate or control. MARGIN REQUIREMENTS.—The margin required from each member and participant of a derivatives clearing organization shall be sufficient to cover potential exposures in normal market conditions. REQUIREMENTS REGARDING MODELS AND PARAMETERS.—Each model and parameter used in setting margin requirements under clause (iv) shall be—(I) risk-based; and (II) reviewed on a regular basis.		
Settlement Procedures 39.14		
Each derivatives clearing organization shall—	The Clearinghouse policies require settlement on a timely basis. The Clearinghouse will monitor the full range and concentration of its exposures to its settlement institution(s) and assess the potential losses and liquidity	• Exhibit A-2a: Clearinghouse Rulebook; • Exhibit A-11a: Compliance Manual; • Exhibit E-1; • Exhibit E-2;

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complete money settlements on a timely basis (but not less frequently than once each business day); employ money settlement arrangements to eliminate or strictly limit the exposure of the derivatives clearing organization to settlement bank risks (including credit and liquidity risks from the use of banks to effect money settlements); ensure that money settlements are final when effected; maintain an accurate record of the flow of funds associated with each money settlement; possess the ability to comply with each term and condition of any permitted netting or offset arrangement with any other clearing organization; regarding physical settlements, establish rules that clearly state each obligation of the derivatives clearing organization with respect to physical deliveries; and ensure that each risk arising from an obligation described in clause (vi) is identified and managed.	pressures in the event that the settlement institution with the largest share of settlement activity were to fail. The Clearinghouse employs a series of operational policies and procedures that are designed to reduce the potential risks associated with settlement and delivery at the Clearinghouse. See Rule 5.2 of the Clearinghouse Rulebook (Settlement of Contracts) and Clearinghouse Compliance Manual (attached to Exhibit A-11a).	• Exhibit E-3; • Exhibit K: Recordkeeping.

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Treatment of Funds 39.15		
REQUIRED STANDARDS AND PROCEDURES.—Each derivatives clearing organization shall establish standards and procedures that are designed to protect and ensure the safety of member and participant funds and assets. HOLDING OF FUNDS AND ASSETS.—Each derivatives clearing organization shall hold member and participant funds and assets in a manner by which to minimize the risk of loss or of delay in the access by the derivatives clearing organization to the assets and funds. PERMISSIBLE INVESTMENTS.—Funds and assets invested by a derivatives clearing organization shall be held in instruments with minimal credit, market, and liquidity risks.	The Clearinghouse ensures the safety of Participant funds and assets by requiring that all Participant funds are kept separate from the Clearinghouse funds. The Clearinghouse holds Participant collateral in a financial institution in a manner which minimizes the risk of loss or delay in access by the Clearinghouse to such funds and in a manner consistent with the CEA and CFTC Regulations. The policies and procedures surrounding the investment of Participant funds require the funds to be managed consistently with the standards and requirements of the applicable CFTC Regulations and with the objectives of preserving principal and maintaining liquidity. <i>See</i> Rule 5.3 (Deposit Procedures), Rule 5.4 (Withdrawal Procedures), and Rule 5.8 (Investment of Customer Funds) of the Clearinghouse Rulebook, and Clearinghouse Compliance Manual (attached to Exhibit A-11a).	• Exhibit A-2a: Clearinghouse Rulebook; • Exhibit A-11a: Compliance Manual; • Exhibit F-1: Safe Custody; • Exhibit F-1a: Bank Representation Letter; • Exhibit F-1b: Bank Account Agreement; • Exhibit F-2: Segregation of Assets; • Exhibit F-3: Investment Standards.
Default Rules and Procedures 39.16		
IN GENERAL.—Each derivatives clearing organization shall have rules and procedures designed to allow for the	The Clearinghouse only clears fully collateralized trades which ensures that the	• Exhibit A-2a: Clearinghouse Rulebook; • Exhibit A-11a: Compliance Manual;

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efficient, fair, and safe management of events during which members or participants—(I) become insolvent; or (II) otherwise default on the obligations of the members or participants to the derivatives clearing organization. DEFAULT PROCEDURES.—Each derivatives clearing organization shall—(I) clearly state the default procedures of the derivatives clearing organization; (II) make publicly available the default rules of the derivatives clearing organization; and (III) ensure that the derivatives clearing organization may take timely action—(aa) to contain losses and liquidity pressures; and (bb) to continue meeting each obligation of the derivatives clearing organization.	Clearinghouse does not face exposure to Participant insolvency or default. <i>See the Clearinghouse Compliance Manual (attached to Exhibit A-11a).</i>	Exhibit G: Default Rules and Procedures.
Rule Enforcement 39.17		
Each derivatives clearing organization shall—maintain adequate arrangements and resources for—(I) the effective monitoring and enforcement of compliance with the rules of the	The Clearinghouse has the authority and ability to enforce its Clearinghouse rules The Clearinghouse Disciplinary Panel consists of five individuals selected by the Board and will conduct hearings in connection with any disciplinary proceeding.	- Exhibit A-2a: Clearinghouse Rulebook; - Exhibit A-11a: Compliance Manual; - Exhibit H: Rule Enforcement.

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derivatives clearing organization; and (II) the resolution of disputes; have the authority and ability to discipline, limit, suspend, or terminate the activities of a member or participant due to a violation by the member or participant of any rule of the derivatives clearing organization; and report to the Commission regarding rule enforcement activities and sanctions imposed against members and participants as provided in clause (ii).	<i>See</i> Chapter 7 of the Clearinghouse Rulebook and Clearinghouse Compliance Manual (attached to Exhibit A-11a).	
System Safeguards 39.18		
Each derivatives clearing organization 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 reliable, secure, and have adequate scalable capacity; establish and maintain emergency procedures, backup facilities, and a plan for disaster recovery that allows for—(I) the timely recovery and resumption of	The Clearinghouse has developed a program of risk oversight designed to identify a wide range of risks, as described in the materials submitted with Exhibit I. <i>See</i> Clearinghouse Compliance Manual (attached to Exhibit A-11a) and Exhibit I (System Safeguards).	● Exhibit A-2a: Clearinghouse Rulebook; ● Exhibit A-11a: Compliance Manual; ● Exhibit I: System Safeguards.

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operations of the derivatives clearing organization; and (II) the fulfillment of each obligation and responsibility of the derivatives clearing organization; and periodically conduct tests to verify that the backup resources of the derivatives clearing organization are sufficient to ensure daily processing, clearing, and settlement.		
Reporting 39.19		
Each derivatives clearing organization shall provide to the Commission all information that the Commission determines to be necessary to conduct oversight of the derivatives clearing organization	The Clearinghouse shall provide all information determined by the Commission to be necessary to conduct oversight of the Clearinghouse. <i>See Rule 2.6 (Regulatory Oversight Committee) of the Clearinghouse Rulebook and Clearinghouse Compliance Manual (attached to Exhibit A-11a).</i>	• Exhibit A-2a: Clearinghouse Rulebook; • Exhibit A-11a: Compliance Manual; • Exhibit J: Reporting.
Recordkeeping 39.20		
Each derivatives clearing organization shall maintain records of all activities related to the business of the derivatives clearing	The Clearinghouse shall keep complete and accurate books and records of accounts and activities of the Clearinghouse, including all books, records and other documentation	• Exhibit A-2a: Clearinghouse Rulebook; • Exhibit A-11a: Compliance Manual; • Exhibit K: Recordkeeping.

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organization as a derivatives clearing organization— in a form and manner that is acceptable to the Commission; and for a period of not less than 5 years.	required to be maintained pursuant to the CEA and CFTC Regulations. <i>See</i> Rule 3.5 (Member Obligations) of the Clearinghouse Rulebook, Exhibit K (Recordkeeping) and Clearinghouse Compliance Manual (attached to Exhibit A-11a).	
Public Information 39.21		
IN GENERAL.—Each derivatives clearing organization shall provide to market participants sufficient information to enable the market participants to identify and evaluate accurately the risks and costs associated with using the services of the derivatives clearing organization. AVAILABILITY OF INFORMATION.—Each derivatives clearing organization shall make information concerning the rules and operating and default procedures governing the clearing and settlement systems of the derivatives clearing organization available to market participants. PUBLIC DISCLOSURE.—Each derivatives clearing organization shall disclose	The Clearinghouse Rulebook will be available on the Clearinghouse’s website for the public to view. On a daily basis, the Clearinghouse publicly posts information on settlement prices, volume, open interest, and opening and closing ranges for actively traded Contracts. This information is available to the public on the Clearinghouse’s website. <i>See</i> Rule 2.13 (Public Information) of the Clearinghouse Rulebook and Clearinghouse Compliance Manual (attached to Exhibit A-11a).	• Exhibit A-2a: Clearinghouse Rulebook; • Exhibit A-11a: Compliance Manual; • Exhibit L: Public Information.

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publicly and to the Commission information concerning—(I) the terms and conditions of each contract, agreement, and transaction cleared and settled by the derivatives clearing organization; (II) each clearing and other fee that the derivatives clearing organization charges the members and participants of the derivatives clearing organization; (III) the margin-setting methodology, and the size and composition, of the financial resource package of the derivatives clearing organization; (IV) daily settlement prices, volume, and open interest for each contract settled or cleared by the derivatives clearing organization; and (V) any other matter relevant to participation in the settlement and clearing activities of the derivatives clearing organization.		
Information Sharing 39.22		
Each derivatives clearing organization shall—	The Clearinghouse may from time to time enter into an information-sharing agreement and recognizes its obligation to share information with any Commission-registered DCO or foreign entity fulfilling that role. The Clearinghouse will do so if any appropriate and applicable domestic or	• Exhibit A-2a: Clearinghouse Rulebook; • Exhibit A-11a: Compliance Manual; • Exhibit M: Information Sharing.

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enter into, and abide by the terms of, each appropriate and applicable domestic and international information-sharing agreement; and use relevant information obtained from each agreement described in clause (i) in carrying out the risk management program of the derivatives clearing organization.	international-sharing agreement will facilitate complying with regulatory purposes as deemed necessary or appropriate for carrying out its risk management program. <i>See</i> Rule 2.12 (Information Sharing Agreements) of the Clearinghouse Rulebook and Clearinghouse Compliance Manual (attached to Exhibit A-11a).	
Antitrust Considerations		
Unless necessary or appropriate to achieve the purposes of this Act, a derivatives clearing organization shall not— adopt any rule or take any action that results in any unreasonable restraint of trade; or (ii) impose any material anticompetitive burden.	Clearinghouse Rulebook and business have been designed to avoid any unreasonable restraints on trade or the imposition of any material anticompetitive burden on trading. The Clearinghouse and its Employees are required to comply with the antitrust and unfair competition laws of the United States and any other countries in which the Clearinghouse does business. <i>See</i> Clearinghouse Compliance Manual (attached to Exhibit A-11); and Exhibit N (Antitrust Considerations).	● Exhibit A-2a: Clearinghouse Rulebook; ● Exhibit A-11a: Compliance Manual; ● Exhibit N: Antitrust Considerations.
Governance Fitness Standards 39.24		

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GOVERNANCE ARRANGEMENTS.—Each derivatives clearing organization shall establish governance arrangements that are transparent—(I) to fulfill public interest requirements; and (II) to permit the consideration of the views of owners and participants. FITNESS STANDARDS.—Each derivatives clearing organization shall establish and enforce appropriate fitness standards for—(I) directors; (II) members of any disciplinary committee; (III) members of the derivatives clearing organization; (IV) any other individual or entity with direct access to the settlement or clearing activities of the derivatives clearing organization; and (V) any party affiliated with any individual or entity described in this clause.	The Clearinghouse Rulebook delineates transparent governance arrangements and fitness standards for officers, directors, and committee members. <i>See</i> Rules 2.4 (Eligibility and Fitness), 2.10 (Conflicts of Interest). 3.2 (Member Agreements, Eligibility Criteria, Classifications and Privileges) of the Clearinghouse Rulebook and Exhibit O (Governance).	• Exhibit A-2a: Clearinghouse Rulebook; • Exhibit O: Governance.
Conflicts of Interest 39.25		
Each derivatives clearing organization shall—	The Clearinghouse maintains policies related to conflicts of interest for directors. Rule 2.10 describes the procedures to which a director must adhere in the event such directors have an interest or a direct substantial financial	• Exhibit A-2a: Clearinghouse Rulebook; • Exhibit A-11a: Compliance Manual; • Exhibit P: Conflicts of Interest.

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establish and enforce rules to minimize conflicts of interest in the decision-making process of the derivatives clearing organization; and establish a process for resolving conflicts of interest described in clause (i).	interest or named party conflict in any matter that is before the Board for deliberation. <i>See</i> Rule 2.10 (Conflicts of Interest) of the Clearinghouse Rulebook, Clearinghouse Compliance Manual (attached to Exhibit A-11a), and Exhibit P (Conflicts of Interest).	
Composition of Governing Boards 39.26		
Each derivatives clearing organization shall ensure that the composition of the governing board or committee of the derivatives clearing organization includes market participants.	The Clearinghouse ensures that the views of the public and Clearing Members are incorporated into its governance structure. Pursuant to Rule 2.3, The Board shall comprise the number of Directors set forth in the Operating Agreement, which shall include Public Directors and Directors in at least the number or percentage required under the CEA or CFTC Regulations. <i>See</i> Rules 2.2 (Board); 2.5 (Committees and Subcommittees); 2.6 (Regulatory Oversight Committee); and 7.3 (Disciplinary Panel) of the Clearinghouse Rulebook; Exhibit Q (Composition of Governing Boards); Clearinghouse Compliance Manual (attached to Exhibit A-11a), and Exhibit O (Governance).	● Exhibit A-2a: Clearinghouse Rulebook; ● Exhibit A-11a: Compliance Manual; ● Exhibit Q: Composition of Governing Boards; ● Exhibit O: Governance.
Legal Risk 39.27		

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Each derivatives clearing organization shall have a well-founded, transparent, and enforceable legal framework for each aspect of the activities of the derivatives clearing organization.	The Clearinghouse has established an effective and enforceable legal framework which provides for compliance with significant aspects of the Clearinghouse's operations, risk management procedures, and related requirements. <i>See Clearinghouse Compliance Manual (attached to Exhibit A-11a) and the Legal Risk Considerations Policies and Procedures attached as Exhibit R.</i>	• Exhibit A-11a: Compliance Manual; • Exhibit R: Legal Risk Considerations.