

AEGIS-SEF RULEBOOK

## **AEGIS SEF, LLC – Swap Execution Facility Rulebook**

**Effective Date: [February 1 or August 1], 2021\***

(\* The applicable Effective Date will depend on the CFTC Staff's response to the request for a No-Action Letter submitted by AEGIS SEF, LLC on December 16, 2020.)

**THIS SWAP EXECUTION FACILITY RULEBOOK OF AEGIS SEF, LLC IS SUBJECT TO CHANGE WITHOUT NOTICE. THE RULES HEREIN, AND ANY REVISIONS TO BE MADE, ARE CONDITIONAL UNTIL APPROVED OR DEEMED APPROVED BY THE COMMODITY FUTURES TRADING COMMISSION.**

© Copyright 2020 by AEGIS SEF, LLC ("AEGIS-SEF").

ALL RIGHTS RESERVED UNDER U.S. AND FOREIGN LAW, TREATIES AND CONVENTIONS. AUTOMATIC LICENSE – PERMISSION OF THE COPYRIGHT OWNER, AEGIS-SEF IS GRANTED FOR REPRODUCTION BY DOWNLOADING FROM A COMPUTER AND PRINTING ELECTRONIC COPIES OF THE WORK SOLELY FOR THE PURPOSE OF NEGOTIATING, TRADING AND EXECUTING TRANSACTIONS ON THE AEGIS-SEF PLATFORM ADMINISTERED BY AEGIS SEF, LLC, A WHOLLY-OWNED SUBSIDIARY OF AEGIS HEDGING SOLUTIONS, LLC ("AEGIS-HS"). NO AUTHORIZED COPY MAY BE SOLD. WHEN USED AS A REFERENCE, ATTRIBUTION TO THE COPYRIGHT OWNER IS REQUESTED. By making this available, neither AEGIS-HS nor AEGIS-SEF offers legal advice, and all users are urged to consult with their own legal counsel to ensure that their regulatory compliance and commercial objectives will be achieved and legal interests protected. This document may be periodically reviewed and revised after publication in response to market developments and comments received. The foregoing should not be construed as a warranty or assurance that further revisions will be forthcoming, or of the timeliness or comprehensiveness of such revisions. No claim is made to material copyrighted by others.

AEGIS SEF, LLC (“**AEGIS-SEF**”), IN ACCORDANCE WITH THE REQUIREMENTS OF PART 37 OF THE REGULATIONS OF THE COMMODITY FUTURES TRADING COMMISSION (“**CFTC**”) APPLICABLE TO ANY SWAP EXECUTION FACILITY (“**SEF**”), HEREBY PROVIDES THIS RULEBOOK (“**AEGIS-SEF RULEBOOK**”), WHICH SETS FORTH THE RULES APPLICABLE TO EACH PARTICIPANT, AUTHORIZED USER, BROKER FIRM, OR INDEPENDENT SOFTWARE VENDOR (“**ISV**”) THAT USES THE TRADING PLATFORM OWNED AND OPERATED BY AEGIS-SEF (“**AEGIS-SEF PLATFORM**”).

BY (1) BECOMING A PARTICIPANT AUTHORIZED TO USE THE AEGIS-SEF PLATFORM, (2) ACCESSING THE AEGIS-SEF PLATFORM, (3) ENTERING ANY ORDER OR TRANSACTION INTO THE AEGIS-SEF PLATFORM, OR (4) SUBMITTING ANY CONTACT INFORMATION INTO THE AEGIS-SEF PLATFORM, WHETHER DIRECTLY OR THROUGH AN INTERMEDIARY, AND WITHOUT ANY NEED FOR ANY FURTHER ACTION, UNDERTAKING OR AGREEMENT, A PARTICIPANT, ITS AUTHORIZED USER(S), BROKER FIRMS, THE CLIENTS AND CUSTOMERS OF ANY PARTICIPANT, ANY SPONSORED PERSON, AND ANY ISV AGREE:

(I) TO BE BOUND BY, AND COMPLY WITH, THE RULES AND THE OBLIGATIONS IN THIS AEGIS-SEF RULEBOOK, APPLICABLE LAW, AND THE APPLICABLE PARTICIPANT AGREEMENT OR BROKER FIRM AGREEMENT (SEE THE FORMS OF SUCH AGREEMENTS AVAILABLE ON AEGIS-SEF WEBSITE AVAILABLE AT: [www.aegis-hedging.com](http://www.aegis-hedging.com)), IN EACH CASE TO THE EXTENT APPLICABLE TO SUCH PERSON;

(II) TO BECOME SUBJECT TO THE JURISDICTION OF AEGIS-SEF WITH RESPECT TO ANY AND ALL MATTERS ARISING FROM, RELATED TO, OR IN CONNECTION WITH, THE STATUS, ACTIONS OR OMISSIONS OF SUCH PERSON IN ANY WAY RELATED TO AEGIS-SEF;

(III) TO PERMIT AEGIS-SEF, AND ANY REGULATORY SERVICES PROVIDER AUTHORIZED TO ACT ON BEHALF OF AEGIS-SEF, TO ACCESS ANY AND ALL INFORMATION RELEVANT TO ACTIVITIES RELATED TO THE BUSINESS OF AEGIS-SEF;

(IV) TO ASSIST AEGIS-SEF IN COMPLYING WITH ITS LEGAL AND REGULATORY OBLIGATIONS, COOPERATE WITH AEGIS-SEF AND THE CFTC IN ANY INQUIRY, INVESTIGATION, AUDIT, EXAMINATION OR PROCEEDING; AND

(V) TO AUTHORIZE AEGIS-SEF TO PROVIDE INFORMATION REGARDING SUCH PERSON TO ANY REGULATORY SERVICES PROVIDER, THE CFTC OR ANY SELF-REGULATORY ORGANIZATION, SUCH AS THE NATIONAL FUTURES ASSOCIATION (“**NFA**”).

## TABLE OF CONTENTS

	Page
SECTION I. DEFINITIONS.....	1
1.1 Account Administrator.....	1
1.2 AEGIS or AEGIS Hedging Solutions, LLC .....	1
1.3 AEGIS-SEF or AEGIS SEF, LLC .....	1
1.4 AEGIS-SEF Platform .....	1
1.5 AEGIS-SEF Rulebook.....	1
1.6 Affiliate.....	1
1.7 All-or-None Order .....	1
1.8 Appeal Panel.....	1
1.9 Applicable Law.....	1
1.10 Audit Trail .....	1
1.11 Authorized User.....	1
1.12 Bespoke SEF Contract.....	1
1.13 BFH Transaction.....	2
1.14 Block Trade .....	2
1.15 Board.....	2
1.16 Broker Firm .....	2
1.17 Broker Firm Agreement.....	2
1.18 Business Day .....	2
1.19 CCO or Chief Compliance Officer .....	2
1.20 CEA or Commodity Exchange Act .....	2
1.21 CEU or Commercial End-User .....	2
1.22 CFTC or Commission.....	2
1.23 CFTC Regulations .....	2
1.24 Commodity Type.....	2
1.25 Contract Market.....	2
1.26 Contract Specifications .....	2
1.27 Contract Term.....	3
1.28 Control.....	3
1.29 Counterparty .....	3
1.30 CTA or Commodity Trading Advisor .....	3
1.31 CTI or Customer Type Indicator .....	3
1.32 Customer.....	3
1.33 Customer Account .....	3
1.34 DCO or Derivatives Clearing Organization.....	3
1.35 Designated Participant .....	3
1.36 Director .....	3
1.37 Disciplinary Proceedings .....	3
1.38 Disciplinary Offense .....	3
1.39 Disciplinary Panel.....	3
1.40 ECP or Eligible Contract Participant .....	3
1.41 Eligible Affiliate of a CEU .....	3
1.42 Emergency .....	3

1.43	Emergency Rules .....	4
1.44	End-User Exception .....	4
1.45	Expiry .....	4
1.46	FCM or Futures Commission Merchant .....	4
1.47	Financial Counterparty .....	4
1.48	Governmental Authority .....	5
1.49	Hearing Panel.....	5
1.50	Hedging-Affiliate Exception.....	5
1.51	Hedging Contract.....	5
1.52	IB or Introducing Broker .....	5
1.53	Insolvency and Insolvent .....	5
1.54	ISO or Independent Systems Operator .....	6
1.55	ISV or Independent Software Vendor.....	6
1.56	Last Trading Day .....	6
1.57	LEI or Legal Entity Identifier .....	6
1.58	Limit Order .....	6
1.59	Liquidity Provider.....	6
1.60	Market Order .....	6
1.61	Market Regulation Department .....	6
1.62	Nominating Committee .....	6
1.63	Officer.....	6
1.64	Order .....	6
1.65	Order Book .....	6
1.66	Operating Agreement.....	7
1.67	OTOB SEF Contract.....	7
1.68	Participant .....	7
1.69	Participant Agreement .....	7
1.70	Pass-Through Swap .....	7
1.71	Pass-Through Swap Counterparty .....	7
1.72	Pass-Through Swap Offset .....	7
1.73	Permitted Transaction .....	7
1.74	Person .....	7
1.75	Position Transfer.....	8
1.76	Posting Participant.....	8
1.77	President .....	8
1.78	Proprietary Account.....	8
1.79	Proprietary Information .....	8
1.80	Regulatory Oversight Committee .....	8
1.81	Regulatory Services Agreement .....	8
1.82	Regulatory Services Provider .....	8
1.83	Request for Quote Function or RFQ Function.....	8
1.84	Requesting Participant .....	8
1.85	Required Transaction.....	8
1.86	Respondent .....	9
1.87	Review Panel .....	9
1.88	RFQ .....	9
1.89	Rules .....	9

1.90	SD or Swap Dealer .....	9
1.91	SEF or Swap Execution Facility .....	9
1.92	SEF Contract.....	9
1.93	SEF Official .....	9
1.94	SEF Participant Committee .....	9
1.95	SEF Requirements .....	9
1.96	Self-Regulatory Organization .....	9
1.97	Settlement Price .....	9
1.98	Stop Limit Order.....	10
1.99	Stop Order.....	10
1.100	Supervised Persons .....	10
1.101	Swap or swap.....	10
1.102	Trade Risk Limit.....	10
1.103	Trading Privileges.....	10
1.104	Trading Hours.....	10
1.105	Transaction .....	10
1.106	User ID.....	10
 <b>SECTION II. GOVERNANCE &amp; OWNERSHIP.....</b>		<b>10</b>
2.1	Composition of the Board; Board Powers. ....	10
2.2	Officers. ....	11
2.3	Eligibility/Fitness.....	11
2.4	Standing Committees. ....	12
2.5	Confidentiality. ....	13
2.6	Conflicts of Interest.....	13
2.7	Maintenance of Books and Records by AEGIS-SEF.....	15
2.8	Information-Sharing Arrangements. ....	15
2.9	Regulatory Services Providers and Technology Services Providers. ....	16
2.10	Use of Proprietary Data and Personal Information. ....	16
2.11	Chief Compliance Officer.....	17
 <b>SECTION III. ACCESS BY PARTICIPANTS, AUTHORIZED USERS AND BROKER FIRMS .....</b>		<b>17</b>
3.1	Jurisdiction.....	17
3.2	Participants.....	18
3.3	Requirements for Participants.....	18
3.4	Minimum Financial Requirements.....	20
3.5	Duties and Responsibilities of Participants.....	20
3.6	Authorized Users. ....	21
3.7	Duties and Responsibilities of Authorized Users.....	22
3.8	Broker Firms Accessing the AEGIS-SEF Platform .....	23
3.9	Required Notices.....	23
3.10	Account Administrators.....	23
3.11	Access Requirements and Terms .....	24
3.12	Dues and Fees. ....	24
3.13	Inspections by AEGIS-SEF. ....	24
3.14	Liquidity Provider Program. ....	25
3.15	Broker Firms.....	25

SECTION IV.	TRADING OPERATIONS.....	25
4.1	Trading Hours and Operation. ....	25
4.2	Contract Specifications. ....	27
4.3	Use of User IDs.....	28
4.4	Trading Procedures. ....	28
4.5	Required Transactions. ....	29
4.6	Permitted Transactions.....	29
4.7	Execution Methods for Permitted Transactions: Order Book.....	29
4.8	Execution Methods for Permitted Transactions: RFQ Function.....	32
4.9	Credit and Risk Limits. ....	33
4.10	Confirmation of Transactions. ....	33
4.11	Block Trades. ....	34
4.12	Position Transfers. ....	36
4.13	Trade Cancellations; Trade Reviews. ....	36
4.14	Settlement; Clearing. ....	37
4.15	Recordkeeping; Audit Trail. ....	37
4.16	Information Regarding Orders.....	37
4.17	Disaster Recovery; Business Continuity.....	38
4.18	Part 45 Reporting. ....	38
4.19	Publication of Trading Information. ....	40
4.20	Trade Practice Surveillance, Market Monitoring and Financial Surveillance; Information Security; Business Continuity-Disaster Recovery Planning and Resources; and Anti-Money Laundering and Anti-Terrorism (KYC).....	40
SECTION V.	CONTRACTS TO BE TRADED .....	41
5.1	Listing Procedures for Participants Seeking to List a New OTOB SEF Contract. ....	41
5.2	Swaps Not Readily Susceptible to Manipulation.....	41
SECTION VI.	CODE OF CONDUCT .....	42
6.1	Ethical Standards. ....	42
6.2	Sound Trading Practices. ....	43
6.3	Priority of Customer Orders.....	45
6.4	Trading Against Customer Orders. ....	45
6.5	Crossing Orders. ....	46
6.6	Withholding of Customer Orders Prohibited. ....	46
6.7	Priority of Execution.....	46
6.8	Responsibility for Customer Orders. ....	47
6.9	Money Passing, Pre-Arranged, Pre-Negotiated and Noncompetitive Trades Prohibited. ....	47
6.10	Disciplinary Procedures; Termination of Connection. ....	48
6.11	Position Limits and Accountability. ....	48
6.12	Aggregation of Positions. ....	48
6.13	Information Disclosure and Documentation. ....	48
6.14	Compliance, Trade Practices Monitoring and Surveillance, and Markets Monitoring... ..	49
SECTION VII.	DISCIPLINE AND ENFORCEMENT.....	50
7.1	General.....	50
7.2	Inquiries and Investigation.....	51

7.3	Reports of Investigations. ....	52
7.4	Review of Investigative Reports. ....	53
7.5	Notice of Charges. ....	54
7.6	Answer to Notice of Charges. ....	55
7.7	Service of Notice of Charges. ....	56
7.8	Settlements. ....	56
7.9	Hearing Panel. ....	57
7.10	Convening Hearings of Disciplinary Proceedings. ....	58
7.11	Respondent Review of Evidence. ....	58
7.12	Conducting Hearings of Disciplinary Proceedings. ....	59
7.13	Decision of Hearing Panel. ....	60
7.14	Sanctions. ....	61
7.15	Costs. ....	62
7.16	Appeal from Hearing Panel Decision. ....	62
7.17	Summary Imposition of Fines Relating to Submission of Records. ....	64
7.18	Emergency Disciplinary Proceedings. ....	64
7.19	Rights and Responsibilities after Suspension or Termination. ....	65
7.20	Notice to the Respondent, the CFTC, and the Public. ....	66
<b>SECTION VIII.</b>	<b>ARBITRATION. ....</b>	<b>66</b>
8.1	In General. ....	66
8.2	Participant, Authorized User, or Broker Firm Initiating an Arbitration Claim. ....	66
8.3	Penalties. ....	67
<b>SECTION IX.</b>	<b>MISCELLANEOUS. ....</b>	<b>67</b>
9.1	Trading by SEF Officials Prohibited; Misuse of Material, Non-Public Information. ....	67
9.2	Market Data. ....	68
9.3	Recording of Communications. ....	69
9.4	Confidentiality. ....	69
9.5	Force Majeure. ....	70
9.6	Extension or Waiver of Rules. ....	70
9.7	Effect of Amendment, Repeal or New Rule. ....	70
9.8	Signatures. ....	70
9.9	Governing Law; Legal Proceedings. ....	71
9.10	LIMITATION OF LIABILITY; NO WARRANTIES. ....	71
<b>SECTION X.</b>	<b>CONTRACT SPECIFICATIONS FOR OTOB SEF CONTRACTS. ....</b>	<b>73</b>
10.1	Natural Gas Swaps – Contract Specifications. ....	73
10.2	WTI Crude Swaps – Contract Specifications. ....	74
10.3	Other OTOB SEF Contracts – Contract Specifications. ....	76

## SECTION I. DEFINITIONS

- 1.1 Account Administrator.** Has the meaning set forth in Rule 3.10.1.
- 1.2 AEGIS or AEGIS Hedging Solutions, LLC.** The managing member of AEGIS SEF, LLC. AEGIS is itself registered with the CFTC as a CTA.
- 1.3 AEGIS-SEF or AEGIS SEF, LLC.** A Delaware limited liability company, which is registered with the CFTC as a SEF.
- 1.4 AEGIS-SEF Platform.** The swap trading platform operated by AEGIS-SEF, which comprises the following swap transaction execution methods: (i) the Order Book, which is an electronic trading facility operated by AEGIS-SEF to provide Participants, Authorized Users, and Broker Firms with the ability to execute Permitted Transactions from the interaction of multiple bids and multiple offers as described in Rule 4.7, (ii) the RFQ Function, which is a request for quote system operated by AEGIS-SEF to permit Participants, Authorized Users and Broker Firms to execute Permitted Transactions as described in Rule 4.8, and (iii) various other execution methods for Permitted Transactions as notified by AEGIS-SEF to Participants, Authorized Users and Broker Firms from time to time.
- 1.5 AEGIS-SEF Rulebook.** The swap trading platform operated by AEGIS SEF.
- 1.6 Affiliate.** A Person who directly or indirectly, controls, is controlled by, or is under common control with another Person.
- 1.7 All-or-None Order.** Has the meaning given to it in Rule 4.7.8(c).
- 1.8 Appeal Panel.** A panel comprised of a chair and two individuals appointed by the Board to consider appeals under Section VII.
- 1.9 Applicable Law.** With respect to any Person, any statute, law, regulation, rule or ordinance of any governmental or self-regulatory authority applicable to such Person, including the CEA and CFTC Regulations.
- 1.10 Audit Trail.** Has the meaning set forth in Rule 4.15.1.
- 1.11 Authorized User.** A natural person who is either employed by or is an agent of a Participant or a Broker Firm and who is authorized by AEGIS-SEF as an Authorized User in accordance with Rule 3.6.3.6.
- 1.12 Bespoke SEF Contract.** A Bespoke SEF Contract is a SEF Contract requested using the RFQ Function under Rule 4.8, in which the Requesting Participant is: (i) a Commercial End-User that is eligible for and has elected the End-User Exception with respect to such Bespoke SEF Contract, (ii) an Eligible Affiliate of a CEU that is eligible for and has elected the Hedging Affiliate Exception with respect to such Bespoke SEF Contract, or (iii) a Financial Counterparty that is a Pass-Through Swap Counterparty seeking such Bespoke SEF Contract as a Pass-Through Swap Offset. The terms and conditions of the swap transaction underlying any such Bespoke SEF Contract must be a Permitted Transaction and a Hedging Contract, but such swap transaction is otherwise not restricted to the Contract Specifications specified for OTOB SEF Contracts in Section X of the AEGIS-SEF Rulebook.

- 1.13 BFH Transaction.** A “bona fide hedging transaction or position” as defined in CFTC Regulations Section 150.1, as set forth in Position Limits for Derivatives, Final Rule, 86 Fed. Reg. 3236, at 3463-3464, published January 14, 2021 (“**2021 Position Limits Final Rule**”).
- 1.14 Block Trade.** A privately-negotiated transaction in a SEF Contract that, if and when AEGIS-SEF modifies its AEGIS-SEF Platform to offer any SEF Contract that includes any Required Transactions, will be permitted to be executed off of the AEGIS-SEF Platform and reported into the Order Book in accordance with Rule 4.11.
- 1.15 Board.** The Board of Directors of AEGIS-SEF, or, initially, the Board of Directors of AEGIS Hedging Solutions, LLC, which is the managing member of AEGIS-SEF.
- 1.16 Broker Firm.** An Introducing Broker, Interdealer Broker, a Commodity Trading Advisor, or an FCM that has signed the Broker Firm Agreement provided by AEGIS-SEF and is authorized to act as a broker or perform agency functions on the AEGIS-SEF Platform on behalf of one or more Participants.
- 1.17 Broker Firm Agreement.** An agreement between AEGIS-SEF and a Broker Firm that must be signed in order for said Broker Firm to have access to the AEGIS-SEF Platform for the submission of Orders, transmission of RFQs, access to information, execution of SEF Contracts, or entry of information onto the AEGIS-SEF Platform, all on behalf of one or more Participants.
- 1.18 Business Day.** Any day on which the AEGIS-SEF Platform is open for trading.
- 1.19 CCO or Chief Compliance Officer.** The individual appointed by the President of AEGIS-SEF to serve as AEGIS-SEF’s chief compliance officer.
- 1.20 CEA or Commodity Exchange Act.** The Commodity Exchange Act, as it may be amended from time to time, which is found at (7 U.S.C. Section 1, et seq.).
- 1.21 CEU or Commercial End-User.** A Person that is not a “financial entity” as defined in CEA Section 2(h)(7)(C)(i), is using the Transaction to hedge or mitigate commercial risk as defined in CFTC Regulation Section 50.50(c), and provides or causes to be provided to a registered Swap Data Repository or, if no registered Swap Data Repository is available, the Commission, the information specified in CFTC Regulation Section 50.50(b), or any successor regulation thereto.
- 1.22 CFTC or Commission.** The Commodity Futures Trading Commission.
- 1.23 CFTC Regulations.** The regulations of the CFTC, as they may be amended from time to time, which are found in Chapter 1 of Title 17 of the Code of Federal Regulations.
- 1.24 Commodity Type.** The category of asset class for a SEF Contract.
- 1.25 Contract Market.** Has the meaning set forth in CFTC Regulation Section 1.3.
- 1.26 Contract Specifications.** The terms and conditions, rules or other trading protocols, for each OTOB SEF Contract as set forth and made available, from time to time, either in Section X, Contract Specifications of OTOB SEF Contracts, of this AEGIS-SEF Rulebook, or on the AEGIS-SEF website.

- 1.27 Contract Term.** The length of the settlement period for a SEF Contract, including, but not limited to, monthly, weekly and daily SEF Contracts.
- 1.28 Control.** The possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of securities, by contract, or otherwise. The terms “controlling” or “controlled” shall have meanings correlative to the foregoing.
- 1.29 Counterparty.** A Participant or a Participant’s Customer that is a party to a Transaction and whose Legal Entity Identifier is reported by AEGIS-SEF to an SDR as a party to a Transaction.
- 1.30 CTA or Commodity Trading Advisor.** Has the meaning set forth in CEA Section 1a(12) and CFTC Regulation Section 1.3.
- 1.31 CTI or Customer Type Indicator.** Has the meaning set forth in Rule 4.15.3 and CFTC Regulation Section 1.35(g).
- 1.32 Customer.** A Participant that is a customer of a Broker Firm.
- 1.33 Customer Account.** An account carried by a Participant or a Customer.
- 1.34 DCO or Derivatives Clearing Organization.** Has the meaning attributed to such term by CEA Section 1a(15).
- 1.35 Designated Participant.** A Participant designated as a recipient in an RFQ submitted by a Requesting Participant using the RFQ Function of the AEGIS-SEF Platform, in which the Requesting Participant seeks an indicative quote from one or more Designated Participants for a bid to purchase or an offer to sell a SEF Contract, that is both a Permitted Transaction and a Hedging Contract, subject to the provisions of Rule 4.8 applicable to such RFQ Function.
- 1.36 Director.** An individual serving on the Board.
- 1.37 Disciplinary Proceedings.** Any inquiry, investigation, disciplinary proceeding, summary imposition of fines, summary suspension or other summary action conducted pursuant to Section VII of the Rules.
- 1.38 Disciplinary Offense.** Has the meaning set forth in CFTC Regulation Section 1.63(a)(6).
- 1.39 Disciplinary Panel.** Either or both of a Review Panel and a Hearing Panel, as required by the context.
- 1.40 ECP or Eligible Contract Participant.** Has the meaning set forth in CEA Section 1a(18) and CFTC Regulation Section 1.3.
- 1.41 Eligible Affiliate of a CEU.** An Affiliate of a CEU that is eligible for and elects the Hedging Affiliate Exception with respect to a SEF Contract.
- 1.42 Emergency.** The occurrences or circumstances which, in the opinion of the Board or an Officer, require immediate action to be taken in accordance with Rule 4.1.3, and which threaten, or may threaten, the fair and orderly trading in, or the settlement or integrity of, any SEF Contract, including, without limitation, the following:

- (a) any circumstance that may materially affect the performance of a SEF Contract;

- (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 subdivision thereof; or other Person exercising, or entitled to exercise any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power; or any other SEF, contract market, clearing house, board of trade, or other exchange or trade association (foreign or domestic) that may have a direct impact on trading on the AEGIS-SEF Platform or the settlement legality or enforceability of any SEF Contract;
- (c) any actual, attempted or threatened corner, squeeze, congestion, manipulative activity or undue concentration of positions in a SEF Contract;
- (d) any circumstance that may have a severe, adverse effect upon the functions and facilities of AEGIS-SEF, including, but not limited to, acts of God, fire, flood or other natural disasters, bomb threats, acts of terrorism or war, severely inclement weather, or failure or malfunction of all or a portion of the AEGIS-SEF Platform, or other system breakdowns or interruptions such as power, computer, communication or transportation systems or the internet;
- (e) the bankruptcy or insolvency of any Participant or the imposition of any injunction or other restraint by any government agency, court or arbitrator upon a Participant which may affect the ability of a Participant to trade in or perform on a SEF Contract;
- (f) any circumstance in which it appears to the Board that any Person:
  - (i) has failed to perform on a SEF Contract;
  - (ii) is insolvent; or
  - (iii) is in a financial or operational condition or is conducting business such that the Person cannot be permitted to continue in business without jeopardizing the safety of Participants or the AEGIS-SEF Platform; or
- (g) any other unusual, unforeseeable or adverse circumstance as determined by AEGIS-SEF.

**1.43 *Emergency Rules.*** Has the meaning set forth in Rule 4.1.3.

**1.44 *End-User Exception.*** The exception, under CEA Section 2(h)(7)(A), as amended from time to time, to the mandatory clearing requirement for Swaps under CEA Section 2(h)(1)(A).

**1.45 *Expiry.*** An OTOB SEF Contract with a specific date of expiration.

**1.46 *FCM or Futures Commission Merchant.*** Has the meaning set forth in CEA Section 1a(28) and CFTC Regulations Section 1.3.

**1.47 *Financial Counterparty.*** Means (i) a Swap Dealer or (ii) any other swap provider whose swap dealing activity is not greater than the applicable “de minimis” threshold for registration as a SD under the definition of SD in CFTC Regulation Section 1.3.

- 1.48 *Governmental Authority.*** Any domestic or foreign government (or political subdivision), governmental or regulatory authority, agency, court, commission or other governmental or regulatory entity (including any Self-Regulatory Organization).
- 1.49 *Hearing Panel.*** Means a Disciplinary Panel that will, pursuant to the procedures set forth in Section VII, adjudicate disciplinary cases following the issuance of a notice of charges authorized by the Review Panel and execute other duties as provided for in Section VII. The members of the Hearing Panel will be appointed in accordance with Rule 7.9.
- 1.50 *Hedging-Affiliate Exception.*** The exception, under CEA Section 2(h)(7)(D), as amended from time to time, to the mandatory clearing requirement for Swaps under CEA Section 2(h)(1)(A).
- 1.51 *Hedging Contract.*** A SEF Contract that is a Permitted Transaction in which both Counterparties thereto are Participants and at least one Counterparty thereto is a Participant that is also: (i) a Commercial End-User that is eligible for and has elected the End-User Exception with respect to such SEF Contract, (ii) an Eligible Affiliate of a CEU that is eligible for and has elected the Hedging-Affiliate Exception with respect to such SEF Contract, or (iii) a Financial Counterparty that is a Pass-Through Swap Counterparty for whom such SEF Contract is a Pass-Through Swap Offset.
- 1.52 *IB or Introducing Broker.*** Has the meaning set forth in CEA Section 1a(23) and CFTC Regulation Section 1.3.
- 1.53 *Insolvency and Insolvent.*** The occurrence of any of the following events with respect to a Person:
- (a) the Person is determined to be insolvent by a Governmental Authority or Self-Regulatory Organization;
  - (b) if the Person is a member of the Securities Investor Protection Corporation, a court of competent jurisdiction finds that the Person meets any one of the conditions set forth in clauses (A), (B), (C) or (D) of Section 5(b)(1) of the Securities Investor Protection Act of 1970;
  - (c) in the event of the entry or the making of a decree or order by a court, Governmental Authority or other supervisory authority of competent jurisdiction: (a) adjudging the Person as bankrupt or insolvent, (b) approving as properly filed a petition seeking reorganization, arrangement, liquidation, dissolution, adjustment or composition of or in respect of the Person under the Bankruptcy Code or any other applicable federal, state or other U.S. or non-U.S. law, including any bankruptcy, insolvency, reorganization, liquidation, dissolution or similar law, (c) appointing a receiver, custodian, liquidator, provisional liquidator, administrator, provisional administrator, assignee, trustee, sequestrator or other similar official for the Person or for any substantial part of its property, ordering the winding up or liquidation of the Person's affairs, or (e) consenting to the institution by the Person of proceedings to be adjudicated as bankrupt or insolvent;
  - (d) the filing by the Person of a petition, or any case or proceeding, seeking reorganization or relief under the Bankruptcy Code or any other applicable federal, state or other U.S. or non-U.S. law, including any bankruptcy, insolvency, reorganization, liquidation, dissolution or similar law, or the consent by the Person

to the filing of any such petition, case or proceeding or to the appointment of a receiver, custodian, liquidator, provisional liquidator, administrator, provisional administrator, assignee, trustee, sequestrator or other similar official for the Person or for any substantial part of its property, or the making by the Person of an assignment for the benefit of its creditors, or the admission by the Person in writing of its inability to pay its debts generally as they become due, or the taking of corporate or similar action by the Person in furtherance of the foregoing.

- 1.54 **ISO or Independent Systems Operator.** The organization that manages the power grid and sets the pricing against which SEF Contracts in power markets settle. As used in these Rules, the term ISO also applies to regional transmission organizations (“**RTOs**”), such as PJM Interconnection, and state reliability councils, such as the Electric Reliability Council of Texas (“**ERCOT**”).
- 1.55 **ISV or Independent Software Vendor.** A Person that makes available to Participants a system or platform offering smart order routing, front-end trading applications, an aggregator platform or a combination of the foregoing but that does not provide Participants the ability to effect transactions on such system or platform.
- 1.56 **Last Trading Day.** The last day an Expiry may be traded as set forth in the Contract Specifications.
- 1.57 **LEI or Legal Entity Identifier.** The unique entity identifier number issued for a Person by the GMEI Utility.
- 1.58 **Limit Order.** Has the meaning given to it in Rule 4.7.8(b).
- 1.59 **Liquidity Provider.** A Participant that has entered into a Liquidity Provider Agreement, which provides Participant with certain incentives as a liquidity provider.
- 1.60 **Market Order.** Has the meaning given to it in Rule 4.7.8(a).
- 1.61 **Market Regulation Department.** AEGIS staff responsible for functions including market operations, trade surveillance and compliance.
- 1.62 **Nominating Committee.** The committee of the Board constituted in accordance with Rule 2.4.2.
- 1.63 **Officer.** Has the meaning given to it in Rule 2.2.1.
- 1.64 **Order.** Either a bid to purchase (“**Bid**”) or an offer to sell (“**Offer**”) a Swap that is a SEF Contract, and which is both a Permitted Transaction and a Hedging Contract; provided, that such Order is submitted on, or subject to the Rules of, the AEGIS-SEF Platform, including the Order Book or the RFQ Function.
- 1.65 **Order Book.** The order book is a form of swap execution functionality for OTOB SEF Contracts, that are both Permitted Transactions and Hedging Contracts, which Order Book is a trading system or platform in which all Participants on the AEGIS-SEF Platform have the ability to enter multiple bids to purchase and offers to sell such OTOB SEF Contracts, observe or receive bids to purchase and offers to sell such OTOB SEF Contracts entered by other Participants, and transact on such bids to purchase and offers to sell such OTOB SEF Contracts, as described in Rule 4.7.

- 1.66 *Operating Agreement.*** The Limited Liability Company Agreement of AEGIS-SEF, or, where explicitly referenced, the Limited Liability Company Agreement of AEGIS Hedging Solutions, LLC, as the managing member of AEGIS-SEF, as such Limited Liability Company Agreement may be amended or restated from time to time.
- 1.67 *OTOB SEF Contract.*** An OTOB SEF Contract is a SEF Contract offered by AEGIS-SEF for trading using the Order Book function under Rule 4.7. Section X of this AEGIS-SEF Rulebook sets forth the Contract Specifications for OTOB SEF Contracts presently offered for trading on the Order Book, which is currently limited only to Permitted Transactions that are also Hedging Contracts, as more fully described in Rules 4.6, 5.1 and 5.2 of this AEGIS-SEF Rulebook. The term “SEF Contract” includes both OTOB SEF Contracts and Bespoke SEF Contracts and both OTOB SEF Contracts and Bespoke SEF Contracts may be traded using AEGIS-SEF’s RFQ Function under Rule 4.8, but only OTOB SEF Contracts may be traded using AEGIS-SEF’s Order Book Function under Rule 4.7.
- 1.68 *Participant.*** A Person that: (i) is (a) a Financial Counterparty, (b) a Commercial End User, or (c) an Eligible Affiliate of a CEU, (ii) has signed a Participant Agreement, and (iii) is authorized to enter into a Transaction for its own account using the AEGIS-SEF Platform.
- 1.69 *Participant Agreement.*** An agreement between AEGIS-SEF and a Participant that must be signed in order for a Participant that is a Financial Counterparty, a Commercial End User, or an Eligible Affiliate of a CEU, to have access to the AEGIS-SEF Platform for the execution or entry of Transactions.
- 1.70 *Pass-Through Swap.*** As set forth in Paragraph (2)(i)(A) of the definition of a BFH Transaction in CFTC Regulations Section 150.1, a “pass-through swap” is “a swap position entered into by one person for which the swap would qualify as a bona fide hedging transaction or position pursuant to paragraph (1) of this definition (the bona fide hedging swap counterparty) that is opposite another person (the pass-through swap counterparty).”
- 1.71 *Pass-Through Swap Counterparty.*** As set forth in Paragraphs (2)(i)(A) and (B) of the definition of a BFH Transaction in CFTC Regulations Section 150.1, a “pass-through swap counterparty” (i) is a party to a Pass-Through Swap, (ii) “is opposite to” a “person for which the [Pass-Through S]wap would qualify as a bona fide hedging transaction or position pursuant to paragraph (1) of th[e] definition [of BFH Transaction],” and (iii) seeks to enter into a Pass-Through Swap Offset that “reduces the [Pass-Through Swap Counterparty’s] price risks attendant to [such Pass-Through Swap].”
- 1.72 *Pass-Through Swap Offset.*** As set forth in Paragraph (2)(i)(B) of the definition of a BFH Transaction in CFTC Regulations Section 150.1, a “pass-through swap offset” “(1) is a futures contract position, option on a futures contract position, or swap position entered into by the [P]ass-[T]hrough [S]wap [C]ounterparty; and (2) reduces the [P]ass-[T]hrough [S]wap [C]ounterparty’s price risks attendant to the [P]ass-[T]hrough [S]wap.” As explained in Paragraph (2)(i) of the definition of BFH Transaction, for a Pass-Through Swap Offset to be eligible for classification as a BFH Transaction, such Pass-Through Swap Offset must be paired with a Pass-Through Swap.
- 1.73 *Permitted Transaction.*** Any Transaction involving a swap, but which does not involve any swap that is subject to the trade execution requirement in CEA Section 2(h)(8).
- 1.74 *Person.*** Has the meaning set forth in CEA Section 1a(38) and in the CFTC Regulation Section 1.3.

- 1.75** *Position Transfer.* A Transaction in a SEF Contract that is executed by AEGIS-SEF personnel for administrative purposes outlined in Rule 4.12.
- 1.76** *Posting Participant.* A Participant that submits an Order for an OTOB SEF Contract (i.e., a bid to purchase or an offer to sell such OTOB SEF Contract) into the Order Book on the AEGIS-SEF Platform as a firm offer to enter into such OTOB SEF Contract with other Participants that are eligible to, and which elect to, accept (i.e., fill) that Order using the Order Book function of the AEGIS-SEF Platform, as described in Rule 4.7.
- 1.77** *President.* The individual appointed to serve as AEGIS-SEF's President.
- 1.78** *Proprietary Account.* Has the meaning set forth in CFTC Regulation Section 1.3.
- 1.79** *Proprietary Information.* Has the meaning set forth in Rule 9.2.1.
- 1.80** *Regulatory Oversight Committee.* The committee of the Board constituted in accordance with Rule 2.4.4.
- 1.81** *Regulatory Services Agreement.* The agreement(s), if any, between AEGIS-SEF and any Regulatory Service Provider(s) whereby certain functions mandated under the CEA, such as market monitoring and trade practice surveillance, are delegated to one or more Regulatory Services Provider(s).
- 1.82** *Regulatory Services Provider.* The National Futures Association ("NFA") or such other organizations, if any, that provide regulatory services to AEGIS-SEF, together with any such organization's employees and agents.
- 1.83** *Request for Quote Function or RFQ Function.* Another form of swap execution functionality for SEF Contracts (which may be either OTOB SEF Contracts or Bespoke SEF Contracts), that are both Permitted Transactions and Hedging Contracts, which RFQ Function is available on the AEGIS-SEF Platform under Rule 4.8, through which a Requesting Participant may submit an RFQ seeking an indicative quote from one or more Designated Participants for a bid to purchase or an offer to sell such SEF Contract; provided, however, that the Requesting Participant is: (i) a Commercial End-User that is eligible for and has elected the End-User Exception with respect to such SEF Contract, (ii) an Eligible Affiliate of a CEU that is eligible for and has elected the Hedging Affiliate Exception with respect to such SEF Contract, or (iii) a Financial Counterparty that is a Pass-Through Swap Counterparty seeking such SEF Contract as a Pass-Through Swap Offset; provided, further, that only such Designated Participants will be allowed to submit an indicative bid or offer or a firm Order in response to such RFQ; and provided, still further, that the Requesting Participant shall be informed by AEGIS-SEF of any relevant Order resting at that time in the Order Book on the AEGIS-SEF Platform that may be responsive to such RFQ, all as more fully described in Rule 4.8.
- 1.84** *Requesting Participant.* A Participant that submits an RFQ using the RFQ Function of the AEGIS-SEF Platform seeking an indicative quote from one or more Designated Participants for a bid to purchase or an offer to sell a SEF Contract, that is both a Permitted Transaction and a Hedging Contract, subject to the provisions of Rule 4.8 applicable to such RFQ Function.
- 1.85** *Required Transaction.* Any Transaction involving a swap that is subject to the trade execution requirement in CEA Section 2(h)(8). Currently, AEGIS-SEF does not allow the trading or execution of any SEF Contract on the AEGIS-SEF Platform that is a Required Transaction.

- 1.86** ***Respondent.*** A Participant under investigation for alleged Rule violation(s) or against which charges have been filed.
- 1.87** ***Review Panel.*** Means a Disciplinary Panel that will, pursuant to the procedures set forth in Section VII, review investigation reports submitted to it by the Market Regulation Department to determine (a) whether a reasonable basis exists to believe that a violation of a Rule of AEGIS-SEF has occurred and (b) whether commencing Disciplinary Proceedings in respect of such potential violation is warranted. The members of the Review Panel will be appointed in accordance with Rule 7.4.
- 1.88** ***RFQ.*** A request for an indicative quote on a bid to purchase or an offer to sell a SEF Contract, that is both a Permitted Transaction and a Hedging Contract, which RFQ is submitted using the RFQ Function of the AEGIS-SEF Platform under Rule 4.8.
- 1.89** ***Rules.*** Any rule, interpretation, stated policy, or instrument corresponding to any of the foregoing, including the provisions of this AEGIS-SEF Rulebook, in each case as adopted from time to time by AEGIS-SEF.
- 1.90** ***SD or Swap Dealer.*** Has the meaning given to it in CEA Section 1a(49) and CFTC Regulation Section 1.3.
- 1.91** ***SEF or Swap Execution Facility.*** Has the meaning given to it in CEA Section 1a(50) and CFTC Regulation Section 1.3.
- 1.92** ***SEF Contract.*** Any swap transaction authorized and made available by AEGIS-SEF on the AEGIS-SEF Platform for the sale or purchase of a Commodity Type, which is currently limited only to Permitted Transactions that are also Hedging Contracts, as more fully described in Rules 4.6, 5.1 and 5.2 of this AEGIS-SEF Rulebook. The term “SEF Contract” includes both OTOB SEF Contracts and Bespoke SEF Contracts and both OTOB SEF Contracts and Bespoke SEF Contracts may be traded using AEGIS-SEF’s RFQ Function under Rule 4.8, but only OTOB SEF Contracts may be traded using AEGIS-SEF’s Order Book Function under Rule 4.7.
- 1.93** ***SEF Official.*** Any Officer or employee of AEGIS-SEF and any member of the Board, a committee established by the Board, a Disciplinary Panel or Appeal Panel.
- 1.94** ***SEF Participant Committee.*** The committee of the Board constituted in accordance with Rule 2.4.3.
- 1.95** ***SEF Requirements.*** The Rules; other requirements implemented by AEGIS-SEF pursuant to the Rules; each term of an OTOB SEF Contract; and the participant documentation and other contractual obligations between a Participant (including its Authorized Users) or Broker Firm and AEGIS-SEF.
- 1.96** ***Self-Regulatory Organization.*** Has the meaning set forth in CFTC Regulation Section 1.3 and includes any Swap Execution Facility, Contract Market, and registered futures association, such as the NFA.
- 1.97** ***Settlement Price.*** The price for each OTOB SEF Contract based on relevant settlement prices from reference sources for OTOB SEF Contracts; provided, that, for OTOB SEF Contracts actively traded on the AEGIS-SEF Order Book, the Settlement Price shall be the settlement price for the most recently filled Bid or Offer (referred to as “**Bid/Offer**”) for such OTOB SEF Contract at the end of each trading day.

- 1.98 Stop Limit Order.** Has the meaning given to it in Rule 4.7.8(e).
- 1.99 Stop Order.** Has the meaning given to it in Rule 4.7.8(d).
- 1.100 Supervised Persons.** Any directors, officers, employees or agents of any Participant, including but not limited to Authorized Users.
- 1.101 Swap or swap.** Has the meaning given to it in CEA Section 1a(47) and CFTC Regulation Section 1.3.
- 1.102 Trade Risk Limit.** A risk-based limit established for a Participant.
- 1.103 Trading Privileges.** The right granted to a Participant to submit or accept Orders for: (i) OTOB SEF Contracts using the Order Book under Rule 4.7, or (ii) either OTOB SEF Contracts or Bespoke SEF Contracts using the RFQ Function under Rule 4.8.
- 1.104 Trading Hours.** For any Business Day, the hours specified on the trading calendar on the AEGIS-SEF website.
- 1.105 Transaction.** Any purchase or sale of any SEF Contract made on, or pursuant to the Rules of, the AEGIS-SEF Platform.
- 1.106 User ID.** The unique identifier included on each Order that enables AEGIS-SEF to identify the Person entering or accepting an Order using the Order Book or the RFQ Function on AEGIS-SEF Platform.

**Rules of Construction.** The following rules of construction shall apply to this AEGIS-SEF Rulebook:

- (a) the headings are for convenience only and do not affect the meaning of the Rules;
- (b) all references to time are to local time in Houston, Texas except where expressly provided otherwise;
- (c) words denoting a singular number include the plural number where the context permits and vice versa;
- (d) where the context permits or requires, any pronoun shall include the corresponding masculine, feminine and neuter forms; and
- (e) references to statutory provisions include those provisions as amended, and any rules or regulations promulgated thereunder.

## **SECTION II. GOVERNANCE & OWNERSHIP**

### **2.1 Composition of the Board; Board Powers.**

- 2.1.1 Initially, the Board of AEGIS Hedging Solutions, LLC, as the managing member of AEGIS-SEF, will be authorized to manage the day-to-day business operations of AEGIS-SEF in accordance with the Operating Agreement of AEGIS Hedging Solutions, LLC. At any time after AEGIS-SEF commences operations as a SEF, AEGIS Hedging Solutions, LLC, as the managing member of AEGIS-SEF may form a separate board of directors for AEGIS-SEF, which will then have authority to manage the day-to-day business operations of AEGIS-SEF in accordance with

the Operating Agreement of AEGIS-SEF. Until such time, all references herein to the Board shall refer to the Board of Directors of AEGIS Hedging Solutions, LLC and all references here to the Operating Agreement shall refer to the Operating Agreement of AEGIS Hedging Solutions, LLC.

- 2.1.2 The Board has the power to call for review, and to affirm, modify, suspend or overrule, any and all decisions and actions of standing committees or special committees of the Board or any panel of the Officers related to the day-to-day business operations of AEGIS-SEF.
- 2.1.3 The Board may act only by the decision of an absolute majority in number of the Directors by vote at a meeting, by unanimous written consent without a meeting, or as otherwise set forth in the Operating Agreement.
- 2.1.4 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.
- 2.1.5 Each Director is entitled to indemnification pursuant to the Operating Agreement with respect to matters relating to AEGIS-SEF.
- 2.1.6 The Board shall have procedures, as may be further set forth in policies that AEGIS-SEF may adopt, to remove a member from the Board where the conduct of such member is likely to be prejudicial to the sound and prudent management of AEGIS-SEF.
- 2.1.7 The Board shall review its performance and that of its individual members annually and shall consider periodically using external facilitators for such review.

## **2.2 Officers.**

- 2.2.1 The Board shall appoint a President and such other officers of AEGIS-SEF (each, an “**Officer**”) as it may deem necessary or appropriate from time to time. The President shall appoint a Chief Compliance Officer.
- 2.2.2 Any Officer may also be a director, officer, partner or employee of AEGIS-SEF or of any of its Affiliates.
- 2.2.3 The Officers shall have such powers and duties in the management of AEGIS-SEF as the Board may prescribe from time to time, subject to any limitation set forth in the Operating Agreement.

## **2.3 Eligibility/Fitness.**

- 2.3.1 An individual may not serve as a Chief Compliance Officer, if the individual would be disqualified from registration pursuant to CEA Sections 8a(2) or 8a(3).
- 2.3.2 The Chief Compliance Officer shall immediately notify the President of AEGIS-SEF if such individual meets one or more of the criteria in Rule 2.3.1. The CCO shall provide to AEGIS-SEF, where applicable, changes in registration information within 30 days and certification

of compliance accordingly. AEGIS-SEF shall verify information supporting compliance with eligibility criteria.

- 2.3.3 To serve as a member of the Board, an individual must possess the ability to contribute to the effective oversight and management of AEGIS-SEF, taking into account the needs of AEGIS-SEF and such factors as the individual's experience, perspective, skills and knowledge of the industry in which AEGIS-SEF operates. This shall include sufficient expertise, where applicable, in financial services, risk management, and execution services.
- 2.3.4 A Director or Officer must meet any qualifications set forth from time to time in the Operating Agreement.

## **2.4 *Standing Committees.***

- 2.4.1 The Board shall initially have the following three standing committees: the Nominating Committee, the SEF Participant Committee, and the Regulatory Oversight Committee. The Board may from time to time constitute and appoint in accordance with the Operating Agreement, such additional standing committees of the Board as it may from time to time deem necessary or advisable.

Each member of such standing committees must be a Director, one of whom the Board shall designate as the chairperson of each standing committee. Each standing committee shall assist in the supervision, management and control of the affairs of AEGIS-SEF within its particular area of responsibility, subject to the authority of the Board. Subject to the authority of the Board, each standing committee shall determine the manner and form in which its proceedings shall be conducted. Each standing committee may act only by the decision of an absolute majority in number of the members of such committee, by vote at a meeting or by unanimous written consent without a meeting. The Board has the authority to overrule the decisions of a standing committee.

- 2.4.2 Nominating Committee. The Nominating Committee of the Board reports to the Board and shall consist of at least two Directors appointed from time to time by the Board. The Nominating Committee shall have the authority to (i) identify individuals qualified to serve on the Board, consistent with the criteria that the Board require and any composition requirement that the Commission promulgates; and (ii) administer a process for the nomination of individuals to the Board.
- 2.4.3 SEF Participant Committee. The SEF Participant Committee of the Board reports to the Board and shall consist of at least two Directors appointed from time to time by the Board. The SEF Participant Committee shall (i) determine the standards and requirements for initial and continuing Participant eligibility, (ii) review appeals of staff denials of Participant applications, and (iii) approve Rules that would result in different categories or classes of Participants receiving disparate access to the AEGIS-SEF Platform. The SEF Participant Committee shall not, and shall not permit AEGIS-SEF to, restrict access or impose burdens on access to the AEGIS-SEF Platform in a discriminatory manner, within each category or class of Participants or between similarly-situated categories or classes of Participants.
- 2.4.4 Regulatory Oversight Committee. The Regulatory Oversight Committee of the Board shall report to the Board and consist of at least two Directors.

Each member of the Regulatory Oversight Committee shall serve for a term of one calendar year from the date of their appointment or for the remainder of their term as a Director, and until the due appointment of his or her successor, or until his or her earlier resignation or removal, with or without cause, as a member of the Regulatory Oversight Committee or as a Director. A member of the Regulatory Oversight Committee may serve for multiple terms.

The Regulatory Oversight committee shall meet with the Chief Compliance Officer at least quarterly. The Board shall dedicate sufficient resources to allow sufficient time for the Regulatory Oversight Committee to fulfill its mandate. The Regulatory Oversight committee shall make such recommendations to the Board that will, in its judgment, best promote the interests of AEGIS-SEF. The Regulatory Oversight committee shall also have such other powers and perform such other duties as set forth in the Rules and as the Board may delegate to it from time to time.

- 2.4.5 Special Committees. In addition to the standing committees, the Board shall have the power and authority to create and terminate, in accordance with the Operating Agreement, special committees of the Board and designate their composition, responsibilities and powers.

## **2.5 Confidentiality.**

- 2.5.1 No member of the Board or any committee established by the Board or by or pursuant to the Rules will use or disclose any material non-public information obtained in connection with such member's participation in the Board or such committee for any purpose other than the performance of his or her official duties as a member of the Board or such committee.
- 2.5.2 No Officer, employee or agent of AEGIS-SEF will (i) trade in any commodity interest if such Officer, employee or agent obtained material non-public information concerning such financial instrument in connection with such employee's, Officer's or agent's employment or (ii) disclose to any other Person material non-public information obtained in connection with such employee's, Officer's or agent's employment, if such employee, Officer or agent could reasonably expect that such information might assist another Person in trading any commodity interest.

## **2.6 Conflicts of Interest.**

### **2.6.1 Named Party In Interest Conflict**

- (a) No member of the Board, any Disciplinary Panel or any Appeal Panel will knowingly participate in such body's deliberations or voting in any matter involving a named party in interest where such member (i) is the named party in interest in the matter, (ii) is an employer, employee or fellow employee of a named party in interest, (iii) has any other significant, ongoing business relationship with a named party in interest, excluding relationships limited to SEF Contracts, or (iv) has a family relationship with a named party in interest.
- (b) Prior to consideration of any matter involving a named party in interest, each member of the deliberating body who does not choose to abstain from

deliberations and voting will disclose to the Chief Compliance Officer whether such member has one of the relationships listed in clause (a) above with a named party in interest.

- (c) The Chief Compliance Officer will determine whether any member of the relevant deliberating body who does not choose to abstain from deliberations and voting is subject to a conflicts restriction under this paragraph (c). Such determination will be based upon a review of the following information: (i) information provided by such member pursuant to clause (b) above; and (ii) any other source of information that is held by and reasonably available to AEGIS-SEF.

#### 2.6.2 Financial Interest In A Significant Action Conflict

- (a) No member of the Board, any Disciplinary Panel or any Appeal Panel will participate in such body's deliberations and voting on any significant action if such member has a direct and substantial financial interest in the result of the vote, as determined pursuant to clause (c) below.
- (b) Prior to consideration of any significant action, each member of the deliberating body, who does not choose to abstain from deliberations and voting, will disclose to the Chief Compliance Officer any information that may be relevant to a determination of whether such member has a direct and substantial financial interest in the result of the vote.
- (c) The Chief Compliance Officer will determine whether any member of the relevant deliberating body, who does not choose to abstain from deliberations and voting, is subject to a conflicts restriction under this paragraph (c). Such determination will be based upon a review of the following information: (i) information provided by such member pursuant to clause (b) above; and (ii) any other information reasonably available to AEGIS-SEF, taking into consideration the exigency of the significant action being contemplated.
- (d) Any member of the Board, any Disciplinary Panel or any Appeal Panel, who would otherwise be required to abstain from deliberations and voting pursuant to clause (a) above, may participate in deliberations, but not voting, if the deliberating body, after considering the factors specified below, determines that such participation would be consistent with the public interest; provided, however, that before reaching any such determination, the deliberating body will fully consider the information specified in clause (c) above which is the basis for such member's substantial financial interest in the significant action that is being contemplated. In making its determination, the deliberating body will consider: (i) whether such member's participation in the deliberations is necessary to achieve a quorum; and (ii) whether such member has unique or special expertise, knowledge or experience in the matter being considered.

- 2.6.3 The minutes of any meeting to which the conflicts determination procedures set forth in this Rule apply will reflect the following information:

- (a) the names of all members of the relevant deliberating body who attended such meeting in person or who otherwise participated in such meeting;
- (b) the name of any member of the relevant deliberating body who voluntarily recused himself or herself or was required to abstain from deliberations or voting on a matter and the reason for the recusal or abstention, if stated;
- (c) the information that was reviewed for each member of the relevant deliberating body; and
- (d) any determination made in accordance with clause (d) of Rule 2.6.2 above.

## **2.7 Maintenance of Books and Records by AEGIS-SEF.**

- 2.7.1 AEGIS-SEF shall keep, or cause to be kept, complete and accurate books and records of accounts of AEGIS-SEF, including all books and records required to be maintained pursuant to the CEA, and the CFTC Regulations.
- 2.7.2 AEGIS-SEF shall retain all such books and records for at least five (5) years, and shall make such books and records readily accessible for inspection by the CFTC and the U.S. Department of Justice during the first two (2) years of such five-year period.

## **2.8 Information-Sharing Arrangements.**

- 2.8.1 AEGIS-SEF may enter into information-sharing agreements or other arrangements or procedures to coordinate surveillance with other markets on which financial instruments related to the SEF Contracts trade. As part of any information-sharing agreements or other arrangements or procedures adopted pursuant to this Rule, AEGIS-SEF may:
  - (a) provide market surveillance reports to other markets;
  - (b) share information and documents concerning current and former Participants, Authorized Users, or Broker Firms with other markets;
  - (c) share information and documents concerning ongoing and completed investigations with other markets; or
  - (d) require its current or former Participants, Authorized Users, or Broker Firms to provide information and documents to AEGIS-SEF at the request of other markets with which AEGIS-SEF has an information-sharing agreement or other arrangements or procedures.
- 2.8.2 AEGIS-SEF may enter into any arrangement with any Person or body (including the CFTC, the NFA, any Self-Regulatory Organization, any exchange, market, clearing organization or foreign regulatory authority) if AEGIS-SEF considers such arrangement to be in furtherance of AEGIS-SEF's purpose or duties under the Rules or any law or regulation.

- 2.8.3 AEGIS-SEF may provide information to a duly authorized foreign Governmental Authority, as directed by the CFTC, in accordance with an information-sharing agreement executed with the CFTC.

**2.9 *Regulatory Services Providers and Technology Services Providers.***

- 2.9.1 AEGIS-SEF may contract with a Regulatory Services Provider to provide certain regulatory services to AEGIS-SEF pursuant to a Regulatory Services Agreement. In accordance with any such relevant Regulatory Services Agreement, a Regulatory Services Provider may perform certain surveillance, investigative, or regulatory functions under the Rules and AEGIS-SEF may provide information to such Regulatory Services Provider in connection with the performance by such Regulatory Services Provider of those functions. AEGIS-SEF will at all times remain responsible for the performance of any Regulatory Services Provider.
- 2.9.2 Any of the powers or functions of AEGIS-SEF under the Rules may be delegated to a Regulatory Services Provider pursuant to the relevant Regulatory Services Agreement in such manner and on such terms as AEGIS-SEF and such Regulatory Services Provider may mutually agree; provided, however, that AEGIS-SEF shall retain ultimate decision-making authority with respect to any powers or functions that are delegated to such Regulatory Services Provider.
- 2.9.3 AEGIS-SEF may contract with a technology services provider to provide certain technology services to AEGIS-SEF pursuant to a technology services agreement. In accordance with a technology services agreement, a technology services provider may perform certain functions under the Rules and AEGIS-SEF may provide information to the technology services provider in connection with the performance by the technology services provider of those functions.
- 2.9.4 AEGIS-SEF shall retain ultimate decision-making authority with respect to any functions that are contracted to a technology services provider.

**2.10 *Use of Proprietary Data and Personal Information.***

- 2.10.1 With respect to any proprietary data or personal information collected or received from, or on behalf of, any Person for the purpose of fulfilling AEGIS-SEF's regulatory obligations, neither AEGIS-SEF nor any affiliate of AEGIS-SEF, such as AEGIS Hedging Solutions, LLC ("**AEGIS-HS**"), may use such proprietary data or personal information for business or marketing purposes without first obtaining the prior written consent of the Person from whom such data or information is collected or received by AEGIS-SEF; provided, however, that AEGIS-SEF, and AEGIS-HS as the managing member of AEGIS-SEF, may use such data or information for the provision by AEGIS-HS of its CTA services provided, that any such data is anonymized and aggregated with similar data of other persons so that such data or information cannot be attributed to the Person from whom such data or information is collected or received by AEGIS-SEF.
- 2.10.2 Notwithstanding the provisions of Rule 2.10.1, AEGIS-SEF may share such proprietary data or personal information with one or more registered entities (as such term is defined in CFTC Regulations).

2.10.3 Access to the AEGIS-SEF Platform may not be conditioned upon the use of proprietary data or personal information for business or marketing purposes.

## **2.11 Chief Compliance Officer.**

2.11.1 The Chief Compliance Officer (“**CCO**”) shall be appointed by the President of AEGIS-SEF. AEGIS-SEF will notify the Commission within two business days of appointing any new CCO, whether interim or permanent. The CCO is responsible for monitoring the design, implementation and effectiveness of AEGIS-SEF’s programs to promote and enforce compliance with applicable law and regulations and SEF Rules. Further, the CCO has the authority to monitor the sufficiency, effectiveness and independence of AEGIS-SEF’s regulatory program and to oversee all facets of AEGIS-SEF’s regulatory program, including:

- (a) trade practice and market surveillance, audits, examinations and other regulatory responsibilities with respect to Participants (including ensuring compliance with, if applicable, financial integrity, financial reporting, sales practice, recordkeeping and other requirements), and the conduct of investigations;
- (b) reviewing the size and allocation of the regulatory budget and resources and the number, hiring, termination and compensation of regulatory personnel;
- (c) reviewing the performance of the compliance staff;
- (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) preparing an annual report assessing, for the Board and the CFTC, the regulatory program of AEGIS-SEF. Such annual compliance report shall be prepared and signed by the CCO in the form and manner prescribed by CFTC Regulation 37.1500(d).

2.11.2 Any individual nominated to serve as CCO that has been disqualified from registration pursuant to CEA Sections 8a(2) or 8a(3) may not hold the position

2.11.3 Removal of the CCO shall require the approval of a majority of AEGIS-SEF’s Board.

## **SECTION III. ACCESS BY PARTICIPANTS, AUTHORIZED USERS AND BROKER FIRMS**

### **3.1 Jurisdiction.**

3.1.1 By accessing, or entering any Order into, the AEGIS-SEF Platform, or submitting any Contract into the AEGIS-SEF Platform, and without any need for any further action, undertaking or agreement, a Participant, Authorized User, or Broker Firm agrees (i) to be bound by, and comply with, the Rules and obligations and Applicable Law, in each case to the extent applicable to it, him or her, (ii) to become subject to the jurisdiction of AEGIS-SEF with respect to any and all matters arising from, related to, or in connection with, the status, actions or omissions of such Participant, Authorized User, or Broker Firm and (iii) to assist

AEGIS-SEF in complying with its legal and regulatory obligations, cooperate with AEGIS-SEF and the CFTC in any inquiry, investigation, audit, examination or proceeding, and authorizes AEGIS-SEF to provide information regarding it to the Regulatory Services Provider, the CFTC or any Self-Regulatory Organization.

- 3.1.2 Any Participant, Authorized User, or Broker Firm whose right to access the AEGIS-SEF Platform is revoked, suspended, or terminated shall remain bound by the Rules, and, in each case to the extent applicable, and subject to the jurisdiction of AEGIS-SEF with respect to any and all matters arising from, related to, or in connection with, the status, actions or omissions of such Participant, Authorized User, or Broker Firm prior to such revocation or termination.
- 3.1.3 An Authorized User who is suspended for any period remains subject to the Rules and AEGIS-SEF's jurisdiction throughout the period of suspension. After revocation or termination of the designation of an Authorized User, the Authorized User remains subject to the Rules and the jurisdiction of AEGIS-SEF for acts done and omissions made while registered as an Authorized User. Any Disciplinary Proceeding relating to an Authorized User shall occur as if the Authorized User were still registered as such.

### **3.2 *Participants.***

- 3.2.1 Each Participant will have the right to access the AEGIS-SEF Platform, including the right to place Orders for each of its accounts. The access rights of a Participant hereunder may not be transferred, assigned, sold or leased to any third person, except pursuant to a merger or acquisition of all or substantially all the ownership interests in such Participant with or into such third person.
- 3.2.2 While a Participant will have the right to access the AEGIS-SEF Platform, a Participant will not become a limited liability company member of AEGIS-SEF and will not obtain any equity or other interest in AEGIS-SEF, including voting rights or rights to receive any dividends or other distributions, whether arising from a dissolution, merger or consolidation involving AEGIS-SEF or otherwise.

### **3.3 *Requirements for Participants.***

- 3.3.1 A Participant must be admitted to the AEGIS-SEF Platform and deliver an executed Participant Agreement. To be eligible for admission, the Participant must demonstrate to AEGIS-SEF that it:
  - (a) is of good reputation and business integrity, as determined by a review of the following: (i) criminal proceedings or judgments against the Participant, especially in cases involving fiduciary matters, (ii) orders or notices by regulatory bodies denying or restricting trading privileges on relevant contract markets, (iii) disciplinary or arbitration records at any exchange, association, or similar tribunal, (iv) fines, suspensions, or expulsions from any commodity or security exchange, clearing organization, the National Futures Association, the Financial Industry Regulatory Authority, or any other organization deemed relevant by AEGIS-SEF, (v) significant financial or credit difficulties or distress, and/or (vi) any false statements made within or in connection with the Participant's application;

- (b) complies with the financial responsibility, recordkeeping and reporting requirements set out in Rule 3.4;
- (c) is validly organized, in good standing, and authorized by its governing body and, if relevant, documents of organization, to trade SEF Contracts;
- (d) is not Insolvent;
- (e) is not prohibited from using the services of the AEGIS-SEF Platform for any reason whatsoever;
- (f) holds all registrations required under Applicable Law, if any, including any FCM, Supervised Person and/or Associated Person registration, as applicable;
- (g) is not subject to statutory disqualification under CEA Section 8a(2); and
- (h) satisfies any other criteria that AEGIS-SEF may require from a Participant.

3.3.2 As part of the application process, AEGIS-SEF may request any information and documentation as it may reasonably require in order to determine whether AEGIS-SEF's eligibility requirements have been satisfied. Any Participant organized or located outside of the United States shall enter into a written agreement acceptable to AEGIS-SEF, appointing a third party as its U.S. agent for service of process for purposes of CFTC Regulation 15.05, and shall provide AEGIS-SEF with a copy of the agreement.

3.3.3 AEGIS-SEF may deny, condition, suspend, or terminate Participant status of any entity that:

- (a) is unable to satisfactorily demonstrate its ability to satisfy the eligibility criteria to become or remain compliant with such criteria;
- (b) is unable to satisfactorily demonstrate its capacity to adhere to all applicable Rules;
- (c) fails to meet such other generally applicable qualifications as the SEF Participant Committee may from time to time determine;
- (d) would bring the AEGIS-SEF Platform into disrepute as determined by AEGIS-SEF in its sole discretion; or
- (e) shows such other cause as AEGIS-SEF may reasonably determine.

3.3.4 If AEGIS-SEF decides to deny or condition a Person's application, AEGIS-SEF shall promptly notify the applicant in writing to the address provided by the applicant on AEGIS-SEF application form.

3.3.5 A person approved as a Participant shall be subject to all of the Rules.

3.3.6 Each applicant and each Participant agrees (i) promptly to provide, or procure the provision of, such information and documents as AEGIS-SEF may reasonably request, including but not limited to full information on the Participant's activities for contracts on another SEF, Contract Market or foreign board of trade if the Participant has activity in SEF Contracts

settled by reference to prices on such other SEF, Contract Market or foreign board of trade, and (ii) that AEGIS-SEF, without being prevented by any duty of confidentiality by any holder of information, may obtain such information and documents from any SDR.

- 3.3.7 AEGIS-SEF shall grant access to independent software vendors that meet the requirements for Participants set out in this Rule 3.3.
- 3.3.8 Each Person that applies to become a Participant must submit an application to AEGIS-SEF in a form and manner prescribed by AEGIS-SEF. Each applicant must promptly update any application materials previously provided to AEGIS-SEF if any of the information provided therein becomes inaccurate or incomplete after the date of submission and prior to any approval of the application. AEGIS-SEF shall act upon, and approve or disapprove, any such application without unreasonable delay.
- 3.3.9 Each Person approved as a Participant in accordance with Rule 3.3.8 above shall agree in writing to abide by the Rules and consent to the jurisdiction of AEGIS-SEF.
- 3.3.10 Upon satisfaction of the requirements and procedures set forth in Rules 3.3.8 and Rule 3.3.9, AEGIS-SEF will grant a Person's application to become a Participant. If the application process is not completed within six months of submission of an application and payment of any applicable fee, the application will be deemed to be withdrawn.

#### **3.4 *Minimum Financial Requirements.***

- 3.4.1 A Participant must qualify as an Eligible Contract Participant at all times and must promptly notify AEGIS-SEF if it fails to qualify as an Eligible Contract Participant.
- 3.4.2 A Participant or Broker Firm that is registered with the CFTC as an FCM must remain in compliance with the minimum financial and related reporting requirements of CFTC Regulations. Specifically, all Participants or Broker Firms registered with the CFTC as FCMs or IBs must maintain capital in accordance with CFTC Regulation 1.17. A copy of any notice or written report that a Participant or Broker Firm is required to file with the CFTC pursuant to CFTC Regulations 1.10, 1.12 and/or 1.17 must also be filed with AEGIS-SEF within the time periods prescribed for such filing or delivery in CFTC Regulations 1.10, 1.12 and/or 1.17. A Participant or Broker Firm that violates CFTC Regulations 1.10, 1.12 or 1.17 will be deemed to have violated this Rule 3.4.2.
- 3.4.3 A Participant that is not registered with the CFTC must, upon request by AEGIS-SEF, submit to AEGIS-SEF or the Regulatory Service Provider, if any, annual audited financial statements certified by a certified independent public accountant (or by a Person having similar qualifications if the Participant's books of account are kept outside the United States) within ninety calendar days of the Participant's fiscal year-end. If audited financial statements are not available, the Participant must submit unaudited financial statements or the most recent tax return to AEGIS-SEF.

#### **3.5 *Duties and Responsibilities of Participants.***

- 3.5.1 Each Participant shall, and shall cause its Authorized Users to:

- (a) access the AEGIS-SEF Platform in a responsible manner and not for any improper purpose;
- (b) access the AEGIS-SEF Platform only to conduct business that is subject to the Rules and the SEF Requirements and in a manner consistent with the Rules and the SEF Requirements;
- (c) comply with the Rules and the SEF Requirements and act in a manner consistent with the Rules and the SEF Requirements;
- (d) observe high standards of integrity, market conduct, commercial honor, fair dealing, and just and equitable principles of trade while conducting or seeking to conduct any business connected with or concerning the AEGIS-SEF Platform;
- (e) not knowingly mislead or conceal any material fact or matter in any dealings or filings with AEGIS-SEF or in connection with a Disciplinary Proceedings;
- (f) cooperate promptly and fully with AEGIS-SEF in any investigation, inquiry, audit, examination or proceeding regarding compliance with the Rules or any Disciplinary Proceedings or arbitration;
- (g) comply with any order issued by AEGIS-SEF; keep all User IDs, account numbers and passwords related to the AEGIS-SEF Platform confidential; and
- (h) keep, or cause to be kept, complete and accurate books and records, including, without limitation, all books and records required to be maintained pursuant to the Applicable Law, for at least five (5) years, and make such books and records available for inspection by a representative of AEGIS-SEF, the CFTC or the U.S. Department of Justice.

3.5.2 In addition to the requirements of Rule 3.5.1, each Participant shall employ practices to monitor and enforce compliance with its internal risk limits and shall be responsible for all Orders and Transactions effected by or for the account of such Participant, its Authorized Users or by any Person using its or their User IDs.

### **3.6 *Authorized Users.***

3.6.1 Each Participant and Broker Firm must designate at least one of its employees as an Authorized User.

3.6.2 By agreeing to become an Authorized User, an individual agrees to be bound by the duties and responsibilities of an Authorized User set out in Rule 3.7 and to be subject to, and comply with, the Rules.

3.6.3 To designate an Authorized User, a Participant must follow the procedures established by AEGIS-SEF. AEGIS-SEF may establish criteria that individuals must fulfill to become an Authorized User. Without limiting the generality of the foregoing, each Participant will ensure on an ongoing basis that (i) none of its Authorized Users are subject to a disqualification pursuant to any Applicable Law (unless an appropriate exemption has been

obtained with respect thereto) and (ii) each of its Authorized Users is technically proficient and conducts their business in a fair and equitable manner.

- 3.6.4 AEGIS-SEF will promptly notify a Participant in writing of the approval of designated Authorized User(s) or if AEGIS-SEF declines to approve the nomination of an Authorized User.
- 3.6.5 AEGIS-SEF will maintain a list of all designated Authorized Users for each Participant.
- 3.6.6 AEGIS-SEF may, in its sole discretion, revoke or suspend the designation of an individual as an Authorized User and shall promptly notify the Participant of such action.
- 3.6.7 To request the termination of the designation of an individual as an Authorized User, the Participant must follow the procedures established by AEGIS-SEF. AEGIS-SEF may, in its sole discretion, refuse to accept a request to terminate the registration of an Authorized User or may postpone the effective date of the termination of registration if AEGIS-SEF considers it necessary for the protection of the Participant or in AEGIS-SEF's best interest. Based on the information provided to, and other information gathered by, AEGIS-SEF regarding the request to terminate the registration of an Authorized User, AEGIS-SEF will determine whether to:
  - (a) accept the request to terminate such registration;
  - (b) postpone the effective date of termination of the registration; and/or
  - (c) impose any terms or conditions before or after the effective date of termination of the registration.

### **3.7 *Duties and Responsibilities of Authorized Users.***

- 3.7.1 By agreeing to act as an Authorized User, such Person agrees to be bound by the duties and responsibilities of an Authorized User and to be subject to, and comply with, the Rules.
- 3.7.2 An Authorized User must:
  - (a) ensure that activity conducted under the User IDs assigned to it complies with Applicable Law and the Rules;
  - (b) have the authority, at AEGIS-SEF's request, to adjust or withdraw any Order submitted under such User IDs;
  - (c) have and maintain all necessary regulatory approvals and/or licenses to operate as an Authorized User;
  - (d) cooperate promptly and fully with AEGIS-SEF in any investigation, inquiry, audit, examination or proceeding regarding compliance with the Rules or any Disciplinary Proceedings or arbitration proceeding;
  - (e) comply with any order issued by AEGIS-SEF; and

- (f) agree to such other terms and conditions as may be established by AEGIS-SEF from time to time.

### **3.8 *Broker Firms Accessing the AEGIS-SEF Platform.***

A Broker Firm may trade an account on behalf of a Participant under separate agreement between that Broker Firm and the Participant.

### **3.9 *Required Notices.***

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

- (a) any material changes to the information provided to AEGIS-SEF by the Participant;
- (b) any damage to, or failure or material inadequacy of, the systems, facilities or equipment of the Participant used to effect Transactions on the AEGIS-SEF Platform;
- (c) any refusal of admission to, or withdrawal by the Participant of any application for membership in, any Self-Regulatory Organization;
- (d) any denial or withdrawal of an application for registration or license by or from any governmental agency, and any revocation, suspension or conditioning of a registration or license granted by any Governmental Authority;
- (e) the commencement of any judicial or administrative proceeding against the Participant by a Governmental Authority or the imposition of any fine, cease and desist order, denial of trading privileges, censure or other sanction or remedy (whether through an adverse determination, voluntary settlement or otherwise) imposed by any Governmental Authority;
- (f) the indictment or conviction of, or any confession of guilt or plea of guilty or nolo contendere by, the Participant or any of its officers for any felony or misdemeanor involving, arising from, or related to, the purchase or sale of any commodity, security, futures contract, option or other financial instrument, or involving or arising from fraud or moral turpitude; and
- (g) the Insolvency of the Participant or any of its Affiliates.

3.9.2 Each Participant shall notify AEGIS-SEF at least ten business days prior to any merger, acquisition, consolidation, combination, sale or other material change of ownership.

3.9.3 Nothing in this Rule 3.9 is intended to substitute for or limit any other reporting obligations that a Participant may have to AEGIS-SEF or any regulatory agency or Self-Regulatory Organization.

### **3.10 *Account Administrators.***

3.10.1 Each Participant shall appoint at least one Account Administrator who shall be responsible for monitoring the Participant's participation on the AEGIS-SEF Platform, the compliance of

the Participant with the Rules and communication with AEGIS-SEF. The Account Administrator(s) may access the AEGIS-SEF Platform for risk management, audit and other back-office purposes as specified by AEGIS-SEF from time to time.

3.10.2 Account Administrators shall not have Trading Privileges on the AEGIS-SEF Platform.

3.10.3 A Participant shall promptly notify AEGIS-SEF of a change in the identity of any of its Account Administrators.

### **3.11 Access Requirements and Terms.**

3.11.1 Participant accounts will be issued User IDs and passwords for secure access. The Participant is responsible for the security of these items, and any misuse is the responsibility of the Participant.

3.11.2 User IDs and passwords are for the Participant's use only and shall not be shared with other parties.

3.11.3 A Participant must notify AEGIS-SEF immediately upon any suspicion of theft of a password, or any unauthorized access.

### **3.12 Dues and Fees.**

3.12.1 SEF dues and fees are posted at AEGIS-SEF website and updated from time to time.

### **3.13 Inspections by AEGIS-SEF.**

3.13.1 If instructed to do so by the CFTC, based on evidence of a trading anomaly involving a Participant or Broker Firm, or in coordination with another Participant's or Broker Firm's regulatory compliance committee, AEGIS-SEF and the Regulatory Services Provider, if any, shall have the right, in connection with determining whether the Rules are being, will be, or have been violated by the Participant or Broker Firm, to:

- (a) inspect systems, equipment and software operated by the Participant or Broker Firm in connection with business that is subject to the AEGIS-SEF Rules, wherever located;
- (b) access the systems, equipment, software, and the premises on which the systems, equipment, and software are located, and access any data stored in any of the systems or equipment that is related to Bids, Offers, Transactions, RFQs, or responses to an RFQ effected using the AEGIS-SEF Platform, during the regular business hours of such Participant or Broker Firm; and/or
- (c) copy and/or reproduce any data to which AEGIS-SEF has access under this rule that is related to Bids, Offers, Transactions, RFQs, or responses to an RFQ effected using the AEGIS-SEF Platform.

3.13.2 Each Participant or Broker Firm shall provide the Regulatory Services Provider, if any, with the same access as it would be required to provide to AEGIS-SEF.

3.13.3 AEGIS-SEF may require a Participant or Broker Firm to furnish such information concerning their business that is subject to the Rules of AEGIS-SEF as AEGIS-SEF deems reasonably necessary to enable AEGIS-SEF to perform its obligations under Applicable Law, including information relating to (i) Transactions executed on the AEGIS-SEF Platform and in related derivatives markets, including in the products underlying those Transactions, and (ii) information requested by a government agency relating to AEGIS-SEF's business and/or AEGIS-SEF's compliance with Applicable Law that AEGIS-SEF believes is maintained by, or otherwise in the possession of, a Participant or Broker Firm.

### **3.14 *Liquidity Provider Program.***

In its discretion, AEGIS-SEF may offer a liquidity provider program that provides incentives to Participants that meet trading volume or liquidity thresholds established by AEGIS-SEF. The liquidity provider program may offer reduced fees, amongst other incentives, for qualified liquidity providers as determined by AEGIS-SEF in its sole discretion.

### **3.15 *Broker Firms.***

3.15.1 Participants may enter Orders and effect Transactions through a Broker Firm acting on their behalf.

#### **3.15.2 A Broker Firm:**

- (a) must enter into the applicable Broker Firm Agreement with AEGIS-SEF and agree to be subject to and to comply with the Rules;
- (b) must agree to enter Orders and effect Transactions on behalf of a Participant only in accordance with these Rules and procedures established by AEGIS-SEF;
- (c) must have and maintain all necessary regulatory approvals and/or licenses to enter Orders and effect Transactions on behalf of Participants to the AEGIS-SEF Platform;
- (d) must maintain adequate financial resources in accordance with Rule 3.4; and
- (e) must agree to such other terms and conditions as may be established by AEGIS-SEF from time to time.

3.15.3 The Broker Firm shall be responsible to AEGIS-SEF for any failure by such Broker Firm (or its employees or agents) to comply with the Rules.

3.15.4 AEGIS-SEF will maintain a list of all designated Broker Firms for each Participant. AEGIS-SEF may, in its sole discretion, revoke or suspend the designation of an individual as a Broker Firm and shall promptly notify the appropriate Participants of such action.

## **SECTION IV. TRADING OPERATIONS**

### **4.1 *Trading Hours and Operation.***

#### **4.1.1 Trading Hours**

The AEGIS-SEF Platform will be open for trading on all business days during the market hours specified in the trading calendar, which is available at AEGIS-SEF's website. During non-trading hours, AEGIS-SEF systems will allow users to submit, modify and cancel orders as defined in this Section IV.

#### 4.1.2 Procedures

With respect to trading on or through the AEGIS-SEF Platform, AEGIS-SEF may adopt, without limitation, procedures relating to Transactions in SEF Contracts and trading on the AEGIS-SEF Platform, including procedures to:

- (a) disseminate the prices of bids and offers and the prices of trades executed in SEF Contracts;
- (b) record and account for SEF Contracts;
- (c) perform market surveillance and regulation on matters affecting SEF Contracts;
- (d) establish limits on the number and/or size of Orders that may be submitted to the AEGIS-SEF Platform;
- (e) establish limits on the number of SEF Contracts that may be traded on the AEGIS-SEF Platform or pursuant to the Rules;
- (f) establish a limit on the maximum daily price fluctuations for any SEF Contracts and provide for any related restriction or suspension of trading in such SEF Contracts; and
- (g) require a suspended or expelled Participant, or a Participant with restricted trading rights, to cancel or liquidate one or more positions for such Participant's account in order to reduce or eliminate such Participant's open positions, with such Participant to be liable for any costs associated with such cancellation or liquidation.

#### 4.1.3 Trading Suspension and Emergencies

AEGIS-SEF reserves the right to adjust Trading Hours and suspend market activities (including cancelling or suspending Orders) for all or a subset of OTOB SEF Contracts in the case of extenuating market circumstances which include, but are not limited to, any occurrence or circumstance that AEGIS-SEF determines requires immediate action to preserve the fair and orderly trading in, or the liquidation of or delivery pursuant to, any OTOB SEF Contracts.

During an Emergency, the Board may implement temporary emergency procedures and rules ("**Emergency Rules**"), subject to the applicable provisions of the CEA and CFTC Regulations. Emergency Rules may require or authorize AEGIS-SEF, the Board, any committee of the Board, the President or, in his or her absence, any other Officer to take actions necessary or appropriate to respond to the Emergency, including, but not limited to, the following actions:

- (a) suspending or curtailing trading or limiting trading to liquidation only (in whole or in part);
- (b) extending or shortening the Last Trading Day for OTOB SEF Contracts;
- (c) providing alternative settlement mechanisms;
- (d) ordering the liquidation or transfer of Transactions, the fixing of a Settlement Price, or the reduction of positions;
- (e) extending, limiting or changing the Trading Hours;
- (f) temporarily modifying or suspending any provision of the Rules;
- (g) imposing or modifying trading limits, price limits and/or position limits; and/or
- (h) any other action as directed by the CFTC.

Before any Emergency Rule may be adopted and enforced, a required vote of the Board must approve the enforcement of such Emergency Rule at a duly convened meeting. Directors may attend such a meeting by teleconference. If the President, or another authorized Officer, determines that Emergency Rules must be implemented with respect to an Emergency before a meeting of the Board can reasonably be convened, then the President or such 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 President or such Officer must convene a meeting as soon as practicable. Emergency actions taken pursuant to this Rule 4.1.3 are subject to the conflict of interest provisions set forth in Rule 2.6.

Whenever AEGIS-SEF, the Board, any committee of the Board, the President or other authorized Officer takes actions necessary or appropriate to respond to an Emergency, a duly authorized representative of AEGIS-SEF, where possible, will post an announcement in a notice to Participants. When the Board, any committee of the Board, the President or other authorized Officer determines that the Emergency has been reduced sufficiently to allow the AEGIS-SEF Platform to resume normal functioning, any such actions responding to an Emergency will be terminated.

AEGIS-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, AEGIS-SEF will notify the CFTC as soon as possible or reasonably practicable.

Upon taking any action in response to an Emergency, AEGIS-SEF will document the decision-making process related to such action. Such documentation will be kept for at least five years following the date on which the Emergency ceases to exist or to affect AEGIS-SEF, and all such documentation will be provided to the CFTC upon request.

#### **4.2 Contract Specifications.**

The terms and conditions of each OTOB SEF Contract are set forth in the Contract Specifications as shown in Section X of this Rulebook. Otherwise, the Contract Specifications applicable to each OTOB

SEF Contract will be made available on AEGIS-SEF's website and are subject to revision or amendment from time to time by AEGIS-SEF.

#### **4.3 Use of User IDs.**

- 4.3.1 Each Participant and Broker Firm and each of their Authorized Users must have a unique, AEGIS-SEF-assigned, registered User ID.
- 4.3.2 Each Order entered must contain an AEGIS-SEF-assigned User ID that identifies the Authorized User that entered the Order.
- 4.3.3 No Person may use a User ID to place any Order except as permitted by the Rules, nor may any Person knowingly permit or assist the unauthorized use of a User ID. Each Participant, Broker Firm and Authorized User shall ensure that no User ID is used by any Person not authorized by these Rules. Each Participant and Broker Firm must have in place policies and procedures to ensure the proper use and protection of User IDs.
- 4.3.4 Each Participant and Broker Firm shall ensure the accuracy of the registration information of its Authorized Users at all times.
- 4.3.5 Each Participant and Broker Firm shall be solely responsible for controlling and monitoring the use of all User IDs issued to it and to its Authorized Users of the AEGIS-SEF Platform.
- 4.3.6 Each Participant and Broker Firm shall notify AEGIS-SEF promptly upon becoming aware of:
  - (a) any unauthorized disclosure or use of any User ID assigned to it or any of its Authorized Users and of any other reason for deactivating a User ID; and
  - (b) any unauthorized access to the AEGIS-SEF Platform by any Authorized User or by any Person using a User ID assigned to such Participant, Broker Firm or Authorized User.
- 4.3.7 Any algorithm or other trading system, if any, that automates the generation and routing of Orders to the AEGIS-SEF Platform must have a unique, AEGIS-SEF-assigned, registered User ID.
- 4.3.8 Each Participant and Broker Firm and each of their Authorized Users shall be bound by any actions taken through the use of a User ID assigned to such Participant, Broker Firm or Authorized User (other than any such actions resulting from the fault or negligence of AEGIS-SEF), including the submission of Orders and/or execution of Transactions, whether or not such actions were taken or authorized by such Participant, Broker Firm or Authorized User, as the case may be.

#### **4.4 Trading Procedures.**

The following is a summary of the execution methods and credit and risk limit functionality available on the AEGIS-SEF Platform. It is not intended to provide a comprehensive description of the operation of the AEGIS-SEF Platform or the execution methods and/or credit and risk functionality available thereon. Additional information with respect to the operation of the AEGIS-SEF Platform, the execution methods and credit and risk functionality is provided in the applicable users guide and

other specific information that AEGIS-SEF may make available, from time to time, to Participants, Authorized Users, and Broker Firms. For each Permitted Transaction that is executed on or pursuant to the rules of the AEGIS-SEF Platform using either the Order Book under Rule 4.7 or the RFQ Function under Rule 4.8, a Permitted Transaction will be deemed executed on the AEGIS-SEF Platform upon AEGIS-SEF providing a record of the terms of an executed Transaction to each counterparty as provided in Rule 4.10 below.

#### **4.5 *Required Transactions.***

AEGIS-SEF does not currently offer any SEF Contracts that are Required Transactions and, therefore, AEGIS-SEF does not currently offer any execution function for Required Transactions.

#### **4.6 *Permitted Transactions***

4.6.1 All Participants may enter Bids/Offers (i.e., an Order) directly into the AEGIS-SEF Platform's Order Book under Rule 4.7 for each offered OTOB SEF Contract, but only for Permitted Transactions that are also Hedging Contracts. All Orders submitted to the Order Book are anonymous; provided, however, that for Permitted Transactions, the identity of each Counterparty is disclosed to the other Counterparty in the Trade Communication at the time of delivery of such Trade Communication as provided in Rule 4.10.

4.6.2 Any Participant that is a CEU, or an Eligible Affiliate of a CEU, may transmit an RFQ to one or more Financial Counterparties using the AEGIS-SEF Platform's RFQ Function under Rule 4.8, seeking indicative Bids to purchase or Offers to sell an OTOB SEF Contract or a Bespoke SEF Contract, provided that any such OTOB SEF Contract or Bespoke SEF Contract must be a Permitted Transaction and a Hedging Contract. The RFQ Function is a fully-disclosed trading system.

4.6.3 Any swap entered into using the AEGIS-SEF Platform's Order Book under Rule 4.7, or the AEGIS-SEF Platform's RFQ Function under Rule 4.8, may only include SEF Contracts, that are both Permitted Transactions and Hedging Contracts, in which all Counterparties to each such SEF Contract are Participants and at least one Counterparty to each such SEF Contract must be a Participant that is also: (i) a Commercial End-User that is eligible for and has elected the End-User Exception with respect to such SEF Contract, (ii) an Eligible Affiliate of a CEU that is eligible for and has elected the Hedging-Affiliate Exception with respect to such SEF Contract, or (iii) a Financial Counterparty that is a Pass-Through Swap Counterparty with respect to such SEF Contract that is also a Pass-Through Swap Offset.

4.6.4 Note too that any SEF Contract, that is a Permitted Transaction and a Hedging Contract, and is entered into between a Financial Counterparty that is a SD, as one Counterparty, and either (i) a CEU that is eligible for and elects the End-User Exception to clearing, or (ii) an Eligible Affiliate of a CEU that is eligible for and elects the Hedging-Affiliate Exception to clearing, as the other Counterparty, will be exempt from the CFTC's regulatory margin requirements under CFTC Regulation Section 23.150 and therefore exempt from any requirement to post initial margin or variation margin as regulatory margin.

#### **4.7 *Execution Methods for Permitted Transactions: Order Book***

The Order Book function provides an execution method that is only available for OTOB SEF Contracts. AEGIS-SEF will maintain an Order Book for each OTOB SEF Contract that is offered for trading by AEGIS-SEF to Participants using the AEGIS-SEF Platform. Posting Participants may submit Bids/Offer (each an Order) for an OTOB SEF Contract directly into the AEGIS-SEF Platform's Order Book for that OTOB SEF Contract, provided each such Order may only involve an OTOB SEF Contract that is both a Permitted Transaction and a Hedging Contract that complies with the requirements of Rule 4.6.3.

- 4.7.1 AEGIS-SEF Platform's Order Book functionality provides a trading platform in which all Participants using the AEGIS-SEF Platform have the ability to enter multiple Bids to purchase and Offers to sell (each an Order), observe or receive Bids and Offers entered by other Participants, and transact on such Bids and Offers (as required by CFTC Regulation Section 37.3(a)(3)(iii)). All Bids and Offers entered on the Order Book shall be Orders (i.e., firm Bids or Offers and not indications of interest or indicative quotes), and all Orders shall be displayed on the Order Book on an anonymous basis.
- 4.7.2 When a Posting Participant enters a Bid or Offer (i.e., an Order) on the Order Book, other Participants are notified that such Bid or Offer has been placed by the Bid or Offer appearing on the Order Book on the AEGIS-SEF Platform.
- 4.7.3 AEGIS-SEF has no matching engine. If a Participant elects to transact by accepting a Bid or Offer (i.e., an Order) submitted by a Posting Participant on the AEGIS-SEF's Order Book, such Participant may fill that Order by submitting its acceptance on the AEGIS-SEF's Order Book. If there are multiple acceptances for any Bid or Offer, the earliest to arrive on the Order Book will be the Bid or Offer that fills the Order resting on the Order Book (i.e. the Order to which the original Posting Participant's Order will be matched).
- 4.7.4 Each Posting Participant, or a Broker Firm acting on behalf of such Posting Participant, shall enter Orders into the Order Book on the AEGIS-SEF Platform, and AEGIS-SEF shall maintain an electronic record of those entries. Each Participant shall be responsible for any and all Orders entered using User IDs assigned by AEGIS-SEF to the Participant, its Authorized Users or Broker Firm.
- 4.7.5 Orders submitted by a Posting Participant can only be accepted (i.e., filled) with Bids or Offers posted by other Participants with whom such Posting Participant has an agreement governing the execution and settlement of swaps; provided, further, that if the Posting Participant has designated credit and/or risk limits applicable to such Order pursuant to Rule 4.9.1, then only other Participants also having credit available with such Posting Participant, as indicated by such Posting Participant, may accept (i.e., fill) such Posting Participant's Orders. When a Participant has logged into the AEGIS-SEF Platform and observes the Orders submitted and resting on the AEGIS-SEF Platform's Order Book, while each such Order is displayed on an anonymous basis, if the Posting Participant that submitted each such Order has (i) an agreement governing the execution and settlement of swaps with the observing Participant and (ii) satisfies any applicable minimum credit requirement as indicated by the Posting Participant pursuant to Rule 4.9.1, then the observing Participant will see a green light displayed next to such Order, and, if not, then a red light will be displayed next to such Order.

- 4.7.6 All Orders submitted to the AEGIS-SEF Platform's Order Book must contain the following information: (i) the relevant OTOB SEF Contract code; (ii) whether such Order is a bid to buy or an offer to sell; (iii) the Order type (as shown below), (iv) price; (v) quantity; (vi) account designation (the number to an account); (vii) the User ID of the Person entering the Order; (viii) CTI code; (ix) any credit and/or risk limit applicable to such Order, (x) whether the Posting Participant submitting such Order satisfies, or any Participant filling (i.e., accepting) such Order must satisfy, the requirement of Rule 4.6.3 that at least one Counterparty to such OTOB SEF Contract shall be: (A) a Commercial End-User that is eligible for and has elected the End-User Exception with respect to such OTOB SEF Contract, (B) an Eligible Affiliate of a CEU that is eligible for and has elected the Hedging-Affiliate Exception with respect to such OTOB SEF Contract, or (C) a Financial Counterparty that is a Pass-Through Swap Counterparty with respect to such OTOB SEF Contract that is also a Pass-Through Swap Offset, provided, further, that any such Pass-Through Swap Offset must also be a Permitted Transaction, and (xi) such additional information as may be prescribed from time to time by AEGIS-SEF.
- 4.7.7 All Orders submitted to the Order Book are anonymous and are posted anonymously. For Permitted Transactions executed using the Order Book, the identity of each Counterparty will be disclosed to the other Counterparty in the Trade Communication delivered by AEGIS-SEF to the two Counterparties in accordance with Rule 4.10.
- 4.7.8 Order Types. At the discretion of AEGIS-SEF, the following types of Orders, as well as any other types that may be approved from time to time, may be entered into the Order Book on the AEGIS-SEF Platform with respect to any OTOB SEF Contract that is both a Permitted Transaction and a Hedging Contract:
- (a) Market Order. A simple Order to buy an OTOB SEF Contract immediately executed at the lowest price currently available on the AEGIS-SEF Platform or to sell an OTOB SEF Contract immediately executed at the highest price currently available on the AEGIS-SEF Platform.
  - (b) Limit Order. A simple Order executed when a specific price is met.
  - (c) All-or-None Order. A Limit Order where only the entire submitted size is available for execution.
  - (d) Stop Order. A Market Order whose activation is dependent upon a specific price being reached or surpassed (*e.g.*, a Stop Order to buy becomes a Market Order in the system when a trade is executed at or below the stop price, while a Stop Order to sell becomes a Market Order in the system when a trade is executed at or above the stop price).
  - (e) Stop Limit Order. A Stop Order that activates a Limit Order when the stop price is reached or surpassed.
- 4.7.9 Allocation of Bunched Orders
- (a) Orders eligible for post-execution allocation must be allocated by an eligible account manager in accordance with CFTC Regulation Section 1.35(b)(5).

- (b) Allocations must be made as soon as practicable after the entire transaction is executed, but in any event account managers must provide allocation information no later than a time sufficiently before the end of the day the order is executed to ensure that records identify the ultimate customer for each trade.
- (c) Allocations must be fair and equitable. No account or group of accounts may receive consistently favorable or unfavorable treatment.
- (d) The allocation methodology must be sufficiently objective and specific to permit independent verification of the fairness of the allocations using that methodology by appropriate regulatory and self-regulatory authorities and by outside auditors.
- (e) Eligible account managers shall keep and must make available upon request of any representative of AEGIS-SEF, the CFTC, the United States Department of Justice, or other appropriate regulatory agency, the information specified in CFTC Regulation Section 1.35(b)(5)(iii).

#### **4.8 Execution Methods for Permitted Transactions: RFQ Function**

The RFQ Function provides an execution method that is available for either Bespoke SEF Contracts or OTOB SEF Contracts. For Permitted Transactions, in addition to the Order Book execution method described above in Rule 4.7, AEGIS-SEF will also provide a request for quote (“**Request for Quote Function**” or “**RFQ Function**”) execution method as described below in this Rule 4.8. In addition, the AEGIS-SEF Platform may, from time to time, provide various other execution methods for Permitted Transactions as notified by AEGIS-SEF to Participants, Authorized Users and Broker Firms.

- 4.8.1 For Bespoke SEF Contracts and OTOB SEF Contracts, that are both Permitted Transactions and Hedging Contracts, the RFQ Function available on the AEGIS-SEF Platform allows a Requesting Participant to transmit an RFQ seeking indicative quotes from one or more Designated Participants for a bid to purchase or an offer to sell such Bespoke SEF Contract or OTOB SEF Contract; provided, however, that the Requesting Participant is: (i) a Commercial End-User that is eligible for and has elected the End-User Exception with respect to such SEF Contract, (ii) an Eligible Affiliate of a CEU that is eligible for and has elected the Hedging Affiliate Exception with respect to such SEF Contract, or (iii) a Financial Counterparty that is a Pass-Through Swap Counterparty seeking such SEF Contract as a Pass-Through Swap Offset; provided, further, that only such Designated Participants will be allowed to submit an indicative bid or offer or a firm Order in response to such RFQ; and provided, still further, that the Requesting Participant shall be informed by AEGIS-SEF of any relevant Order resting at that time in the Order Book on the AEGIS-SEF Platform that may be responsive to such RFQ. The RFQ Function is a fully disclosed trading system.
- 4.8.2 An RFQ may be sent by a Requesting Participant to one or more Designated Participants provided that the Requesting Participant has an agreement with each such Designated Participant governing the execution and settlement of swaps.
- 4.8.3 Using the RFQ Function, a Requesting Participant may initiate the negotiating process for a Bespoke SEF Contract or an OTOB SEF Contract, that is both a Permitted Transaction and a Hedging Contract, by submitting an RFQ that will be transmitted by the RFQ Function to one or more Designated Participants selected by the Requesting Participant. Such RFQ shall

specify: the identification of the Requesting Participant; whether the RFQ is for a bid, offer, or another form of response; and the quantity requested.

- 4.8.4 In response to any such RFQ, any Designated Participant receiving such RFQ may reply with a responsive quote, which shall be an indicative response in that it is a solicitation of an offer to negotiate.
- 4.8.5 If a responsive quote is acceptable to the Requesting Participant, the Requesting Participant can accept the quote, which will cause a request to deal to be sent to the Designated Participant that sent such responsive quote (“**Responding Participant**”). If the Responding Participant accepts such request, a legally enforceable transaction shall have occurred and the process of the RFQ Function shall conclude. If the Responding Participant rejects the Requesting Participant’s request, then the process of the RFQ Function shall conclude and no swap transaction shall have occurred.
- 4.8.6 If none of the initial responsive quotes from the Responding Participants are acceptable to the Requesting Participant, then the Responding Participants may continue to send responses until the Requesting Participant accepts one of such responses or the Requesting Participant elects to terminate the process of the RFQ Function without having entered into the requested Bespoke SEF Contract or OTOB SEF Contract, that is both a Permitted Transaction and a Hedging Contract.

#### **4.9 Credit and Risk Limits.**

- 4.9.1 Initially, the AEGIS-SEF Platform will not provide Posting Participants the ability to require minimum credit support when posting Bids/Offer on the Order Book on the AEGIS-SEF Platform; provided, however, that on and after the second anniversary of the effective date of the AEGIS-SEF Rulebook, when and if requested by one or more Financial Counterparties, or when initiated by AEGIS-SEF of its own volition, AEGIS-SEF may add such ability to its Order Book. At such time, the AEGIS-SEF Platform will then permit Participants, Authorized Users and Broker Firms to input and establish credit and/or risk limits on the AEGIS-SEF Platform. At such time, AEGIS-SEF may also require Participants, Authorized Users and/or Broker Firms to input and establish credit and/or risk limits on the AEGIS-SEF Platform.
- 4.9.2 AEGIS-SEF shall make public daily information on Settlement Prices, volume, open interest, and opening and closing ranges for OTOB SEF Contracts that are actively traded, if any, on the AEGIS-SEF Platform’s Order Book. Trading information will be published on the AEGIS-SEF website at the end of the day.
- 4.9.3 A Person establishing credit and/or risk limits on the AEGIS-SEF Platform pursuant to Rule 4.9.1 shall be solely responsible for evaluating the creditworthiness of each Person for whom it establishes such limit and for determining whether such Person is in compliance with any such limits with respect to its activity on the AEGIS-SEF Platform. AEGIS-SEF shall not have any responsibility for compliance with credit limits by a Participant, Authorized User, or Broker Firm, notwithstanding that such credit limits may have been input into the AEGIS-SEF Platform, or for monitoring, maintaining or enforcing any such credit limits.

#### **4.10 Confirmation of Transactions.**

- 4.10.1 For each Permitted Transaction that is executed on or pursuant to the rules of the AEGIS-SEF Platform using either the Order Book or the RFQ Function, AEGIS-SEF will provide each Counterparty to such Transaction a written record of all of the terms of that Transaction (a "Trade Communication") which shall legally supersede any previous agreement and serve as a confirmation of the executed Transaction. This confirmation by AEGIS-SEF of all terms of the Transaction shall take place at the same time as execution.
- 4.10.2 With respect to each Transaction in a SEF Contract that is not cleared by a DCO, a Trade Communication shall, for purposes of CFTC Regulation 37.6(b), consist of the Trade Communication and, in accordance with and to the extent permitted by CFTC No-Action Letter 15-25 (expiring March 31, 2016) and for so long as the applicable relief provided therein is effective, the Terms Incorporated by Reference. In the event of any conflict between (i) the Trade Communication and (ii) the Terms Incorporated by Reference, the Trade Communication shall prevail to the extent of any inconsistency. **"Trade Communication"** means the written communication containing the economic terms specific to a transaction provided by AEGIS-SEF to the Participant(s) and/or Authorized User(s) who executed such transaction on the AEGIS-SEF Platform. **"Terms Incorporated by Reference"** means the documents and agreements between the counterparties to the Transaction (including, without limitation, ISDA master agreements (including the ISDA Schedules, ISDA Credit Support Annexes, ISDA Protocols, and any other ISDA Annexes thereto), other master agreements, terms supplements, master confirmation agreements, master netting agreements, and incorporated industry definitions) governing such Transaction existing at the time of execution of the Transaction. The Participant(s) and/or Authorized User(s) must, as applicable, maintain copies of all Terms Incorporated by Reference and, for purposes of compliance with these Rules and CFTC Regulations shall provide AEGIS-SEF with copies of such Terms Incorporated by Reference, including all credit support terms agreed between them, promptly upon request by AEGIS-SEF. As stated in the preamble to the SEF Core Principles Final Rule: "counterparties choosing to execute a transaction not submitted for clearing on or pursuant to the rules of a SEF must have all terms, including possible long-term credit support arrangements, agreed to no later than execution, such that the SEF can provide a written confirmation inclusive of those terms at the time of execution and report complete, non-duplicative, and non-contradictory data to an SDR as soon as technologically practicable after execution." (Emphasis added.) See 78 Fed. Reg. 33,476 at 33,491 (June 4, 2013).
- 4.10.3 Delivery of a Trade Communication by AEGIS-SEF to the Participants that are the counterparties to any Transaction will not preempt or prevent one counterparty to such Transaction delivering a Confirmation with respect to such Transaction to the other Participant that is a counterparty to such Transaction in accordance with the ISDA master agreement, or other master agreement, in effect between such counterparties.

#### **4.11 Block Trades.**

- 4.11.1 If AEGIS-SEF were to decide to offer Required Transactions, AEGIS-SEF shall then designate the OTOB SEF Contracts in which Block Trades are permitted and determine the minimum block size for such transactions. Appendix A to these Rules ("Minimum Block Sizes for the OTOB SEF Contracts") will then be revised to set forth a listing of minimum block sizes for OTOB SEF Contracts.

4.11.2 The following rules shall govern Block Trades for Required Transactions:

- (a) A Block Trade must be for a quantity that is at or in excess of the applicable minimum threshold. Orders may not be aggregated in order to achieve the minimum transaction size unless expressly permitted under Applicable Law.
- (b) Each Participant entering into a Block Trade must be an Eligible Contract Participant.
- (c) A Broker Firm may submit a Block Trade to the AEGIS-SEF Platform on behalf of Participants that have consented to or provided instructions to execute Block Trades.
- (d) The price at which a Block Trade is executed must be fair and reasonable in light of (i) the size of the Block Trade, (ii) the prices and sizes of other transactions in the same OTOB SEF Contract at the relevant time, (iii) the prices and sizes of transactions in other relevant markets at the relevant time, and (iv) the circumstances of the markets or the Participants to the Block Trade.
- (e) Block Trades shall not set off conditional orders (*e.g.*, Stop Orders) or otherwise affect orders submitted by Participants directly to the Order Book.
- (f) Parties to a Block Trade must ensure that each Block Trade is submitted without delay upon execution of the trade, in no event later than fifteen (15) minutes after execution through an approved submission method. The submission must include the OTOB SEF Contract(s), contract month(s), price, quantity of the Transaction, time of execution, as well as any other information that AEGIS-SEF may require. AEGIS-SEF shall promptly publish price and volume information.
- (g) Broker Firms and Participants involved in the execution of Block Trades must maintain written or electronic records of all such Block Trades, including an electronic timestamp reflecting the date and time each such Order was received as well as an electronic timestamp reflecting the date and time such Order was executed or cancelled.

4.11.3 Trade Entry

If any Required Transactions are offered by AEGIS-SEF, then Block Trades may be submitted to the AEGIS-SEF Platform by Participants or Broker Firms.

For Block Trades that are submitted directly by Participants, both Participants must confirm the Block Trades to each other, specifying the identical Expiry(s) to be traded, the volume and price, the buyer and seller, and which Participant will report the Block Trade to the AEGIS-SEF Platform.

A Broker Firm must specify the Expiry(s) to be traded, the volume and price, and the buyer and seller. Both buyer and seller must be Participants.

4.11.4 Modification and Cancellation

Block Trades submitted during the AEGIS-SEF Platform's Trading Hours are subject to immediate confirmation by AEGIS-SEF and may not be modified or cancelled by either Broker Firms or Participants. If erroneous information has been submitted as part of a Block Trade, AEGIS-SEF should be notified as soon as the error is detected. If appropriate, AEGIS-SEF will facilitate the modification of the trade on a discretionary basis; any trade modification AEGIS-SEF agrees to submit to the SDR will be done during normal Trading Hours.

Block Trades submitted during non-trading hours will be queued and executed in the order of submission when the market is next opened. Block Trades submitted outside of Trading Hours and queued for reporting to the SDR above may be cancelled directly on the AEGIS-SEF Platform as long as the cancellation occurs before the AEGIS-SEF Platform reopens for regular Trading Hours.

#### 4.11.5 Risk Limit Validation

All Block Trades submitted by either a Broker Firm or Participant will be subject to Trade Risk Limit verification. Upon verification that the Block Trade will not cause any party to the Block Trade to exceed its Trade Risk Limit, the Block Trade will be submitted to the SDR.

A Participant that has exceeded its Trade Risk Limit (because of changes in the risk profile of such Participant's existing positions or otherwise) may be party to a Block Trade only if such Block Trade will reduce the Trade Risk Limit violation.

### 4.12 ***Position Transfers.***

AEGIS-SEF may permit transfer trades to move positions between Customer Accounts for administrative purposes ("**Position Transfers**") where no change in beneficial ownership is involved. Participants must obtain approval from AEGIS-SEF for a Position Transfer; such approval shall be granted at the sole discretion of AEGIS-SEF. Position Transfers will not contribute to any reported volume, price, or trading range.

### 4.13 ***Trade Cancellations; Trade Reviews.***

#### 4.13.1 Trade Cancellation Authority

AEGIS-SEF may adjust trade prices or cancel (bust) trades when such action is necessary to mitigate market disrupting events caused by the improper or erroneous use of the AEGIS-SEF Platform or by system defects or malfunctions. Notwithstanding any other provision of this Rule 4.13.1, AEGIS-SEF may adjust trade prices or cancel any trade if AEGIS-SEF determines that allowing the trade to stand as executed may have a material, adverse effect on the integrity of the market. Any decision of AEGIS-SEF with respect to an adjustment or cancellation subject to this Rule 4.13.1 shall be final.

#### 4.13.2 Review of Trades

AEGIS-SEF may review a trade based on its analysis of market conditions or a request for review by a user of the AEGIS-SEF Platform. A request for review must be made within five minutes of the execution of the trade. AEGIS-SEF shall promptly determine whether the

trade will be subject to review, and upon deciding to review a trade, AEGIS-SEF will promptly issue an alert to all Participants indicating that the trade is under review. In the case of OTOB SEF Contracts determined by AEGIS-SEF to be illiquid, AEGIS-SEF may initiate a review up to one hour after the execution of the trade, and has the authority, but not the obligation, to review trades reported more than one hour following execution if it determines that the trade price was significantly out of line with fair value. In the course of its review of any trade, AEGIS-SEF may, but is not obligated to, inform any of the parties to the trade of the identity and contact information of any other party to the trade.

#### **4.14 Settlement; Clearing.**

AEGIS-SEF will provide links to relevant Settlement Prices from reference sources for OTOB SEF Contracts on the AEGIS-SEF Website. AEGIS-SEF currently only offers Permitted Transactions, without clearing. This section is reserved should Required Transactions, with clearing, be added to the AEGIS-SEF Platform in the future.

#### **4.15 Recordkeeping; Audit Trail.**

4.15.1 Participants that access the AEGIS-SEF Platform electronically are responsible for maintaining or causing to be maintained an audit trail for all electronic Orders, which shall include Order entry, modification, and cancellation (the “**Audit Trail**”). Such Audit Trail shall include Orders submitted and the times of Order entry and of any Order modification or cancellation. Times that are so captured must not be capable of being modified by the Person entering the Order and must reflect all necessary data fields specified by the AEGIS-SEF Platform from time to time. For executed Orders, the Audit Trail must record the execution time of the trade along with all execution information.

4.15.2 Participants shall maintain Audit Trail information for a minimum of five (5) years and must have the ability to produce Audit Trail data in a standard format upon request of AEGIS-SEF.

4.15.3 CTI Codes. Each Participant or Broker Firm must identify each Transaction executed on the AEGIS-SEF Platform on the record of Transactions submitted to AEGIS-SEF with the correct CTI code. The CTI codes are as follows:

CTI 1: Transactions initiated and executed by an individual Participant for his own account, for an account he controls or for an account in which he has ownership or financial interest;

CTI 2: Transactions executed for the proprietary account of a Participant firm;

CTI 3: Transactions where an individual Participant or Authorized User executes for the personal account of another individual Participant, for an account the other individual Participant controls or for an account in which the other individual Participant has ownership or financial interest;

CTI 4: Any transaction not meeting the definition of CTI 1, 2 or 3. (These should be non-Participant customer transactions).

#### **4.16 Information Regarding Orders.**

- 4.16.1 AEGIS-SEF will make information regarding Orders (including prices bid or offered), trades and any other matters it may deem appropriate available to Participants and other Persons at such times and in such manner (whether through AEGIS-SEF, financial information services or otherwise) as it may consider necessary or advisable from time to time.
- 4.16.2 Each Participant or other Person receiving any such information referred to in Rule 4.16.1 above shall not redistribute such information other than to the extent and in the manner as may be expressly permitted by AEGIS-SEF in writing from time to time.

**4.17 *Disaster Recovery; Business Continuity.***

- 4.17.1 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. At a minimum, the following areas must be addressed in the Participant's policies and procedures:
- (a) the Participant must have procedures in place to allow it to continue to operate during periods of stress or to transfer accounts to another fully operational Participant with minimal disruption to the AEGIS-SEF Platform;
  - (b) the Participant must 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 and provide AEGIS-SEF with information regarding the foregoing upon request; and
  - (c) the Participant must maintain and, at the request of AEGIS-SEF, provide accurate and complete information for its key personnel. A Participant must inform AEGIS-SEF in a timely manner whenever a change to its key personnel is made.
- 4.17.2 AEGIS-SEF may prescribe additional and/or alternative requirements for a Participant's compliance with this rule.

**4.18 *Part 45 Reporting.***

4.18.1 Reporting Swap Creation Data.

- (a) (I) Part 45 of the CFTC's Regulations sets forth the rules regarding regulatory reporting. For any swap executed on or pursuant to the rules of the AEGIS-SEF Platform, Sections 45.3(a) and 45.10(a) of the CFTC's Regulations require AEGIS-SEF to report required swap creation data, as described in Appendix 1 to Part 45 ("**Creation Data**"), to a single Swap Data Repository ("**SDR**") in the manner provided in Section 45.13(a) of the CFTC's Regulations not later than the end of the next business day following the execution date of such swap.
- (II) **Alternative Approach to Reporting.** If the CFTC in approving AEGIS-SEF's SEF Application, or in interpretive guidance applicable to SEFs only trading SEF Contracts that are both Permitted Transactions and Hedging Contracts, if the CFTC allows the following alternative approach to reporting, then for each such SEF Contract (i) that is both a Permitted Transaction and a Hedging Contract, (ii) in which at least one

party to such SEF Contract is a registered Swap Dealer, and (iii) such Swap Dealer is the reporting party or the reporting counterparty under CFTC Regulation Section 45.8 with respect to such SEF Contract and any swap underlying such SEF Contract, then such Swap Dealer shall report both Creation Data and Continuation Data with respect to the swap underlying such SEF Contract and AEGIS-SEF shall have no reporting obligations under CFTC Regulation Parts 43 or 45 with respect to such SEF Contract and the swap underlying such SEF Contract. Similarly, AEGIS-SEF shall have no other obligations with respect to such SEF Contract or the swap underlying such SEF Contract under any provision of Rule 4.18.1 or Rule 4.18.2.

- (b) For any swap executed on or pursuant to the rules of the AEGIS-SEF Platform, Section 45.5(a) of the CFTC's Regulations requires AEGIS-SEF to generate and assign a Unique Transaction Identifier ("UTI") at or as soon as technologically practicable following the execution of such swap, and prior to the reporting of required swap creation data, which UTI shall consist of a single data field that contains two components: (i) the legal entity identifier ("LEI") of AEGIS-SEF, and (ii) an alphanumeric code generated and assigned by such SEF, which shall be unique with respect to all such codes generated and assigned by AEGIS-SEF. AEGIS-SEF shall transmit the UTI electronically to (A) the SDR to which AEGIS-SEF reports required swap Creation Data for the swap as a part of that report, (B) to each counterparty to the swap, as soon as technologically practicable after execution of the swap; and (C) to the DCO, if any, to which the swap is submitted for clearing, as part of the required swap Creation Data transmitted to the DCO for clearing purposes.
- (c) A Participant or the Participant's counterparty must transmit all data required to be reported under CFTC Regulation Part 45 for any Block Trades to AEGIS-SEF as soon as technologically practicable after execution.
- (d) AEGIS-SEF may enter into contractual relationships with third party service providers to transmit the required swap Creation Data to such SDR.
- (e) Participant must provide AEGIS-SEF with sufficient information to enable AEGIS-SEF to report all Creation Data, including without limitation:
  - (i) The Legal Entity Identifier of the Participant;
  - (ii) A yes/no indication of whether Participant is a Swap Dealer with respect to the product with respect to which the Order is placed;
  - (iii) A yes/no indication of whether Participant is a Major Swap Participant with respect to the product with respect to which the Order is placed.
  - (iv) A yes/no indication of whether Participant is a financial entity as defined in CEA Section (2)(h)(7)(C);
  - (v) A yes/no indication of whether Participant is a U.S. Person;

- (vi) For each SEF Contract that is a Hedging Contract, an indication which Participant(s) will elect the End-User Exception or the Hedging Affiliate Exception, if applicable, for any swap resulting from the Order; and
  - (vii) Any other information reasonably requested by AEGIS-SEF for such reporting.
- (f) To the extent required, AEGIS-SEF shall also perform any reporting required under Part 43, Real-Time Reporting, of the CFTC's Regulations. AEGIS-SEF shall have the authority to charge fees for any services provided pursuant to this Rule 4.18.1; provided, however, that such fees shall be equitable and non-discriminatory.

#### 4.18.2 Reporting Continuation Data.

- (a) Part 45 of the CFTC's Regulations requires Continuation Data to be reported to the same Swap Data Repository referenced in Rule 4.18.1 during the life of any Transaction. Continuation Data includes life-cycle event data, as defined in Section 45.1 of the CFTC Regulations, or any successor regulation thereto, and Valuation Data.
- (b) Pursuant to Section 45.4(d) of the CFTC Regulations, Continuation Data for any uncleared Transaction, whether or not the Transaction is executed on a Swap Execution Facility, will be reported to the relevant Swap Data Repository by the Reporting Counterparty.
- (c) AEGIS-SEF will have no obligation to fulfill any requirements to report Continuation Data for any Participant, including Valuation Data.
- (d) If AEGIS-SEF fulfills any requirements to report Continuation Data for any Participant that is a Reporting Counterparty, such Participant will at all times remain responsible for the performance of any and all regulatory reporting requirements imposed on such Participant under Part 45 of the CFTC Regulations.

#### **4.19 *Publication of Trading Information.***

AEGIS-SEF will publish trading information as required by CEA Section 5h(f)(9) and CFTC Regulations Parts 16 and 37. If and to the extent required thereby, AEGIS-SEF shall make public: (i) daily information on Settlement Prices, volume, open interest, and opening and closing ranges for any actively traded OTOB SEF Contracts on the AEGIS-SEF Platform, and (ii) daily information on prices, volume, and other relevant terms for each Bespoke SEF Contract executed that day using the RFQ Function on the AEGIS-SEF Platform. Such trading information will be published, in an anonymized form, on the AEGIS-SEF website at the end of the day.

#### **4.20 *Trade Practice Surveillance, Market Monitoring and Financial Surveillance; Information Security; Business Continuity-Disaster Recovery Planning and Resources; and Anti-Money Laundering and Anti-Terrorism (KYC).***

As more fully described in Exhibit O, Documentation of Trade Practice, Market and Financial Surveillance Protocols, to its SEF Application, AEGIS-SEF will perform trade practice surveillance,

market monitoring, and financial surveillance, through its CCO and other AEGIS-SEF personnel as required by Core Principle 4, Monitoring of Trading and Trade Processing, Core Principle 5, Ability to Obtain Information, Core Principle 6, Position Limits or Accountability, and Core Principle 7, Financial Integrity of Transactions, of Section 5h of the CEA, and Subparts C through H of Part 37 of the CFTC Regulations.

AEGIS-SEF will maintain information security, and business continuity-disaster recovery planning and resources, in accordance with Core Principle 14, System Safeguards, of Section 5h of the CEA, and Subpart O – System Safeguards of Part 37 of the CFTC Regulations (17 C.F.R. Sections 37.1400 and 37.1401).

AEGIS-SEF will perform periodic (at least annually) testing of its surveillance systems, data privacy methods, and disaster recovery plan and will provide updates and improvements thereto from time to time based on the performance of such testing.

**Anti-Money Laundering and Anti-Terrorism.** Although AEGIS-SEF is not a party to any OTOB SEF Contract or any Bespoke SEF Contract, it is, nevertheless, AEGIS-SEF's policy (a) not to engage in or knowingly assist any money laundering or other illicit business; and (b) not to engage in or knowingly assist, or be a conduit for, terrorist financing.

Accordingly, prior to execution of each OTOB SEF Contract or Bespoke SEF Contract proposed to be executed using the AEGIS-SEF Platform, the Participants that are, or will be, counterparties under each such SEF Contract will be required to provide to AEGIS-SEF sufficient information relating to each Participant's counterparty, and Broker Firms will be required to provide to AEGIS-SEF sufficient information relating to any Broker Firm's Trading Customer's counterparty, for AEGIS-SEF to confirm that "know your customer" inquiries have been made and AEGIS-SEF may elect to conduct restricted list searches, including searches against the Specially Designated Nationals and Blocked Persons list maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury, with respect to each such counterparty.

## **SECTION V. CONTRACTS TO BE TRADED**

### **5.1 *Listing Procedures for Participants Seeking to List a New OTOB SEF Contract.***

Pursuant to CFTC Regulations Section 37.4, AEGIS-SEF, acting on its own volition without any request from a Participant, may propose the listing of a swap as an OTOB SEF Contract on the AEGIS-SEF Platform, subject to complying with Rule 5.2 of the AEGIS-SEF Rulebook and to objectively justifiable commercial criteria. Any Participant may propose to AEGIS-SEF the listing of a swap as an OTOB SEF Contract on the AEGIS-SEF Platform by submitting a listing application to AEGIS-SEF. The President of AEGIS-SEF, whether acting on its own volition or in response to a request from a Participant, shall have authority, subject to complying with Rule 5.2 and to objectively justifiable commercial criteria, to submit a proposed OTOB SEF Contract to the CFTC, either with a request for prior approval pursuant to CFTC Regulations Section 40.3, or with a self-certification pursuant to CFTC Regulations Section 40.2.

### **5.2 *Swaps Not Readily Susceptible to Manipulation.***

Before the President of AEGIS-SEF submits a swap to the CFTC for prior approval or with a self-certification as an OTOB SEF Contract, the Chief Compliance Officer of AEGIS shall determine that

such swap is not readily susceptible to manipulation, and shall submit to the CFTC the information required by Appendix C to Part 38 of the CFTC's Regulations to show that such swap complies with the CFTC's Core Principle 3 for SEFs, namely that:

- (a) For cash-settled swaps, documentation demonstrating that the Settlement Price index is a reliable indicator of market values and conditions, is highly regarded by industry/market agents, and is publicly available on a timely basis;
- (b) Where an independent, private-sector third party calculates the referenced price index, verification that the third party utilizes business practices that minimize the opportunity or incentive to manipulate the cash Settlement Prices included in the index;
- (c) Any other available information demonstrating that the referenced price index calculation procedures safeguard against potential attempts to artificially influence the price, and a description of how the calculation procedures eliminate or reduce the impact of potentially unrepresentative data;
- (d) Appropriate speculative limits, if necessary, to prevent manipulation; and
- (e) Procedures for intraday market restrictions that pause or halt trading in the event of extraordinary price moves that may result in distorted prices.

## **SECTION VI. CODE OF CONDUCT**

### **Preamble**

This code of conduct defines and reaffirms the values, principles and internal controls that Participants, Authorized Users, and Broker Firms as applicable, must follow in conducting their business activities on the AEGIS-SEF Platform. This code of conduct is intended to complement the internal principles and practices of Participants, Authorized Users, and Broker Firms and to guide market participants as they submit bids and offers, execute Transactions, and use other services on the AEGIS-SEF Platform. Compliance with this code helps ensure that activity on the AEGIS-SEF Platform is conducted with integrity. Violations of this code of conduct may result in penalties including, but not limited to, temporary or permanent loss of access to the AEGIS-SEF Platform.

### **6.1 Ethical Standards.**

Conducting trading activities in an honorable and principled manner consistent with this code is the essence of ethical conduct with respect to the AEGIS-SEF Platform. Participants, Authorized Users, and Broker Firms shall act in accordance with these standards of ethics with regard to its SEF activity:

- 6.1.1 **Regulatory Compliance.** No Participant, Authorized User, or Broker Firm shall engage in conduct that is a violation of the CEA or CFTC Regulations, or the Rules of the and will conduct its business in accordance with all applicable laws, regulations, tariffs and rules, and in good faith, with a commitment to honest dealing.

- 6.1.2 **Fraud.** No Participant, Authorized User, or Broker Firm shall engage in any fraudulent act or engage in any scheme to defraud, deceive, trick or mislead in connection with or related to any SEF activity.
- 6.1.3 **Good Faith.** No Participant, Authorized User, or Broker Firm shall knowingly enter, or cause to be entered, bids or offers into the system other than in good faith for the purpose of executing bona fide transactions.
- 6.1.4 **Transaction Integrity.** Participants, Authorized Users, and Broker Firms shall honor the terms and conditions of the Rules and SEF Requirements and will transact in SEF Contracts only for legitimate business purposes.
- 6.1.5 **Antitrust.** No Participant, Authorized User, or Broker Firm shall collude with other Persons to affect the price or supply of any commodity, allocate territories, customers or SEF Contracts, or otherwise unlawfully restrain competition.
- 6.1.6 **Risk Management.** Participants and Broker Firms shall adopt, adhere to and enforce risk management and other policies and structures that are designed to ensure that trading activities are conducted in accordance with this Code.

## **6.2 Sound Trading Practices.**

Commodity markets reflect the constantly changing dynamics of supply and demand. Efficient business operations in such an environment demand practices that can manage risk and discover market prices. Such practices must be consistent with the guiding ethical standards of this code of conduct. Participants, Authorized Users, and Broker Firms will each act in accordance with these standards of sound trading practices with regard to its SEF activity:

- 6.2.1 **Skills.** Each Participant, Authorized User, and Broker Firm is responsible for understanding all factors that influence commodity markets, in order to maintain a high level of competence in its trading. All Participants, Authorized Users, and Broker Firms must actively and continually work to upgrade their skills, knowledge, and expertise in order to maintain a high standard of professional knowledge.
- 6.2.2 **Rules.** AEGIS-SEF will provide updates to these Rules and memos regarding the application and interpretation of these Rules. It is the obligation of each Participant, Authorized User, and Broker Firm to ensure these documents are read and understood. It shall be prohibited for a Participant, Authorized User, or Broker Firm to violate any Rule or any agreement made with AEGIS-SEF, or to engage in fraud, dishonorable or dishonest conduct, or conduct which is inconsistent with just and equitable principles of trade.
- 6.2.3 **Price Manipulation, Fictitious, Non-Competitive or Artificial Transactions.** No Person shall effect or induce the purchase or sale of any SEF Contract for the purpose of creating or inducing a false, misleading, or artificial appearance of activity in such SEF Contract, or for the purpose of unduly or improperly influencing the market price of such SEF Contract or for the purpose of making a price which does not reflect the true state of the market in such SEF Contract. No Person shall arrange and execute simultaneous offsetting buy and sell Orders in a SEF Contract with intent to artificially affect reported revenues, trading volumes or prices.

- 6.2.4 **Market Manipulation.** No Person shall attempt to manipulate, or manipulate the market, in any SEF Contract. No Person shall directly or indirectly participate in or have any interest in the profit of a manipulative operation or knowingly manage or finance a manipulative operation. This includes any pool, syndicate, or joint account, whether in corporate form or otherwise, organized or used intentionally for the purposes of unfairly influencing the market price of any SEF Contract.
- 6.2.5 **Market Disruption.** Orders entered on the AEGIS-SEF Platform for the purpose of upsetting the equilibrium of the market in any SEF Contract or creating a condition in which prices do not or will not reflect fair market values are prohibited, and any Person who 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 an act detrimental to the AEGIS-SEF Platform.
- 6.2.6 **Gratuities.** Except with the prior written approval of the Chief Compliance Officer, no Person shall, directly or indirectly, give or permit to be given anything of value, including gifts and gratuities, to a SEF Official in an amount that exceeds the maximum value permitted by AEGIS-SEF's gifts and entertainment policy.
- 6.2.7 **Disruptive Trading Practices.** No Person shall engage in any trading, practice, or conduct that constitutes a disruptive trading practice, as defined in CEA Section 4c(a)(5) (7 U.S.C. 6c(a)(5)), or in any interpretive guidance issued by the CFTC, such as 78 Fed. Reg. 31890.
- 6.2.8 **Rumors.** No Person shall knowingly circulate, in any manner, rumors that might affect market conditions in any SEF Contract; provided, however, that this shall not prohibit discussion of unsubstantiated information, so long as its source and unverified nature are disclosed.
- 6.2.9 **False Reports.** No Person shall make any knowing misstatement of a material fact to AEGIS-SEF, any SEF Official, or any Board committee or Disciplinary or Appeals Panel. No Person shall knowingly disseminate false or misleading reports regarding Transactions, AEGIS-SEF or one or more commodity markets.
- 6.2.10 **Wash Sales.** No Person shall place or accept buy and sell Orders in the same product and expiration month, when they know 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 or referred to as wash sales). Buy and sell Orders that are entered with the intent to negate market risk or price competition shall be deemed to violate the prohibition on wash sales. Additionally, no Participant shall knowingly execute or accommodate the execution of such Orders by direct or indirect means.
- 6.2.11 **Financial Condition.** No trading will be conducted for the purpose of misrepresenting the financial condition of the Participant, Authorized User, or Broker Firm.
- 6.2.12 **Acts Detrimental to the AEGIS-SEF Platform.** No Person shall engage in any act that is detrimental to the AEGIS-SEF Platform. Misuse of the AEGIS-SEF Platform is strictly prohibited. It shall be deemed an act detrimental to the AEGIS-SEF Platform to permit unauthorized use of the AEGIS-SEF Platform, to assist any Person in obtaining unauthorized access to the AEGIS-SEF Platform, to trade on the AEGIS-SEF Platform without an agreement

and an established account, to alter the equipment associated with the AEGIS-SEF Platform (except with AEGIS-SEF's consent), to interfere with the operation of the AEGIS-SEF Platform, to intercept or interfere with information provided thereby, or in any way to use the AEGIS-SEF Platform in a manner contrary to the Rules.

6.2.13 **Supervision.** Participants and Broker Firms shall establish, maintain and administer reasonable supervisory procedures to monitor the compliance of Authorized Users and Supervised Persons with the Rules and any applicable provisions of the CEA or CFTC Regulations and such Participant or Broker Firm may be held accountable for the actions of such Authorized Users or Supervised Persons.

6.2.14 **Disclosing Order Information.** No Person shall disclose an Order to buy or sell, except to a designated SEF Official or the CFTC or as necessary to efficiently execute the Order nor shall any Person solicit or induce another Person to disclose Order information. No Person shall take action or direct another to take action based on non-public Order information, however acquired. The mere statement of opinions or indications of the price at which a market may open or resume trading does not constitute a violation of this rule.

### 6.3 ***Priority of Customer Orders.***

6.3.1 No Person shall knowingly enter an Order into the AEGIS-SEF Platform for its own account, an account in which it has a direct or indirect financial interest, or an account over which it has discretionary trading authority, including, without limitation, an Order allowing discretion as to time and price, when such Person is in possession of a Customer Order that can be but has not been submitted to the AEGIS-SEF Platform.

6.3.2 For purposes of this Rule 6.3, a Person will not be deemed to knowingly buy or sell a SEF Contract or execute a discretionary Order if (i) such Person is a corporate or other legal entity consisting of more than one individual trader; (ii) such Person has in place appropriate "firewall" or separation of function procedures; and (iii) the Person or Authorized User buying or selling the SEF Contract or executing the discretionary Order in question has no direct knowledge of the Order to buy or sell the same SEF Contract for any other Person at the same price or at the market price or of the Customer Order for the same SEF Contract, as the case may be.

### 6.4 ***Trading Against Customer Orders.***

6.4.1 **General Prohibition.** No Person in possession of a Customer Order shall knowingly take, directly or indirectly, the opposite side of such Order for its own account, an account in which it has a direct or indirect financial interest, or an account over which it has discretionary trading authority.

6.4.2 **Exceptions.** The foregoing restriction does not prohibit permissible pre-execution discussions conducted in accordance with Rule 6.9.4 and shall not apply to the following:

- (a) Block Trades affected pursuant to Rule 4.11;
- (b) A trade knowingly made by a Person on the AEGIS-SEF Platform against a Customer Order for its own account, an account in which it has a direct or indirect financial

interest, or an account over which it has discretionary trading authority if the Customer Order has been entered immediately upon receipt and has first been exposed on the AEGIS-SEF Platform for a minimum of five (5) seconds; or

- (c) Transactions in which the Customer has consented in writing prior to the transaction to waive the application of this Rule 6.4 as long as: (1) the Participant or Broker Firm has clearly notified the Customer that the Participant or Broker Firm may take, directly or indirectly, the opposite side of such Customer's Order for its own account, an account in which it has a direct or indirect financial interest, or an account over which it has discretionary trading authority; (2) the Participant or Broker Firm has waited for a minimum of five (5) seconds after first entering the Order received from the Customer into the AEGIS-SEF Platform before taking the opposite side of the transaction; and (3) the Participant or Broker Firm maintains a record that clearly identifies, by appropriate descriptive words, all such transactions, including the time of execution, Commodity, date, price, quantity and delivery month and provides a copy of such record to AEGIS-SEF.

## **6.5 *Crossing Orders.***

- 6.5.1 Opposite Orders for different beneficial owners that are placed by a Person with discretion (including time and price discretion) over both accounts may be entered into the Order Book on the AEGIS-SEF Platform, as long as one Order is exposed for a minimum of five (5) seconds before the other Order is entered into the Order Book and offset against the first Order.
- 6.5.2 Independently initiated Orders on opposite sides of the market for different beneficial account owners that are immediately executable against each other may be entered without delay provided that the Orders did not involve pre- execution communications.

## **6.6 *Withholding of Customer Orders Prohibited.***

No Broker Firm shall withhold or withdraw from the market any Customer Order, or any part of an Order, for the benefit of any Person other than the Customer.

## **6.7 *Priority of Execution.***

- 6.7.1 Customer Orders must be entered into the AEGIS-SEF Platform as soon as practicable. A Broker Firm that receives a Customer Order that is not immediately entered into the AEGIS-SEF Platform must create a non-erasable record of the Order, including the Order instructions, account designation, date, time of receipt and any other information that may be required by AEGIS-SEF.
- 6.7.2 Customer Orders received by a Broker Firm shall be entered into the AEGIS-SEF Platform in the sequence received. Customer Orders that cannot be immediately entered into the AEGIS-SEF Platform must be entered when the Orders become executable in the sequence in which the Orders were received.
- 6.7.3 Nondiscretionary Customer Orders received by a Broker Firm shall be entered into the AEGIS-SEF Platform in the sequence in which they were received. Nondiscretionary Customer Orders that cannot be immediately entered into the AEGIS-SEF Platform must be

entered when the Orders become executable in the sequence in which the Orders were received.

**6.8 Responsibility for Customer Orders.**

- 6.8.1 A Broker Firm must exercise due care in the handling and execution of Customer Orders. In the case of a dispute as to whether a Broker Firm has exercised due care, AEGIS-SEF is authorized to determine whether the Broker Firm was negligent and, if applicable, whether an adjustment is owed to the Customer.
- 6.8.2 A Broker Firm may not directly or indirectly guarantee the execution of an Order or any of its terms such as the quantity or price and may only report an execution that has been effected on the AEGIS-SEF Platform or pursuant to the Rules. This Rule 6.8 shall not be construed to prevent a Broker Firm from assuming or sharing in the losses resulting from an error or the mishandling of an Order.
- 6.8.3 A Broker Firm may not adjust the price at which an Order was executed or be held responsible for executing or failing to execute an Order unless such Broker Firm was negligent or is settling a bona fide dispute regarding negligence. Broker Firms shall document all adjustments. Broker Firms shall make and retain a record that contains the date the adjustment was made, the name of the Broker Firm making the adjustment, the account to which the adjustment was credited, the amount of the adjustment, the Order number, and the reason for the adjustment. Such records must be provided to AEGIS-SEF upon request.

**6.9 Money Passing, Pre-Arranged, Pre-Negotiated and Noncompetitive Trades Prohibited.**

- 6.9.1 No Person may enter Orders the purpose of which is to enter into Contracts without a net change in either party's open positions but a resulting profit to one party and a loss to the other party, commonly known as a "money pass."
- 6.9.2 No Person shall prearrange or pre-negotiate any purchase or sale or noncompetitively execute any Transaction, except as provided in Rule 6.9.3 or Rule 6.9.4.
- 6.9.3 The foregoing restriction shall not apply to Block Trades affected pursuant to Rule 4.11.
- 6.9.4 Participants and Authorized Users may engage in pre-execution communications with regard to transactions executed or to be executed on the AEGIS-SEF Platform if one party (the first party) wishes to be assured that a contra party (the second party) will take the opposite side of the first party's Order, subject to the following restrictions:
  - (a) A party may not engage in pre-execution communications with other market participants on behalf of another party unless the party for whose benefit the trade is being made has previously consented to permit such communications.
  - (b) Parties to pre-execution communications shall not disclose to a non-party the details of such communications or enter an Order to take advantage of information conveyed during such communications except in accordance with this rule.

- (c) The first party's Order must be entered into the AEGIS-SEF Platform first, and the second party's Order may not be entered into the AEGIS-SEF Platform until a period of five (5) seconds has elapsed from the time entry of the first Order.

**6.10 *Disciplinary Procedures; Termination of Connection.***

6.10.1 All access denials, suspensions, expulsions and other restrictions imposed upon a Participant, Authorized User, or Broker Firm by AEGIS-SEF pursuant to Disciplinary Proceedings shall restrict with equal force and effect, access to, and use of, the AEGIS-SEF Platform.

6.10.2 AEGIS-SEF, at its sole discretion, shall have the right to summarily terminate the connection of any Participant, Authorized User, or Broker Firm or the access of any User ID to the AEGIS-SEF Platform. Additionally, AEGIS-SEF, at its sole discretion, shall have the right to direct a Participant to immediately terminate access to the AEGIS-SEF Platform for any of such Participant's Authorized Users.

**6.11 *Position Limits and Accountability.***

6.11.1 AEGIS-SEF does not have any SEF Contracts subject to position limits at this time. So long as AEGIS-SEF only allows trading of Permitted Transactions that satisfy the requirements of Rule 4.6.3, all of the SEF Contracts traded on AEGIS-SEF Platform will be Permitted Transactions that are bona fide hedging transactions, which are not subject to position limits for speculative transactions.

6.11.2 The CFTC may also from time to time establish position limits for SEF Contracts traded pursuant to these Rules. For any future SEF Contract subject to a position limit set by the CFTC, AEGIS-SEF shall not set its position limit at a level higher than the CFTC's limit.

6.11.3 AEGIS-SEF will demonstrate compliance with Commission Regulation 37.600 for Permitted Transactions by sending the Commission a list of Permitted Transactions traded on the AEGIS-SEF Platform.

6.11.4 This Rule shall not limit the jurisdiction of AEGIS-SEF to take action that it determines necessary or appropriate in respect of any positions on the AEGIS-SEF Platform.

**6.12 *Aggregation of Positions.***

For purposes of Rule 6.11, positions in SEF Contracts shall be aggregated as required under CFTC Regulations.

**6.13 *Information Disclosure and Documentation.***

6.13.1 Participants, Authorized Users, and Broker Firms shall provide information relating to SEF Contracts to regulators in compliance with all applicable rules and requirements and continue to cooperate with regulators as reasonably necessary to assist in their understanding of the markets.

6.13.2 Participants, Authorized Users, and Broker Firms shall ensure that any information disclosed to AEGIS-SEF is accurate and consistent. No existing or prospective Participant, Authorized

User, and Broker Firm shall make any false statements or misrepresentations in any application, report or other communication to AEGIS-SEF.

**6.14 Compliance, Trade Practices Monitoring and Surveillance, and Markets Monitoring.**

6.14.1 Each Participant and Broker Firm will have a compliance program commensurate with the size and scope of its trading activities on the AEGIS-SEF Platform and designed to ensure appropriate, timely and ongoing review of trading practices and compliance with the Rules. Each Participant and Broker Firm will act in accordance with these practices for compliance and monitoring with regard to its AEGIS-SEF Platform activity:

- (a) Provide for proper training of personnel on the provisions of the Rules.
- (b) Maintain internal policies and procedures to promote compliance with the Rules.
- (c) Promptly disclose to AEGIS-SEF the details of any violations of the Rules involving Participant's or Broker Firm's activities on the AEGIS-SEF Platform or provision of market information to AEGIS-SEF or any of its Affiliates.
- (d) Provide an environment that encourages employees to engage in safe and confidential discussions and to disclose to senior management any trading practices that might violate the Rules.
- (e) Require any consultant, contractor and/or subcontractor to disclose all financial affiliations and conflict of interests. Ensure that consultants, contractors or subcontractors do not cause any disclosure of information in violation of this code and that confidentiality agreements are in effect where appropriate.
- (f) Establish clear lines of accountability for trading practices, including provisions relating to the responsibilities of corporate officers, with appropriate oversight by the board of directors or other senior corporate management committee.

6.14.2 Pursuant to Exhibit O to its SEF Application, AEGIS-SEF shall perform trade practices monitoring and surveillance, in order to ensure that AEGIS-SEF establishes and enforces trading, trade processing, and participation rules that will deter abuses and give AEGIS-SEF 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.

6.14.3 Pursuant to Exhibit O to its SEF Application, AEGIS-SEF shall perform market monitoring and surveillance in order to: (a) detect manipulation, price distortions and where possible, disruptions of the delivery or cash-settlement process; (b) monitor, detect and deter potential trade practice violations or market manipulation; (c) monitor, detect and investigate any anomalous behavior it observes in the trading or use of its SEF platform by Participants and compare the behavior of its Participants to behavior of Affiliates of Participants observed either on its SEF platform or through its monitoring of market data and news services to monitor, detect and deter potential trade practice violations or market manipulation; (d) review busted trades and any trades negotiated using the Order Book Function or the RFQ Function that are subsequently reversed or cancelled to determine

whether they were executed pursuant to the CFTC Regulations and the AEGIS-SEF Rulebook or other applicable guidelines; and (e) use its audit trail data and other available information to review selected trades to determine whether they were executed in conformity with AEGIS-SEF's and the CFTC's applicable regulations and guidelines.

## **SECTION VII. DISCIPLINE AND ENFORCEMENT**

### **7.1 General.**

- (a) Participants, Authorized Users and other Persons within AEGIS-SEF's jurisdiction are subject to this Section VII if they are alleged to: (i) have violated; (ii) have aided and abetted a violation of; (iii) be violating; or (iv) be about to violate, any Rule of AEGIS-SEF.
- (b) Except when the Board reserves responsibility for an inquiry or investigation to itself or delegates its responsibility to a committee of the Board, AEGIS-SEF will conduct inquiries, investigations, Disciplinary Proceedings and appeals from Disciplinary Proceedings, summary impositions of fines, summary suspensions or other summary actions in accordance with this Section VII.
- (c) AEGIS-SEF may delegate any or all of its powers or responsibilities under this Section VII to the Market Regulation Department, which may take any actions on behalf of AEGIS-SEF that AEGIS-SEF is permitted to take hereunder. In the event of any such delegation, references to AEGIS-SEF in this Section VII shall be construed to be references to the Market Regulation Department. The Market Regulation Department will maintain an enforcement staff that will effectively and promptly prosecute violations in accordance with this Section VII. The enforcement staff may not include persons that are associated with Participants using the AEGIS-SEF Platform or persons whose interests conflict with their enforcement duties. Further, a member of the enforcement staff may not operate under the direction or control of any Participant. Any reference to the Market Regulation Department in this Section VII shall also be a reference to the enforcement staff.
- (d) No member of the staff of AEGIS-SEF will interfere with or attempt to influence the process or resolution of any inquiry, investigation, Disciplinary Proceeding, appeal from a Disciplinary Proceeding, summary imposition of fines, summary suspension or other summary action. No member of the Board will interfere with or attempt to influence the process or resolution of any inquiry, investigation, Disciplinary Proceeding, appeal from a Disciplinary Proceeding, summary imposition of fines, summary suspension or other summary action with respect to which the Board member is not a member of the relevant Disciplinary Panel or Appeal Panel.
- (e) Upon being served with a notice of charges, the respondent may be represented by counsel or any other representative of its choosing, at its own expense, in all succeeding stages of the disciplinary process pursuant to this Section VII.
- (f) Pursuant to this Section VII, AEGIS-SEF may hold:

- (i) a Participant liable, and impose sanctions against such Participant, for such Participant's own acts and omissions that constitute a violation of Applicable Law;
- (ii) a Participant liable, and impose sanctions against such Participant, for the acts and omissions of each Authorized User authorized by, and each other agent or representative of, such Participant that constitute a violation of Applicable Law as if such violation were that of the Participant;
- (iii) an Authorized User liable, and impose sanctions against him or her, for such Authorized User's own acts and omissions that constitute a violation of Applicable Law;
- (iv) an Authorized User liable, and impose sanctions against him or her, for the acts and omissions of each agent or representative of such Authorized User that constitute a violation of Applicable Law as if such violation were that of the Authorized User; and
- (v) The Board shall appoint individuals on Disciplinary Panels and Appeal Panels at the recommendation of the Chief Compliance Officer to serve for a term of one year subject to reappointment, removal or replacement by the Board. The term of an individual selected as a member of a Disciplinary Panel or an Appeal Panel will not expire until the relevant Disciplinary Proceedings are complete.

## **7.2 *Inquiries and Investigation.***

- (a) The Market Regulation Department will investigate any matter within AEGIS-SEF's disciplinary jurisdiction that is brought to the attention of the Market Regulation Department. An investigation must be commenced upon the receipt of a request from the CFTC staff or upon the discovery or receipt of information by AEGIS-SEF that, in the judgment of the Market Regulation Department, indicates a possible basis for finding that a violation has occurred or will occur. The Market Regulation Department will determine the nature and scope of its preliminary inquiries and investigations within its sole discretion.
- (b) The Market Regulation Department has the authority to:
  - (i) initiate and conduct preliminary inquiries and investigations;
  - (ii) prepare investigative reports and make recommendations concerning the initiation of Disciplinary Proceedings;
  - (iii) prosecute alleged violations within AEGIS-SEF's disciplinary jurisdiction; and
  - (iv) represent AEGIS-SEF on appeal from any Disciplinary Proceeding, summary imposition of fines, summary suspension or other summary action.
- (c) Each Participant, Authorized User and other Person subject to AEGIS-SEF's jurisdiction:

- (i) is obligated to appear and testify and respond in writing to inquiries within the time period required by the Market Regulation Department in connection with (A) any SEF Business or Rule of AEGIS-SEF; (B) any preliminary inquiry or investigation; or (C) any preparation by and presentation during a Disciplinary Proceeding or appeal from a decision in a Disciplinary Proceeding, summary imposition of fines, summary suspension or other summary action by AEGIS-SEF;
- (ii) is obligated to produce books, records, papers, documents or other tangible evidence in its, his or her possession, custody or control within the time period required by the Market Regulation Department in connection with (A) any Rule of AEGIS-SEF; (B) any inquiry or investigation; or (C) any preparation by and presentation during a Disciplinary Proceeding or appeal from a decision in any Disciplinary Proceeding, summary imposition of fines, summary suspension or other summary action by AEGIS-SEF; and
- (iii) may not impede or delay any preliminary inquiry, investigation, Disciplinary Proceeding, appeal from a Disciplinary Proceeding, summary imposition of fines, summary suspension or other summary action.

### **7.3 Reports of Investigations.**

- (a) The Market Regulation Department will maintain a log of all investigations and their disposition. The Market Regulation Department will prepare a written report of an investigation for the Chief Compliance Officer when the evidence gathered during any inquiry or investigation forms a reasonable basis to believe that a violation within AEGIS-SEF's jurisdiction has occurred or is about to occur. Any such written investigation report will include the following information:
  - (i) the reason(s) for initiating the investigation;
  - (ii) a summary of the complaint, if any;
  - (iii) all relevant facts and evidence gathered;
  - (iv) the Market Regulation Department's analysis and conclusions; and
  - (v) the recommendation of the Market Regulation Department as to whether disciplinary action should be pursued.
- (b) For each potential respondent, the Market Regulation Department will recommend any one of the following actions:
  - (i) closing the investigation without further action;
  - (ii) resolving the investigation through an informal disposition, including the issuance of a warning letter; or
  - (iii) initiating Disciplinary Proceedings.

- (c) If the Market Regulation Department determines that no reasonable basis exists for finding a violation, then the written investigation report will include the following information:
  - (i) the reasons for initiating the investigation;
  - (ii) if the investigation was initiated by a complaint from a market participant or regulator, a summary of the complaint;
  - (iii) all relevant facts and evidence gathered; and
  - (iv) the Market Regulation Department's analysis and conclusions.
- (d) After reviewing the Market Regulation Department's written investigation report, the Chief Compliance Officer will either:
  - (i) decline to forward the investigative report to a Review Panel for further review;
  - (ii) forward the investigative report to a Review Panel for further review without a recommendation regarding the initiation of Disciplinary Proceedings; or
  - (iii) forward the investigative report to a Review Panel for further review with a recommendation to initiate Disciplinary Proceedings.
- (e) Each Market Regulation Department investigation must be completed in a timely manner. Absent mitigating factors, a timely manner is no later than twelve (12) months after the date that an investigation is opened. Mitigating factors that may reasonably justify an investigation taking longer than twelve (12) months to complete include the complexity of the investigation, the number of firms or individuals involved as potential wrongdoers, the number of potential violations to be investigated, and the volume of documents and data to be examined and analyzed.
- (f) In addition to any of the actions permitted pursuant to this Rule 7.3, the Market Regulation Department may issue a warning letter to the potential respondent. Such warning letter, if issued, shall not be construed as a penalty or an indication that a finding of a violation has been made. A copy of such warning letter that is issued shall be included in the investigation report of such potential respondent. No more than one warning letter for the same potential violation may be issued to the same potential respondent during any rolling twelve (12) month period.

#### **7.4 *Review of Investigative Reports.***

- (a) The Review Panel shall review the written investigation reports prepared by the Market Regulation Department to determine whether further action with respect to the matters discussed therein is required.

- (b) The Review Panel will review each completed investigation report promptly after receipt thereof and, within twenty (20) days of such receipt, take one of the following actions:
  - (i) If the Review Panel determines that additional investigation or evidence is needed, the Review Panel shall promptly direct the Market Regulation Department to conduct further investigation;
  - (ii) If the Review Panel determines that no reasonable basis exists for finding a violation or that prosecution is otherwise unwarranted, the Review Panel may direct that no further action be taken. Such determination must be in writing, and must include a written statement setting forth the facts and analysis supporting the decision; or
  - (iii) If the Review Panel determines that a reasonable basis exists for finding a violation and adjudication is warranted, it must direct that the person or entity alleged to have committed the violation be served with a notice of charges.
- (c) Any member of the Review Panel must promptly recuse himself or herself and notify the Chief Compliance Officer of the recusal if such member has a relationship of a type listed in Rule 2.6.1 with a potential respondent in an investigative report.
- (d) The Review Panel shall be comprised of three members. Furthermore, no group or class of participants may dominate or exercise disproportionate influence on a Review Panel. In addition, the Review Panel must not include any members of the Market Regulation Department or any person involved in adjudicating any other stage of the same proceeding. No member of the Review Panel may participate in deliberations or voting on any matter in which he or she has a financial, personal or other direct interest. A Review Panel may not include any members of the Market Regulation Department or any person involved in adjudicating any other stage of the same proceeding. If a vacancy shall occur on a Review Panel after it has begun its proceedings, the remaining members shall complete consideration and disposition of the matter. Once a Review Panel has determined the matter for which it was appointed and has notified the Chief Compliance Officer in writing of its decision, it shall be dissolved automatically. Except as may otherwise be provided in these rules the Board may, at any time, with or without cause, remove any member of a Review Panel.

#### **7.5 Notice of Charges.**

- (a) If the Review Panel authorizes Disciplinary Proceedings pursuant to Rule 7.4, the Market Regulation Department will prepare, and serve in accordance with Rule 7.7, a notice of charges.
- (b) A notice of charges must:
  - (i) adequately state the acts, practices or conduct that the respondent is alleged to have engaged in;

- (ii) state the provision(s) of Applicable Law alleged to have been violated or about to be violated;
  - (iii) advise the respondent of its right to a hearing and its right to counsel;
  - (iv) state the period of time within which the respondent can request a hearing on the notice of charges, which will not be less than twenty (20) days after service of the notice of charges;
  - (v) advise the respondent that any failure to request a hearing within the period stated, except for good cause, will be deemed to constitute a waiver of the right to a hearing; and
  - (vi) advise the respondent that a failure to answer or to expressly deny a charge may be deemed to be an admission of such charge.
- (c) Upon being served with a notice of charges, the respondent has the right to be represented by legal counsel or any other representative of its choosing in all succeeding stages of the Disciplinary Proceedings, other than a Director, member of an applicable Disciplinary Panel, SEF employee or other person substantially related to the underlying investigation.

**7.6 Answer to Notice of Charges.**

- (a) If the respondent determines to answer a notice of charges, the respondent must file a written answer within twenty (20) days after being served with such notice, or within such later time period determined appropriate by the chairperson of the Review Panel.
- (b) To answer a notice of charges, the respondent must in writing:
  - (i) specify the allegations that the respondent denies or admits;
  - (ii) specify the allegations that the respondent does not have sufficient information to either deny or admit;
  - (iii) specify any specific facts that contradict the notice of charges;
  - (iv) specify any affirmative defenses to the notice of charges; and
  - (v) sign and serve the answer on the Hearing Panel.
- (c) Any failure by the respondent to timely serve a written answer to a notice of charges will be deemed to be an admission to the allegations in such notice. Any failure by the respondent to answer or expressly deny one or more allegations in a notice of charges will be deemed to be an admission of that allegation or those allegations. A general denial by the respondent, without more, will not satisfy the foregoing requirements.

- (d) If a respondent admits or fails to specifically deny any of the allegations in the notice of charges, the Hearing Panel shall find that such violations set forth in such allegations have been committed and shall impose a sanction for each such violation. The Hearing Panel shall promptly notify the respondent in writing of any sanction to be imposed pursuant to this Rule 7.6(d) and advise the respondent that it may request a hearing on such sanction within the time period specified in the notice. The failure to request such a hearing within such time period shall be deemed to constitute an acceptance of such sanction. Any hearing pursuant to this Rule 7.6(d) shall be concerned only with the sanction(s) imposed by the Hearing Panel pursuant to this Rule 7.6(d).

#### **7.7 Service of Notice of Charges.**

Any notice of charges or other documents contemplated to be served pursuant to this Section VII may be served upon the respondent either personally or by leaving the same at his or her place of business or by deposit with the United States post office, postage prepaid via registered or certified mail addressed to the respondent at the address as it appears on the books and records of AEGIS-SEF.

#### **7.8 Settlements.**

- (a) At any time after a notice of charges has been issued, the respondent may propose in writing an offer of settlement to anticipated or instituted Disciplinary Proceedings. Any offer of settlement must contain proposed findings and sanctions and be signed by the respondent or potential respondent and submitted to the Market Regulation Department. A respondent or potential respondent may offer to settle Disciplinary Proceedings without admitting or denying the findings contained in the order of the Disciplinary Proceedings, but must accept the jurisdiction of AEGIS-SEF over it and over the subject matter of the proceedings and consent to the entry of the findings and sanctions imposed under such offer of settlement.
- (b) The Review Panel or Hearing Panel, as applicable, may accept the offer of settlement, but may not alter the terms of a settlement offer unless the respondent or potential respondent agrees.
- (c) If an offer of settlement is accepted, the Review Panel or Hearing Panel, as applicable, must issue a written decision specifying the rule violations that the presiding panel has reason to believe were committed, including the basis or reasons for the presiding panel's conclusions, and any sanction to be imposed, which shall include full Customer restitution where Customer harm is demonstrated. Should an offer of settlement be accepted by the Hearing Panel without the agreement of the Market Regulation Department, such written decision must adequately support the Hearing Panel's acceptance of the settlement. If applicable, such written decision must also include a statement that the respondent has accepted the sanctions imposed without either admitting or denying the rule violations.
- (d) The respondent or potential respondent may withdraw his or her offer of settlement at any time before final acceptance by the presiding panel.

- (e) If the offer of settlement of a respondent or potential respondent is not accepted, fails to become final or is withdrawn before final acceptance by the presiding panel, the matter will proceed as if the offer had not been made and the offer (and all documents relating to it) will not become part of the record. Neither the respondent, the potential respondent, nor the Market Regulation Department may use an unaccepted offer of settlement as an admission or in any other manner at a hearing of, or appeal from, any Disciplinary Proceedings.
- (f) Any accepted settlement agreement shall include a waiver by the respondent of all rights to appeal or otherwise challenge or contest the validity of the settlement offer.

### **7.9 Hearing Panel.**

- (a) The Board will appoint a Hearing Panel to conduct hearings in connection with any Disciplinary Proceedings authorized by a Review Panel, to make findings and impose sanctions pursuant to this Section VII.
- (b) The Hearing Panel shall be comprised of three members. The chair of the Hearing Panel shall be appointed by the Board. No group or class of participants may dominate or exercise disproportionate influence on a Hearing Panel, and no member of the Hearing Panel may participate in deliberations or voting on any matter in which he or she has a financial, personal or other direct interest. A Hearing Panel may not include any members of the Market Regulation Department or any person involved in adjudicating any other stage of the same proceeding. If a vacancy shall occur on a Hearing Panel after it has begun its proceedings, the remaining members shall complete consideration and disposition of the matter. Once a Hearing Panel has determined the matter for which it was appointed and has notified the Chief Compliance Officer in writing of its decision, it shall be dissolved automatically. The Board may, at any time remove any member of a Hearing Panel for cause.
- (c) Any of the functions of AEGIS-SEF or the Hearing Panel under this Section VII may be performed by a Regulatory Service Provider pursuant to a delegation of such functions by AEGIS-SEF, and references to the Review Panel, the Hearing Panel or the Market Regulation Department, as appropriate, shall be deemed to be references to such Regulatory Service Provider. Nevertheless, AEGIS-SEF will retain exclusive authority in all substantive decisions made by any Regulatory Service Provider, including, but not limited to, denials of access to the AEGIS-SEF Platform for disciplinary reasons. AEGIS-SEF will document any instances where its actions differ from those recommended by the Regulatory Service Provider.
- (d) Within ten days of being notified of the appointment of a Hearing Panel, a respondent may seek to disqualify any individual named to the Hearing Panel for the reasons identified in Rule 2.6.1, or for any other reasonable grounds, by serving written notice on the General Counsel and providing a copy thereof to the Hearing Panel. By not timely filing a request for disqualification, the respondent will be deemed to have waived any objection to the composition of a Hearing Panel. The General Counsel will decide the merits of any request for disqualification within his or her sole discretion. Any such decision will be final and not subject to appeal.

#### **7.10 Convening Hearings of Disciplinary Proceedings.**

- (a) All Disciplinary Proceedings (except for summary impositions of fines pursuant to Rule 7.17) will be conducted at a hearing before a Hearing Panel. A hearing will be conducted privately and confidentially unless the Hearing Panel decides that the hearing, or any part of it, should be held in public after giving each respondent the opportunity to present its, his or her views on holding a public hearing. Notwithstanding the confidentiality of hearings, a Hearing Panel may appoint an expert to attend any hearing and assist in deliberations if such expert agrees to be subject to an appropriate confidentiality agreement.
- (b) After reasonable notice to each respondent, the Hearing Panel will promptly convene a hearing to conduct Disciplinary Proceedings with respect to such respondent. Parties to a Disciplinary Proceeding include each respondent and the Market Regulation Department. The hearing shall be conducted before members of the Hearing Panel.
- (c) The chairman of the Hearing Panel may continue, adjourn or otherwise conduct the hearing as he or she may deem appropriate. The chairman of the Hearing Panel will determine all procedural and evidentiary matters, including the admissibility and relevance of any evidence proffered. In determining procedural and evidentiary matters, the chairman of the Hearing Panel will not be bound by any evidentiary or procedural rules or law; nevertheless, the procedures for the hearing may not be so informal as to deny a fair hearing. Once admitted during the hearing, the Hearing Panel may consider, and attach the weight it believes appropriate to, evidence or other materials. AEGIS-SEF will provide guidance to the chairman of the Hearing Panel on the conduct of the hearing.
- (d) Except for procedural and evidentiary matters decided by the chairman of the Hearing Panel pursuant to paragraph (c) above and Rule 7.11, unless each respondent otherwise consents, the entire Hearing Panel must be present during the entire hearing and any related deliberations.

#### **7.11 Respondent Review of Evidence.**

- (a) Prior to the commencement of a hearing, each respondent will be given the opportunity to review all books, records, documents, papers, transcripts of testimony and other evidence in the possession or under the control of AEGIS-SEF that the Market Regulation Department will use to support the allegations and proposed sanctions in the notice of charges or which the chairman of the Hearing Panel deems relevant to those charges. Notwithstanding the foregoing, no respondent will have the right to review, and AEGIS-SEF will have no obligation to disclose, any information protected by attorney-client privilege.
- (b) If any books, records, documents, papers, transcripts of testimony or other tangible evidence contain information that could adversely affect the competitive position of the Person providing the information or if such information might compromise other investigations being conducted by the Market Regulation Department, the

Market Regulation Department may redact, edit or code such information before furnishing it to the respondent.

- (c) Notwithstanding anything in paragraph (b) above to the contrary, the Market Regulation Department:
  - (i) will not redact, edit or code competitive or investigative information contained in documents in a manner that would impair the respondent's ability to defend against the allegations or proposed sanctions in the notices of charges, and
  - (ii) will provide the respondent with access to the information and portions of the documents that the Market Regulation Department intends to rely on to support the allegations or proposed sanctions in the notice of charges or that are relevant to those charges.
- (d) For purposes of this Rule 7.11, information that could adversely affect competitive positions includes positions in SEF Contracts currently held, trading strategies employed in establishing or liquidating positions, the identity of Customers, and the personal finances of the Person providing the information.
- (e) Unless indicated otherwise by the chairman of the Hearing Panel, all such requests for access to information identified in Rule 7.11(a) must be made not less than ten (10) days prior to the scheduled hearing date.

**7.12 Conducting Hearings of Disciplinary Proceedings.**

- (a) At a hearing conducted with a Hearing Panel, the Market Regulation Department will present its case supporting the allegations and proposed sanctions in the notice of charges to the Hearing Panel. The respondent is entitled to appear personally and participate in the hearing.
- (b) At a hearing conducted with a Hearing Panel, the Market Regulation Department and each respondent may:
  - (i) present evidence and facts deemed relevant and admissible by the chairman of the Hearing Panel;
  - (ii) call and examine witnesses (including, but not limited to, employees or agents of AEGIS-SEF that form part of the Market Regulation Department); and
  - (iii) cross-examine witnesses called by other parties.
- (c) If a respondent has failed to timely file a written answer to a notice of charges but appears at the hearing, the respondent may not participate in the hearing (except for a hearing pursuant to Rule 7.6(d)) unless the Hearing Panel determines that the respondent had a compelling reason for failing to timely file an answer. If the Hearing Panel determines that the respondent had a compelling reason for failing

to timely file an answer, the Hearing Panel will adjourn the hearing and direct the respondent to promptly file a written answer in accordance with Rule 7.6.

- (d) Any person entitled, required, or called upon to attend a hearing before a Hearing Panel pursuant to paragraph (b)(ii) above will be given reasonable notice, confirmed in writing, specifying the date, time, and place of the hearing, and the caption of the Disciplinary Proceedings. AEGIS-SEF will require persons within its jurisdiction that are called as witnesses to appear at the hearing and produce evidence, and will make reasonable efforts to secure the presence of all other persons called as witnesses whose testimony would be relevant.
- (e) If, during any Disciplinary Proceedings, the Hearing Panel determines that a reasonable basis exists to believe that the respondent violated, or is about to violate, a Rule of AEGIS-SEF or a provision of Applicable Law other than the violations alleged in the notice of charges, the Hearing Panel may consider those apparent violations after providing the respondent with an opportunity to answer the additional allegations in accordance with Rule 7.6. In connection with considering apparent violations pursuant to this paragraph (e), the Hearing Panel may request that the Market Regulation Department provide the Hearing Panel with any additional information.
- (f) The Hearing Panel may summarily impose sanctions on any Participant, Authorized User, or other Person within AEGIS-SEF's jurisdiction whose actions impede the progress of a hearing.
- (g) AEGIS-SEF will arrange for any hearing conducted in connection with Disciplinary Proceedings to be recorded verbatim, or substantially verbatim, in a manner capable of accurate transcription, and a copy of such recordings shall become a part of the record of such proceedings. If the respondent requests a copy of all or portions of the recording of a hearing, the chairman of the Hearing Panel may, within his or her sole discretion, order the respondent to pay the costs for transcribing the recording of the hearing.
- (h) No interlocutory appeals of rulings of any Hearing Panel, or chairman of the Hearing Panel, are permitted.

### **7.13 Decision of Hearing Panel.**

- (a) Promptly following a hearing, the Hearing Panel will render a written decision based on the weight of the evidence contained in the record of the Disciplinary Proceedings. A decision by a majority of the Hearing Panel will constitute the decision of the Hearing Panel.
- (b) AEGIS-SEF will serve a copy of the written decision on the respondent and the Market Regulation Department. The written decision will include the following information:
  - (i) the notice of charges or a summary of the charges;

- (ii) the answer, if any, or a summary of the answer;
  - (iii) a summary of the evidence introduced at the hearing or, where appropriate, incorporation by reference of the investigation report;
  - (iv) a statement of findings and conclusions with respect to each charge, and a complete explanation of the evidentiary and other bases for such findings and conclusions with respect to each charge;
  - (v) an indication of each specific rule that the respondent was found to have violated; and
  - (vi) a declaration of all sanctions imposed against the respondent, including the basis for such sanctions and the effective date of such sanctions.
- (c) Unless a timely notice of appeal is filed pursuant to Rule 7.16, the order of the Disciplinary Proceedings will become final upon the expiration of 20 days after the order is served on the respondent and a copy thereof is provided to the Market Regulation Department.

#### **7.14 Sanctions.**

- (a) After notice and opportunity for hearing in accordance with these rules, AEGIS-SEF will impose sanctions if a Participant, Authorized User, or other Person within AEGIS-SEF's jurisdiction is found to have violated any Applicable Law. Disciplinary sanctions imposed by AEGIS-SEF shall be commensurate with the violations committed, and shall be clearly sufficient to deter recidivism or similar violations by other market participants. In addition, the respondent's disciplinary history will be taken into account in determining the appropriate sanction.
- (b) AEGIS-SEF may deny, suspend, or permanently bar a Participant's access to the AEGIS-SEF Platform pursuant to disciplinary measures or emergency action upon such Participant's breach of any Rules outlined in this AEGIS-SEF Rulebook; provided that any decision to deny, suspend, or permanently bar a Participant's access to the AEGIS-SEF Platform shall be impartially enforced and not be put into effect while such Financial Counterparty is involved in any live trade on the AEGIS-SEF Platform. AEGIS-SEF shall provide Participant 24 hours' prior written notice of any decision to suspend or permanently bar Participant from accessing the AEGIS-SEF Platform; provided, however, if a live trade is reasonably expected to occur within less than 24 hours of such decision, notice provided as soon as reasonably practicable prior to such trade going live shall be deemed sufficient. Such notice shall include an explanation, in reasonable detail, of the reason for the suspension or permanent bar.
- (c) AEGIS-SEF may impose one or more of the following sanctions or remedies:
  - (i) censure;

- (ii) limitation on the Participant's right to access all or part of the AEGIS-SEF Platform;
  - (iii) suspension of the Participant's right to access all or part of the AEGIS-SEF Platform for a period not to exceed twelve (12) months;
  - (iv) fine of up to \$1,000,000 for each violation;
  - (v) restitution or disgorgement;
  - (vi) expulsion or termination of a Participant, Authorized User or other Person within AEGIS-SEF's jurisdiction; or
  - (vii) any other sanction or remedy deemed to be appropriate.
- (d) Each Participant will be responsible for paying any fine or other amount imposed on, but not paid by, any Authorized User authorized by, or other agent or representative of, such Participant.

**7.15 Costs.**

Regardless of the outcome of any Disciplinary Proceeding, a Hearing Panel may order a respondent to pay some or all of the costs associated with the Disciplinary Proceedings, including costs that the Hearing Panel believes were unnecessarily caused by the respondent. Costs may include costs associated with the inquiry or investigation, the prosecution by the Market Regulation Department, legal and professional assistance, the hearing, and administrative and other expenses incurred by the Hearing Panel.

**7.16 Appeal from Hearing Panel Decision.**

- (a) Parties to a Disciplinary Proceeding may appeal the decision of the Hearing Panel within twenty (20) days of receiving the order of the Disciplinary Proceedings by filing a notice of appeal with the counsel designated by AEGIS-SEF. While an appeal is pending, the effect of the written decision issued by the Hearing Panel (including any sanctions, remedies, or costs imposed thereby) is suspended.
- (b) In a notice of appeal, the appellant must state in writing the grounds for appeal, including the findings of fact, conclusions, or sanctions to which the appellant objects. An appellant may appeal the written decision of a Hearing Panel on any of the following grounds:
  - (i) the decision was arbitrary, capricious, an abuse of discretion, or not in accordance with the Rules of AEGIS-SEF;
  - (ii) the decision exceeded the authority or jurisdiction of the Hearing Panel or AEGIS-SEF;
  - (iii) the decision failed to observe required procedures;
  - (iv) the decision was unsupported by the facts or evidence; or

- (v) the imposed sanctions, remedies, or costs were inappropriate or unsupported by the record.
- (c) The General Counsel will forward copies of any notice of appeals received by it to all parties to the Disciplinary Proceedings in question, except the appellant. On or before the 20th day after filing a notice of appeal, the appellant must file with the Chief Compliance Officer and serve the Market Regulation Department a brief supporting the notice of appeal and documents supporting the brief. On or before the 20th day after the date on which the appellant served its brief, the appellee may file and serve its brief in opposition.
- (d) Within twenty (20) days after the last submission filed pursuant to paragraph (c) above, the Board will appoint an Appeal Panel to consider and determine the appeal. The Appeal Panel shall be comprised of three members. No group or class of participants may dominate or exercise disproportionate influence on an Appeal Panel. An individual may not serve on an Appeal Panel if the individual has a relationship of a type described in Rule 2.6.1. The appeals proceeding shall be conducted before all members of the Appeal Panel.
- (e) Within ten (10) days of being notified of the appointment of an Appeal Panel, the appellant may seek to disqualify any individual named to the Appeal Panel for the reasons listed in Rule 2.6.1 or for any other reasonable grounds, by serving written notice on the AEGIS-SEF's designated counsel (which may be an internal counsel or an external counsel). By not timely filing a request for disqualification, the appellant will be deemed to have waived any objection to the composition of the Appeal Panel. The General Counsel will decide the merits of any such objection in his or her sole discretion. Any such decision will be final and not subject to appeal.
- (f) An Appeal Panel may hold a hearing to allow parties to present oral arguments. Any hearing will be conducted privately and confidentially unless the chairman of the Appeal Panel decides that the hearing, or any part of it, should be held in public after giving each appellant the opportunity to present its, his, or her views on holding a public hearing. Notwithstanding the confidentiality of hearings, an Appeal Panel may appoint individuals to attend any hearing and assist in the deliberations if such individuals agree to be subject to appropriate confidentiality agreements. In determining procedural and evidentiary matters, the Appeal Panel will not be bound by any evidentiary or procedural rules or law.
- (g) Except for good cause, the Appeal Panel will only consider on appeal the record before the Hearing Panel, the written exceptions filed by the parties, and the oral or written arguments of the parties. The Appeal Panel may only consider new evidence when it is satisfied that good cause exists as to why the evidence was not introduced during a prior stage of the Disciplinary Proceeding. In connection with any appeal, the Market Regulation Department will furnish to the Appeal Panel a transcript of the hearing, any exhibits introduced at the hearing, the notice of appeal, and briefs filed to support and oppose the appeal.
- (h) After completing its review, the Appeal Panel may affirm, modify, or reverse any order of Disciplinary Proceedings under appeal in whole or in part, including

increasing, decreasing, or eliminating any sanction or remedy imposed; imposing any other sanction or remedy authorized by the Rules of AEGIS-SEF; or remanding the matter to the same or a different Hearing Panel for further Disciplinary Proceedings. The Appeal Panel may order a new hearing for good cause, or if the Appeal Panel deems it appropriate.

- (i) Promptly following the appeal proceeding, the Appeal Panel will issue a written decision and provide a copy to the parties. The written decision issued by the Appeal Panel must adhere to all the requirements of Rule 7.13(b), to the extent that a different conclusion is reached from that issued by the Hearing Panel. A decision by a majority of the Appeal Panel will constitute the decision of the Appeal Panel.
- (j) An Appeal Panel's written decision on appeal (including findings of fact and conclusions and the imposition of sanctions, remedies, and costs, and the effective date of any sanction, remedy, or cost) will be the final action of AEGIS-SEF, and will not be subject to appeal within AEGIS-SEF. Disciplinary sanctions imposed by AEGIS-SEF shall be commensurate with the violations committed, and shall be clearly sufficient to deter recidivism or similar violations by other market participants. In addition, the respondent's disciplinary history will be taken into account in determining the appropriate sanction.

#### **7.17 Summary Imposition of Fines Relating to Submission of Records.**

- (a) AEGIS-SEF may fine a Participant, Authorized User or other Person subject to the jurisdiction of AEGIS-SEF for failure:
  - (i) to make timely payments of initial or variation margin, Options premiums, fees, cost, charges or fines to AEGIS-SEF;
  - (ii) to make timely and accurate submissions to AEGIS-SEF of notices, reports or other information required by AEGIS-SEF Rules; and/or
  - (iii) to keep any books and records required by AEGIS-SEF Rules.
- (b) AEGIS-SEF will set the amount of any fines imposed pursuant to Rule 7.17, with the maximum fine for each violation not to exceed \$5,000. A warning letter may be issued for first-time violations or violators, provided that no more than one warning letter may be issued per any rolling twelve (12) month period for the same violation.

#### **7.18 Emergency Disciplinary Proceedings.**

- (a) Notwithstanding anything in the Rules of AEGIS-SEF to the contrary, AEGIS-SEF may impose a sanction, including suspension of the Participant's right to access the AEGIS-SEF Platform or the association of an Authorized User with a Participant, or take other summary action against any Participant, Authorized User, or other Person subject to AEGIS-SEF's jurisdiction, if AEGIS-SEF reasonably believes such immediate action is necessary to protect the best interest of the marketplace.

- (b) Whenever summary action pursuant to paragraph (a) above is proposed, AEGIS-SEF will, if practicable, serve the party against whom the action is contemplated with written notice. If prior notice is not practicable, AEGIS-SEF will give notice at the earliest possible opportunity to the respondent against whom the action is brought. The notice will be prepared by the Market Regulation Department, and such notice will state the action, briefly state the reasons for the action, and state the effective time, date, and duration of the action.
- (c) The respondent shall be given the opportunity for a hearing as soon as reasonably practicable, and the hearing must be conducted before a Hearing Panel pursuant to Rules 7.9-7.13. The respondent shall have the right to be represented by legal counsel, or any other representative of its choosing and at its own expense, in all proceedings subsequent to the emergency action taken.
- (d) Promptly after the hearing concerning a summary action or suspension, the Hearing Panel will render a written decision based on the weight of the evidence contained in the record of the proceeding. The decision of a majority of the Hearing Panel will be the decision of the Hearing Panel. AEGIS-SEF will serve copies of the written decision of the Hearing Panel on the respondent and the Market Regulation Department. The written decision will include the following information:
  - (i) a description of, and reasons for, the summary action taken;
  - (ii) a summary of the evidence produced at the hearing;
  - (iii) a statement of findings of fact and conclusions;
  - (iv) a determination that the summary action should be affirmed, modified, or reversed; and
  - (v) a declaration of any action to be taken pursuant to the determination, and the effective date and duration of such action.
- (e) Any decision of a Hearing Panel pursuant to this Rule 7.18 will be the final action of AEGIS-SEF, and not subject to appeal within AEGIS-SEF upon serving the respondent with a copy of the decision.
- (f) At the request of AEGIS-SEF, a respondent, against whom a summary action is brought pursuant to this Rule 7.18, must provide access to and/or copies of books and records over which the respondent has access or control, and must furnish information to, or appear or testify before, AEGIS-SEF in connection with the enforcement of any Rule of AEGIS-SEF.

**7.19 *Rights and Responsibilities after Suspension or Termination.***

- (a) When the right of a Participant, Authorized User or other Person to access the AEGIS-SEF Platform is suspended for a period of twelve (12) months or less, none of its rights will apply during the period of the suspension, except for the right of such Participant, Authorized User or other Person to assert claims against others as

provided in the Rules of AEGIS-SEF. Any such suspension will not relieve the Participant, Authorized User, or other Person of its obligations under the Rules of AEGIS-SEF to perform any transactions entered into before the suspension, or for any SEF fees, costs, or charges incurred during the suspension. AEGIS-SEF may discipline a suspended Participant, Authorized User, or other Person under this Section VII for any violation of Applicable Law committed by the Participant, Authorized User or other Person before, during, or after the suspension.

- (b) When the right of a Participant, Authorized User or other Person to access the AEGIS-SEF Platform is terminated, all of its rights will terminate, except for the right of the Participant, Authorized User, or other Person in question to assert claims against others, as provided in the Rules of AEGIS-SEF. A terminated Participant, Authorized User, or other Person may only seek to reinstate its right to access the AEGIS-SEF Platform by filing an application in accordance with Rule 3.3. AEGIS-SEF will not consider the application of a terminated Participant, Authorized User, or other Person if such Participant, Authorized User, or other Person has failed to appear at Disciplinary Proceedings without good cause, or has impeded the progress of Disciplinary Proceedings.
- (c) A suspended or terminated Participant, Authorized User or other Person remains subject to the Rules of AEGIS-SEF and the jurisdiction of AEGIS-SEF for acts and omissions prior to the suspension or termination, and must cooperate in any inquiry, investigation, Disciplinary Proceeding, appeal of Disciplinary Proceedings, summary suspension, or other summary action as if the suspended or terminated Participant, Authorized User or other Person still had the right to access the AEGIS-SEF Platform.

#### **7.20 *Notice to the Respondent, the CFTC, and the Public.***

AEGIS-SEF will provide written notice of Disciplinary Proceedings to the parties and the CFTC consistent with CFTC Regulations. Whenever AEGIS-SEF suspends, expels, fines, or otherwise disciplines, or denies any Person access, to the AEGIS-SEF Platform, AEGIS-SEF will make the public disclosures required by CFTC Regulations.

### **SECTION VIII. ARBITRATION**

#### **8.1 *In General.***

Participants, Authorized Users, and Broker Firms shall arbitrate all disputes, controversies or claims between or among themselves that relate to or arise out of any Contract or otherwise arise out of one or more transactions made or to be made on the AEGIS-SEF Platform or subject to the Rules of AEGIS-SEF and that are based upon facts and circumstances that occurred at a time when the parties were Participants, Authorized Users, and Broker Firms .

#### **8.2 *Participant, Authorized User, or Broker Firm Initiating an Arbitration Claim.***

A Participant, Authorized User, or Broker Firm may initiate an arbitration claim by submitting any required documents and fees to the chosen Arbitrator. A Participant, Authorized User, or Broker Firm that initiates such an arbitration claim shall submit notice thereof to AEGIS-SEF.

### **8.3 Penalties.**

8.3.1 Any failure on the part of a Participant, Authorized User, or Broker Firm to arbitrate a dispute subject to this Section VIII, or the commencement by any such person of a suit in any court prior to arbitrating a case that is required to be arbitrated pursuant to this Section VIII, violates the Rules and shall subject such Person to Disciplinary Proceedings pursuant to Section VII. Participant, Authorized User, or Broker Firm

8.3.2 The Chief Compliance Officer may summarily suspend, pursuant to Rule 8.3.1, a Participant, Authorized User, or Broker Firm that fails to timely satisfy an arbitration award rendered in any arbitration pursuant to this Section VIII.

## **SECTION IX. MISCELLANEOUS**

### **9.1 Trading by SEF Officials Prohibited; Misuse of Material, Non-Public Information.**

9.1.1 Terms used in this Rule 9.1 and not otherwise defined in the Rules shall have the meanings set forth in CFTC Regulations 1.3 and 1.59. As used in this Rule 9.1, the term “SEF Official” does not include any member of the Board, a committee established by the Board, a Hearing Panel or Appeal Panel if such Person is not also an Officer or employee of AEGIS-SEF.

9.1.2 No SEF Official may trade, directly or indirectly, (i) any SEF Contract traded on or subject to the Rules or (ii) any related financial instrument.

9.1.3 The Chief Compliance Officer (or, in the case of the Chief Compliance Officer, the Board) may grant exemptions from the provisions of Rule 9.1.1 to SEF Officials on a case-by-case basis under circumstances that are not contrary to the purposes of this Rule and CFTC Regulation 1.59. Such circumstances may include, but are not necessarily limited to:

- (a) participation in pooled investment vehicles where such SEF Official has no direct or indirect control over Transactions effected by or for the account of the pool;
- (b) service by such SEF Official as an executor or administrator of an estate;
- (c) service by such SEF Official in any other fiduciary capacity, such as an officer of a charitable organization, in which such SEF Official receives no pecuniary benefit from the trading of SEF Contracts or other financial instruments;
- (d) trading in SEF Contracts or financial instruments executed on or subject to the rules of a swap execution facility, a designated contract market or a national securities exchange under circumstances in which such SEF Official’s access to material non-public information in respect of such financial instruments is sufficiently minimal or attenuated so as to be insignificant; and
- (e) such other circumstances as the Chief Compliance Officer (or, in the case of the Chief Compliance Officer, the Board) may determine.

- 9.1.4 For the avoidance of doubt, participation by a SEF Official in a retirement plan sponsored by AEGIS-SEF shall not be deemed to constitute trading directly or indirectly in a SEF Contract or related financial instrument, notwithstanding such plan's trading of SEF Contracts or related financial instruments.
- 9.1.5 Any SEF Official that has received an exemption under Rule 9.1.3(b) must:
- (a) furnish to AEGIS-SEF (or, in the case of the Chief Compliance Officer, to the Board) account statements and other documents relevant to the trading activities that are so exempted; and
  - (b) inform the Chief Compliance Officer (or, in the case of the Chief Compliance Officer, the Board) within one business day of any material change of information that may affect such SEF Official's qualification for such exemption.
- 9.1.6 Insider Trading. Pursuant to Section 13(e) of the CEA (7 U.S.C. 13c(e)), with respect to any material non-public information obtained as a result of their employment, agency relationship or engagement with AEGIS-SEF where the SEF Official, agent or independent contractor expected or should have reasonably expected that the non-public information disclosed may assist a Person in trading any SEF Contract, any SEF Contract traded on another designated contract market or other market, or any related underlying commodity or security ("**Material Non-Public Information**"), SEF Officials, agents and independent contractors of AEGIS-SEF are prohibited from (a) trading for such person's own account, or for or on behalf of any other account, on the basis of such Material Non-Public Information, or (b) disclosing such Material Non-Public Information to others for any purpose inconsistent with the performance of such person's official duties as a SEF Official, agent or independent contractor of AEGIS-SEF.

## 9.2 **Market Data.**

- 9.2.1 Each Participant, and Broker on behalf of itself and each of its Affiliates, Authorized Users and other Persons affiliated with any of the foregoing, hereby acknowledges and agrees that AEGIS-SEF owns and shall retain all right, title and interest in and to the AEGIS-SEF Platform, all components thereof, including without limitation all related applications, all application programming interfaces, user interface designs, software and source code and any and all intellectual property rights therein, including, without limitation all registered or unregistered, as applicable (a) copyright, (b) trade mark, (c) service mark, (d) trade secret, (e) trade name, (f) data or database rights, (g) design rights, (h) moral rights, (i) inventions, whether or not capable or protection by patent or registration, (j) rights in commercial information or technical information, including know-how, research and development data and manufacturing methods, (k) patent, and (l) other intellectual property and ownership rights, including applications for the grant of any of the same, in or to the AEGIS-SEF Platform and all other related proprietary rights of AEGIS-SEF and/or any of its Affiliates (together, with any and all enhancements, corrections, bug fixes, updates and other modifications to any of the foregoing and any and all data or information of any kind transmitted by means of any of the foregoing, including, without limitation, the market data, the "**Proprietary Information**"). Each Participant and Broker on behalf of itself and each of its Affiliates, Authorized Users and other Persons affiliated with any of the foregoing, further acknowledges and agrees that the Proprietary Information is the exclusive, valuable and

confidential property of AEGIS-SEF. Each Participant and Broker Firm acknowledges and agrees that it shall not and shall not permit its Affiliates, Authorized Users and other Persons affiliated with any of the foregoing to, reverse engineer, copy, bug fix, correct, update, transfer, reproduce, republish, broadcast, create derivative works based on or otherwise modify, in any manner, all or any part of AEGIS-SEF or the Proprietary Information. Each Participant and Broker Firm further agrees to and to cause each of its Affiliates, Authorized Users and other Persons affiliated with any of the foregoing to, keep the Proprietary Information confidential and not to transfer, rent, lease, loan, sell or distribute, directly or indirectly, all or any portion of the AEGIS-SEF Platform or any Proprietary Information.

- 9.2.2 Notwithstanding any other provision of this Rule 9.2, each Participant, Authorized User, or Broker Firm retains such rights as it may enjoy under applicable law with respect to market data solely in the form such market data was submitted to AEGIS-SEF by such Participant, Authorized User, or Broker Firm.
- 9.2.3 Subject to the provisions of paragraph (a), all Participants, Authorized Users, Broker Firms, and other Persons affiliated with any of the foregoing hereby acknowledge and agree that AEGIS-SEF is the owner of all rights, title and interest in and to all intellectual property and other proprietary rights (including all copyright, patent, trademark or trade secret rights) in market data, and all derivative works based thereon, and further agree not to distribute, create derivative works based on, or otherwise use or commercially exploit market data and any such derivative works, provided that Participants, Authorized Users, Broker Firms, and such other Persons may use market data for their own internal business purposes. Without limiting the generality of the foregoing, Participants, Authorized Users, Broker Firms, and other Persons affiliated with any of the foregoing may not distribute, sell or retransmit market data exchange to any third party.
- 9.2.4 Each Participant, Authorized User, and Broker Firm hereby grants AEGIS-SEF a non-exclusive, perpetual, freely transferable, world-wide and royalty-free license to use, distribute, sublicense, disclose and sell market data, in any manner, media and jurisdiction, for the benefit of AEGIS-SEF and/or its Affiliates; provided that, except as may otherwise be required by law or permitted by Rule 2.8 or in any written agreement between AEGIS-SEF and such Participant, AEGIS-SEF shall not disclose market data other than on an aggregated basis that does not directly or indirectly identify individual Participants.

### **9.3 *Recording of Communications.***

AEGIS-SEF or the Regulatory Services Provider, if any, may record conversations and retain copies of electronic communications between SEF Officials and Participants, Authorized Users, and Broker Firms and their agents. Any such recordings may be retained by AEGIS-SEF or the Regulatory Services Provider in such manner and for such periods of time as AEGIS-SEF may deem necessary or appropriate, including as may be required by Applicable Law.

### **9.4 *Confidentiality.***

Except as provided in Rule 9.2, all information provided by a Participant, Authorized User, or Broker Firm to AEGIS-SEF shall be held in confidence and shall not be made known to any other Person except as follows:

- (a) with the consent of the Participant providing such information;
- (b) to a Governmental Authority, if AEGIS-SEF is requested or legally required to do so by such Governmental Authority;
- (c) pursuant to legal process;
- (d) Participant, Authorized User, or Broker Firm subject to appropriate confidentiality requirements, to any Person providing services to AEGIS-SEF, including but not limited to the Regulatory Services Provider, if any;
- (e) to the Board, any committee, SEF Officials, attorneys and auditors, and to agents and independent contractors that have been engaged by AEGIS-SEF who require such information in connection with the discharge of their duties to AEGIS-SEF; and
- (f) as otherwise permitted under the Rules.

**9.5 *Force Majeure.***

Notwithstanding any other provision of the rules, AEGIS-SEF shall not be obligated to perform its obligations under the rules or any agreement with any Person, or to compensate any Person for losses occasioned by any delay or failure of performance, to the extent a delay or failure of performance is the result of circumstances that AEGIS-SEF determines, in its sole discretion, may have an adverse effect upon the functions and facilities of the AEGIS-SEF Platform, including, but not limited to, acts of God, fire or other natural disasters, bomb threats, acts of terrorism or war or severely inclement weather.

**9.6 *Extension or Waiver of Rules.***

AEGIS-SEF may, in its sole discretion, waive, or extend the time period for performing, any act or acts designated by the rules, but only to the extent such waiver or extension is not inconsistent with Applicable Law.

**9.7 *Effect of Amendment, Repeal or New Rule.***

AEGIS-SEF may, in compliance with the CEA and CFTC Regulations, amend or repeal any Rule and/or adopt new Rules. Any such amendment or repeal of a Rule or adoption of a new Rule, shall, upon the effective date of such amendment, repeal or adoption, as applicable, be binding on all Persons subject to the jurisdiction of AEGIS-SEF (regardless of when any such Person became subject to AEGIS-SEF's jurisdiction) and all SEF Contracts (regardless of whether any such SEF Contract was entered into before, on or after such effective date).

**9.8 *Signatures.***

Rather than rely on an original signature, AEGIS-SEF may elect to rely on a signature that is transmitted, recorded or stored by any electronic, optical, or similar means (including but not limited to telecopy, imaging, photocopying, electronic mail, electronic data interchange, telegram, or telex) as if it were (and the signature shall be considered and have the same effect as) a valid and binding original.

**9.9 Governing Law; Legal Proceedings.**

- 9.9.1 The Rules, and the rights and obligations of AEGIS-SEF and Participants under the Rules, shall be governed by, and construed in accordance with, the laws of the State of Texas applicable to contracts executed and performed wholly within the State of Texas without regard to any provisions of Texas law that would apply the substantive law of a different jurisdiction.
- 9.9.2 Any action, suit or proceeding against AEGIS-SEF, its Officers, directors, limited liability company members, employees, agents, or any member of any committee must be brought within one (1) year from the time that a cause of action has accrued. Any such action, suit or proceeding shall be brought in the State or Federal courts located within the City of Houston, Texas. Each Participant, Authorized User, or Broker Firm expressly consents to the jurisdiction of any such court, waives any objection to venue therein, and waives any right it may have to a trial by jury.
- 9.9.3 In the event that a Participant, Authorized User, or Broker Firm or an Affiliate of such Person who fails to prevail in a lawsuit or other legal proceeding instituted by such Participant or such Affiliate against (i) AEGIS-SEF, (ii) the AEGIS-SEF Platform, or (iii) any Affiliate of AEGIS-SEF or any of their respective officers, directors, equity holders, employees, agents, or any member of any committee, and related to the business of AEGIS-SEF, such Participant, Authorized User, or Broker Firm shall pay to AEGIS-SEF all reasonable expenses, including attorneys' fees, incurred by AEGIS-SEF in the defense of such proceeding. This Rule 9.9.3 shall not apply to SEF disciplinary actions, appeals thereof, or an instance in which the Board has granted a waiver of the provisions hereof.

**9.10 LIMITATION OF LIABILITY; NO WARRANTIES.**

A PERSON'S USE OF THE SERVICES, THE AEGIS-SEF PLATFORM, SEF PROPERTY AND ANY OTHER INFORMATION AND MATERIALS PROVIDED BY AEGIS-SEF, IS AT THE PERSON'S OWN RISK, AND THE SERVICES, AEGIS-SEF PROPERTY AND ANY OTHER INFORMATION AND MATERIALS PROVIDED BY AEGIS-SEF HEREUNDER ARE PROVIDED ON AN "AS IS" AND "AS AVAILABLE" BASIS, WITHOUT WARRANTIES OR REPRESENTATIONS OF ANY KIND, EXPRESS OR IMPLIED, BY STATUTE, COMMON LAW OR OTHERWISE INCLUDING ALL IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND NON-INFRINGEMENT AND ANY WARRANTIES ARISING FROM A COURSE OF DEALING, USAGE OR TRADE PRACTICE. AEGIS-SEF DOES NOT GUARANTEE THAT (i) AEGIS-SEF PROPERTY OR THE SERVICES WILL OPERATE IN AN ERROR FREE, SECURE OR UNINTERRUPTED MANNER, (ii) ANY INFORMATION OR MATERIALS PROVIDED BY AEGIS-SEF OR ACCESSIBLE THROUGH AEGIS-SEF PROPERTY WILL BE ACCURATE, COMPLETE, RELIABLE, OR TIMELY, OR (iii) THE SEF PROPERTY OR ANY ASPECTS OF THE SERVICES WILL BE FREE FROM VIRUSES OR OTHER HARMFUL COMPONENTS. AEGIS-SEF SHALL HAVE NO LIABILITY FOR THE CREDITWORTHINESS OF ANY PERSON OR FOR THE ACTS OR OMISSIONS OF ANY PERSON UTILIZING THE SERVICES OR ANY ASPECT OF THE SERVICES OR SYSTEM. A PERSON ACCESSING AEGIS-SEF IS SOLELY RESPONSIBLE FOR THE SECURITY AND INTEGRITY OF ITS TECHNOLOGY. A PERSON'S ACCESS TO THE SYSTEM AND THE SERVICES MAY BE INTERNET-BASED AND THAT AEGIS-SEF HAS NO CONTROL OVER THE INTERNET OR A PERSON'S CONNECTIONS THERETO. ANY PERSON ACCESSING THE AEGIS-SEF PLATFORM ACKNOWLEDGES THAT THE INTERNET, COMPUTER NETWORKS, AND COMMUNICATIONS LINKS AND DEVICES NECESSARY TO ENABLE A PERSON TO ACCESS AND USE THE SYSTEM AND THE SERVICES ARE INHERENTLY INSECURE AND VULNERABLE TO ATTEMPTS AT UNAUTHORIZED ENTRY AND THAT NO FORM OF PROTECTION CAN ENSURE PARTICIPANT'S DATA, HARDWARE, OR SOFTWARE OR THE

SYSTEM OR OTHER SEF PROPERTY WILL BE FULLY SECURE. FURTHERMORE, AEGIS-SEF SHALL HAVE NO OBLIGATION TO MONITOR OR VERIFY ANY INFORMATION DISPLAYED THROUGH THE SYSTEM.

EXCLUDING ANY LIABILITY FOR SUCH PARTY'S WILLFUL MISCONDUCT OR GROSS NEGLIGENCE, AND EXCLUDING, IN THE CASE OF PARTICIPANT, PARTICIPANT'S INDEMNIFICATION OBLIGATIONS PURSUANT TO THE INDEMNIFICATION PROVISIONS OF THE PARTICIPANT AGREEMENT, EACH PARTY AGREES THAT IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR ANY INDIRECT, SPECIAL, PUNITIVE, EXEMPLARY OR CONSEQUENTIAL DAMAGES, INCLUDING DAMAGES FOR LOSS OF PROFITS, LOSS OF REVENUE, LOSS OR CORRUPTION OF DATA, TRADING LOSSES OR BUSINESS INTERRUPTION AND THE LIKE, ARISING IN ANY MANNER WHATSOEVER OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR ANY USE (WHETHER OR NOT AUTHORIZED) OR INABILITY TO USE AEGIS-SEF PROPERTY OR ANY OTHER INFORMATION OR MATERIALS PROVIDED TO PARTICIPANT BY AEGIS-SEF OR ACCESSIBLE THROUGH THE SERVICES, INCLUDING THE ACCURACY, COMPLETENESS, RELIABILITY, TIMELINESS, QUALITY, SECURITY, PERFORMANCE, OR PRICING OF THE SERVICES OR ANY FAILURES, DEGRADATIONS OR DELAYS ASSOCIATED THEREWITH, REGARDLESS OF WHETHER SUCH DAMAGES ARISE IN TORT, CONTRACT, OR OTHERWISE, AND EVEN IF IT HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. NOTWITHSTANDING THE FOREGOING, IF A COURT OR OTHER TRIBUNAL OF COMPETENT JURISDICTION SHOULD FIND AEGIS-SEF LIABLE FOR ANY LOSS, DAMAGE OR EXPENSES UNDER THIS AGREEMENT, THE AGGREGATE LIABILITY OF AEGIS-SEF UNDER THE AGREEMENT, REGARDLESS OF THE FORM OF ACTION, SHALL IN NO EVENT EXCEED THE GREATER OF (i) \$10,000 AND (ii) THE TOTAL COMMISSIONS, FEES, OR OTHER AMOUNTS (EXCLUDING ANY APPLICABLE TAXES AND DUTIES) PAID TO AEGIS-SEF BY PARTICIPANT DURING THE SIX MONTHS PRECEDING THE DATE ON WHICH THE EVENTS GIVING RISE TO SUCH LIABILITY AROSE.

ANY CLAIM FOR REDRESS OR DAMAGES HEREUNDER SHALL BE FILED IN A COURT OF COMPETENT JURISDICTION WITHIN TWO (2) YEARS OF THE DATE ON WHICH SUCH CLAIM ALLEGEDLY AROSE. FAILURE TO INSTITUTE LITIGATION WITHIN SUCH TIME PERIOD SHALL BE DEEMED TO BE A WAIVER OF SUCH CLAIM AND THE CLAIM SHALL BE OF NO FURTHER FORCE OR EFFECT. THE ALLOCATIONS OF LIABILITY IN THIS RULE 9.10 REPRESENT THE AGREED AND BARGAINED FOR UNDERSTANDING OF THE PARTIES, AND EACH PARTY ACKNOWLEDGES THAT THE OTHER PARTY'S RIGHTS AND OBLIGATIONS HEREUNDER REFLECT SUCH ALLOCATIONS. THE PARTIES AGREE THAT THEY WILL NOT ALLEGE THAT THIS REMEDY FAILS ITS ESSENTIAL PURPOSE.

**SECTION X. CONTRACT SPECIFICATIONS FOR OTOB SEF CONTRACTS**

**10.1 Natural Gas Swaps – Contract Specifications.**

Trading Hours. Unless otherwise indicated in the applicable swap specifications, the trading hours for all swaps governed by this Rule 10.1 are as follows:

o Order Book: Available for Permitted Transactions that are Hedging Contracts and which comply with Rule 4.6.3 on a 24 Hours per day basis, beginning at 6:00 a.m. New York Time on Monday and ending at 5:00 p.m. New York Time on Friday.

o RFQ Function: Only Available for Permitted Transactions that are Hedging Contracts and which comply with Rule 4.6.3.

o Other Execution Methods: \_\_\_\_\_.

**Products – Rule 10.1:**

Fixed for Floating NG. A Fixed for Floating NG is a Natural Gas Swap for which settlement is in the form of periodic fixed price payments and a stream of periodic floating price payments based on the NATURAL GAS-NYMEX price over a term to maturity. The natural gas payments are exchanged for a specified period based on a notional amount.

**Specifications**

Trading Conventions

Fixed Price Payer: Buyer (Payer) pays fixed natural gas price and receives floating natural gas price.

Floating Price Payer: Seller (Receiver) receives fixed natural gas price and pays floating natural gas price.

Transaction: Fixed-for-Floating Commodity Swap

Commodity: Natural Gas

Notional Quantity: \_\_\_\_\_ (See Table \_\_)

Fixed Price: \_\_\_\_\_ (See Table \_\_)

Expiring Month: \_\_\_\_\_

Remaining Month: \_\_\_\_\_

Floating Price: \_\_\_\_\_

Expiring Month Floating Price: \_\_\_\_\_

Remaining Month Floating Price: \_\_\_\_\_

Pricing Date: \_\_\_\_\_

Settlement Amount: Settlement Amount = [Fixed Amount – Floating Amount]

Fixed Amount: Fixed Amount = (Fixed Price \* Notional Quantity) – Third Party Costs

Third Party Costs: \_\_\_\_\_

Floating Amount: Floating Amount = Floating Price \* Notional Quantity

Monthly Forward  
Payment Amount: MFPA = [(Floating Price – Fixed Price) \* Notional Quantity]

Aggregate Forward  
Payment Amount: \_\_\_\_\_

Settlement: \_\_\_\_\_

Payment Date: \_\_\_\_\_

Independent Amount: \_\_\_\_\_

## **10.2 WTI Crude Swaps – Contract Specifications.**

Trading Hours. Unless otherwise indicated in the applicable swap specifications, the trading hours for all swaps governed by this Rule 10.2 are as follows:

o Order Book: Available for Permitted Transactions that are Hedging Contracts and which comply with Rule 4.6.3 on a 24 Hours per day basis, beginning at 6:00 a.m. New York Time on Monday and ending at 5:00 p.m. New York Time on Friday.

o RFQ Function: Only Available for Permitted Transactions that are Hedging Contracts and which comply with Rule 4.6.3.

o Other Execution Methods: \_\_\_\_\_.

### **Products — Rule 10.2:**

Fixed for Floating NYMEX WTI. A Fixed for Floating NYMEX WTI is a Crude Oil Swap for which settlement is in the form of periodic fixed price payments and a stream of periodic floating price payments based on the WTI NYMEX Oil Futures price over a term to maturity. The oil futures payments are exchanged for a specified period based on a notional amount.

### **Specifications**

Trading Conventions

Fixed Price Payer: Buyer (Payer) pays fixed crude oil price and receives floating crude oil price.

Floating Price Payer: Seller (Receiver) receives fixed crude oil price and pays floating crude oil price.

Transaction: Fixed-for-Floating Commodity Swap

Commodity: WTI Crude Oil (Cushing)

Notional Quantity: \_\_\_\_\_ (See Table \_\_)

Fixed Price: \_\_\_\_\_ (See Table \_\_)

Expiring Month: \_\_\_\_\_

Remaining Month: \_\_\_\_\_

Floating Price: \_\_\_\_\_

Expiring Month Floating Price: \_\_\_\_\_

Remaining Month Floating Price: \_\_\_\_\_

Pricing Date: \_\_\_\_\_

Settlement Amount:  $\text{Settlement Amount} = [\text{Fixed Amount} - \text{Floating Amount}]$

Fixed Amount:  $\text{Fixed Amount} = (\text{Fixed Price} * \text{Notional Quantity}) - \text{Third Party Costs}$

Third Party Costs: \_\_\_\_\_

Floating Amount:  $\text{Floating Amount} = \text{Floating Price} * \text{Notional Quantity}$

Monthly Forward

Payment Amount:  $\text{MFPA} = [(\text{Floating Price} - \text{Fixed Price}) * \text{Notional Quantity}]$

Aggregate Forward

Payment Amount: \_\_\_\_\_

Settlement: \_\_\_\_\_

Payment Date: \_\_\_\_\_

Independent Amount: \_\_\_\_\_

**10.3 Other OTOB SEF Contracts – Contract Specifications.**

From time to time, AEGIS-SEF will offer additional OTOB SEF Contracts on the AEGIS-SEF Platform, which will be listed, together with the applicable Contract Specifications, on AEGIS-SEF's webpage.