

DCM Exhibit L-1
Core Principle Compliance Chart

17 CFR Part 38

1. Subpart B – Designation as Contract Market – §38.100

Core Principle #1	Compliance
<p>§ 38.100 Core Principle 1.</p> <p>(a) <i>In general.</i> To be designated, and maintain a designation, as a contract market, a board of trade shall comply with:</p> <p>(1) Any core principle described in section 5(d) of the Act, and</p> <p>(2) Any requirement that the Commission may impose by rule or regulation pursuant to section 8a(5) of the Act.</p> <p>(b) <i>Reasonable discretion of the contract market.</i> Unless otherwise determined by the Commission by rule or regulation, a board of trade described in paragraph (a) of this section shall have reasonable discretion in establishing the manner in which the board of trade complies with the core principles described in this subsection.</p>	<p>See the Rules of the Exchange (DCM Exhibit M-1), also referred to herein as the “Rulebook” or “Exchange Rules” or “Rules of the Exchange”, Compliance Manual (DCM Exhibit O-1), and other Exhibits submitted with the Exchange’s application to be a Designated Contract Market.</p>

2. Subpart C – Compliance With Rules – §38.150

Core Principle #2	Compliance
<p>§ 38.150 Core Principle 2.</p> <p>(a) <i>In general.</i> The board of trade shall establish, monitor, and enforce compliance with the rules of the contract market, including:</p> <ul style="list-style-type: none"> (1) Access requirements; (2) The terms and conditions of any contracts to be traded on the contract market; and (3) Rules prohibiting abusive trade practices on the contract market. <p>(b) <i>Capacity of contract market.</i> The board of trade shall have the capacity to detect, investigate, and apply appropriate sanctions to any person that violates any rule of the contract market.</p> <p>(c) <i>Requirement of rules.</i> The rules of the contract market shall provide the board of trade with the ability and authority to obtain any necessary information to perform any function described in this section, including the capacity to carry out such international information-sharing agreements, as the Commission may require.</p>	<p>See the Exchange Rules, Compliance Manual (DCM Exhibit O-1), and other Exhibits submitted with the Exchange’s application as a Designated Contract Market. Specifically, see the sections of the Rules addressing the following issues:</p> <ul style="list-style-type: none"> Access requirements - Rule 4(c) Abusive trade practices - Chapter 7 of the Rulebook Terms and conditions of the contracts will be as certified to the Commission. <p>The capacity of the Exchange to detect and investigate violations will be augmented by its engagement of a Regulatory Services Provider. The Exchange will use the National Futures Association (“NFA”) as its Regulatory Services Provider (see DCM Exhibit N).</p>

3. Subpart D – Contracts Not Readily Subject to Manipulation – §38.200

Core Principle #3	Compliance
<p>§ 38.200 Core Principle 3.</p> <p>The board of trade shall list on the contract market only contracts that are not readily susceptible to manipulation.</p>	<p>The Exchange will submit contracts for self-certification under Commission Regulation §40.2 with a narrative that addresses the likelihood of manipulation and the reasons the Exchange believes the contract is not readily susceptible to manipulation.</p> <p>Similarly, any contract for which the Exchange seeks Commission approval under §40.3 will also include a narrative that addresses the likelihood of manipulation and the reasons the Exchange believes the contract is not readily susceptible to manipulation.</p> <p>In presenting its analysis, the Exchange will rely on the Guidance in Appendix C in meeting this Core Principle for new product listings.</p>

4. Subpart E – Prevention of Market Disruption – §38.250

Core Principle #4	Compliance
<p>§ 38.250 Core Principle 4. The board of trade shall have the capacity and responsibility to prevent manipulation, price distortion, and disruptions of the delivery or cash-settlement process through market surveillance, compliance, and enforcement practices and procedures, including: (a) Methods for conducting real-time monitoring of trading; and (b) Comprehensive and accurate trade reconstructions.</p>	<p>The Exchange and the NFA, as the Exchange’s Regulatory Services Provider, will implement procedures and practices to monitor trading to prevent manipulation, price distortion, and disruptions of the delivery or cash-settlement process. The Exchange intends to coordinate with the NFA to address market actions deemed inappropriate as a result of the NFA’s ongoing market surveillance activities.</p> <p>In addition to the NFA, the Exchange will staff a control desk to conduct real-time surveillance of trading. The control desk will be staffed at all times that the Exchange is open for trading. See the Compliance Manual at DCM Exhibit O-1, Section XIII: Real Time Market Monitoring, for information on the control desk functions.</p> <p>Additionally, the Exchange’s Compliance Manual addresses the specific points raised by this Core Principle directly.</p>

5. Subpart F – Position Limitations or Accountability – §38.300

Core Principle #5	Compliance
<p>§ 38.300 Core Principle 5. To reduce the potential threat of market manipulation or congestion (especially during trading in the delivery month), the board of trade shall adopt for each contract of the board of trade, as is necessary and appropriate, position limitations or position accountability for speculators. For any contract that is subject to a position limitation established by the Commission, pursuant to section 4a(a), the board of trade shall set the position limitation of the board of trade at a level not higher than the position limitation established by the Commission.</p>	<p>The Exchange will include Position Accountability thresholds with each contract filed under §40.2 or §40.3. These will be included in the terms and conditions of each contract.</p> <p>For any contract that is subject to a position limitation established by the Commission, pursuant to section 4a(a), the Exchange shall set a Position Limit at a level not higher than the position limitation established by the Commission.</p> <p>The NFA will monitor compliance with the position limits and reportable position thresholds.</p>

6. Subpart G – Emergency Authority – §38.350

Core Principle #6	Compliance
<p>§ 38.350 Core Principle 6.</p> <p>The board of trade, in consultation or cooperation with the Commission, shall adopt rules to provide for the exercise of emergency authority, as is necessary and appropriate, including the authority:</p> <ul style="list-style-type: none"> (a) To liquidate or transfer open positions in any contract; (b) To suspend or curtail trading in any contract; and (c) To require market participants in any contract to meet special margin requirements. 	<p>Procedures and guidelines for the exercise of emergency authority are defined by the Exchange Rules, including Definition <i>xxiii: Emergency</i>, and under the provisions of Exchange Rule 3(k). Among other things, the Rules require the Exchange to notify the Commission of any emergency action taken, or proposed to be taken, and to document its decision-making process and reasons for using its emergency action authority.</p>

7. Subpart H – Availability of General Information – §38.400

Core Principle #7	Compliance
<p>§ 38.400 Core Principle 7.</p> <p>The board of trade shall make available to market authorities, market participants, and the public accurate information concerning:</p> <ul style="list-style-type: none"> (a) The terms and conditions of the contracts of the contract market; and (b)(1) The rules, regulations and mechanisms for executing transactions on or through the facilities of the contract market, and (2) The rules and specifications describing the operation of the contract market's: <ul style="list-style-type: none"> (i) Electronic matching platform, or (ii) Trade execution facility. 	<p>Exchange Rule 4(h) requires that all Rules of the Exchange, including all amendments thereto and notices and policies thereunder, as well as the specifications for all Contracts from time to time traded on the Exchange, be publicly available on the Exchange's website. The web page address is subject to change, but the Exchange has procured www.aristotleexchange.com as its likely URL.</p>

8. Subpart I – Daily Publication of Trading Information – §38.450

Core Principle #8	Compliance
<p>§ 38.450 Core Principle 8.</p> <p>The board of trade shall make public daily information on settlement prices, volume, open interest, and opening and closing ranges for actively traded contracts on the contract market.</p>	<p>Exchange Rule 4(h) requires that the Exchange shall make public daily information on settlement prices, volume, open interest, and opening and closing ranges for actively traded contracts. This information will be published to the Exchange website, the address of which is subject to change but is likely to be www.aristotleexchange.com.</p> <p>The Exchange will publish additional reports from time to time in accordance with, and as specified in, the applicable Contract Rules.</p>

9. Subpart J – Execution of Transactions – §38.500

Core Principle #9	Compliance
<p>§ 38.500 Core Principle 9.</p> <p>The board of trade shall provide a competitive, open, and efficient market and mechanism for executing transactions that protects the price discovery process of trading in the centralized market of the board of trade. The rules of the board of trade may authorize, for bona fide business purposes:</p> <ul style="list-style-type: none"> (a) Transfer trades or office trades; (b) An exchange of: <ul style="list-style-type: none"> (1) Futures in connection with a cash commodity transaction; (2) Futures for cash commodities; or (3) Futures for swaps; or (c) A futures commission merchant, acting as principal or agent, to enter into or confirm the execution of a contract for the purchase or sale of a commodity for future delivery if the contract is reported, recorded, or cleared in accordance with the rules of the contract market or a derivatives clearing organization. 	<p>The Exchange Rulebook establishes trading rules to ensure fair and equitable trading.</p> <p>All Participants and their Authorized Traders (each as defined in the Rules of the Exchange) will have equal access to the Exchange’s trading platform, including information regarding prices, bids, and offers. Orders will be executed impartially in accordance with the principles set forth in Chapter 5 of the Rules of the Exchange.</p> <p>Rule 5(c)(iii)(1) provides that all pre-negotiated transactions that are not expressly permitted are prohibited.</p> <p>Chapter 5 of the Rules of the Exchange also contains other rules to prevent trading-related abuses, such as wash trading, accommodation trades, and trading ahead.</p> <p>The NFA, pursuant to the Regulatory Services Agreement (the form of which is provided as DCM Exhibit N-1) will maintain systems and surveillance procedures to detect abuses such as wash trading, accommodation trades, trading ahead, and other types of market manipulation or fraud.</p> <p>As provided by Rule 5(c)(iii)(3) and (4), the Exchange will permit certain off-exchange trades as specifically outlined in Chapter 5 of the Rules of the Exchange.</p>

10. Subpart K – Trade Information – §38.550

Core Principle #10	Compliance
<p>§ 38.550 Core Principle 10.</p> <p>The board of trade shall maintain rules and procedures to provide for the recording and safe storage of all identifying trade information in a manner that enables the contract market to use the information:</p> <ul style="list-style-type: none"> (a) To assist in the prevention of customer and market abuses; and (b) To provide evidence of any violations of the rules of the contract market. 	<p>The Exchange and related systems employed by its Regulatory Services Provider will record full data entry and trade details and safely store audit trail data to assist in the prevention of customer and market abuses and provide evidence of any violations of the rules of the contract market.</p> <p>The maintenance of records, which will use WORM technology, will be in compliance with the standards of CFTC Rule 1.31. The technical aspects of the capture and storage of information is discussed in the DCM Form’s narrative response for Exhibit S.</p>

11. Subpart L – Financial Integrity of Transactions – §38.600

Core Principle #11	Compliance
<p>§ 38.600 Core Principle 11. The board of trade shall establish and enforce: (a) Rules and procedures for ensuring the financial integrity of transactions entered into on or through the facilities of the contract market (including the clearance and settlement of the transactions with a derivatives clearing organization); and (b) Rules to ensure: (1) The financial integrity of any: (i) Futures commission merchant, and (ii) Introducing broker; and (2) The protection of customer funds.</p>	<p>All Contracts traded on the Exchange will be cleared by Aristotle Exchange DCO, Inc., (also referred to herein as the “DCO” or the “Clearinghouse”), an affiliated entity of the Exchange, pursuant to Chapter 6 of the Rulebook.</p> <p>Margin requirements for each Contract will be determined in accordance with the Rules of the DCO and the relevant Contract Rules.</p> <p>Original Margin shall, in all cases, be equal to or greater than an amount equal to the maximum loss amount a Participant could suffer upon liquidation or settlement of positions.</p> <p>Furthermore, all Participants are required to have the required funds on deposit with the Clearinghouse prior to obtaining any position.</p> <p>As a non-intermediated market, all Participant funds are held in the Member Property account of the Clearinghouse. These funds will be kept in an account appropriately titled as a member-funds account and kept separate from the proprietary funds of the Exchange and Clearinghouse.</p>

12. Subpart M – Protection of Markets and Market Participants – §38.650

Core Principle #12	Compliance
<p>§ 38.650 Core Principle 12. The board of trade shall establish and enforce rules: (a) To protect markets and market participants from abusive practices committed by any party, including abusive practices committed by a party acting as an agent for a participant; and (b) To promote fair and equitable trading on the contract market.</p>	<p>The Rules of the Exchange contain a broad prohibition against fraudulent acts and market manipulation and the NFA will provide surveillance practices and procedures to protect Participants and Authorized Traders.</p> <p>Rule 7(b) spells out the general conduct expectations for all Participants, including in (b)(ii) the requirement to engage in conduct or practices consistent with just and equitable principles of trade, and Rule 7(i) expressly prohibits conduct to the contrary.</p>

13. Subpart N – Disciplinary Procedures – §38.700

Core Principle #13	Compliance
<p>§ 38.700 Core Principle 13. The board of trade shall establish and enforce disciplinary procedures that authorize the board of trade to discipline, suspend, or expel members or market participants that violate the rules of the board of trade, or similar methods for performing the same functions, including delegation of the functions to third parties.</p>	<p>Chapter 7 of the Rules of the Exchange implement the disciplinary procedures required by this Core Principle.</p> <p>These procedures mirror those required by CFTC Part 38, Appendix B, Acceptable Practices Core Principle 13, Rules 38.700 through 38.712.</p>

14. Subpart O – Dispute Resolution – §38.750

Core Principle #14	Compliance
<p>§ 38.750 Core Principle 14. The board of trade shall establish and enforce rules regarding, and provide facilities for alternative dispute resolution as appropriate for, market participants and any market intermediaries.</p>	<p>Chapter 8 of the Rules of the Exchange implement the dispute resolution procedures required by this Core Principle.</p>

15. Subpart P – Governance Fitness Standards – §38.800

Core Principle #15	Compliance
<p>§ 38.800 Core Principle 15. The board of trade shall establish and enforce appropriate fitness standards for directors, members of any disciplinary committee, members of the contract market, and any other person with direct access to the facility (including any party affiliated with any person described in this paragraph).</p>	<p>Chapter 3 of the Rules of the Exchange implement the governance fitness standards required by this Core Principle.</p>

16. Subpart Q – Conflicts of Interest – §38.850

Core Principle #16	Compliance
<p>§ 38.850 Core Principle 16. The board of trade shall establish and enforce rules: (a) To minimize conflicts of interest in the decision-making process of the contract market; and (b) To establish a process for resolving conflicts of interest described in paragraph (a) of this section.</p>	<p>Chapter 3 of the Rules of the Exchange implement the conflict-of-interest standards required by this Core Principle.</p>

17. Subpart R – Composition of Governing Boards of Contract Markets – §38.900

Core Principle #17	Compliance
<p>§ 38.900 Core Principle 17. The governance arrangements of the board of trade shall be designed to permit consideration of the views of market participants.</p>	<p>Chapter 3 of the Rules of the Exchange implement the conflict-of-interest standards required by this Core Principle. The Board of Directors is composed of 5 members, two of whom are Public Directors.</p>

18. Subpart S – Recordkeeping – §38.950

Core Principle #18	Compliance
<p>§ 38.950 Core Principle 18. The board of trade shall maintain records of all activities relating to the business of the contract market: (a) In a form and manner that is acceptable to the Commission; and (b) For a period of at least 5 years.</p>	<p>The Exchange will maintain records of all activities related to its business for a period of five years and in accordance with Commission Regulation §1.31, and with regard to swaps, for the life of the swap <i>plus</i> five years.</p>

19. Subpart T – Antitrust Considerations – §38.1000

Core Principle #19	Compliance
<p>§ 38.1000 Core Principle 19. Unless necessary or appropriate to achieve the purposes of this Act, the board of trade shall not: (a) Adopt any rule or taking any action that results in any unreasonable restraint of trade; or (b) Impose any material anticompetitive burden on trading on the contract market.</p>	<p>The Exchange believes that its Rules have been designed to avoid unreasonable restraints of trade or the imposition of any material anti-competitive burden on trading, as will the Contract Rules for each Contract to be certified by the Commission for trading on the Exchange.</p> <p>Access to the Exchange will not require the acquisition of any equity interest but will be available to a broad range and potentially unlimited number of participants, on a fair, equitable, and timely basis. The Exchange will operate through precise and predetermined electronic algorithms, without discrimination among different users or user groups. Trade information will be disseminated both to Participants and to the public on a continuous basis.</p> <p>Designation of Aristotle Exchange DCM will offer market participants an additional venue in which to trade binary options and other instruments on a fully-collateralized basis.</p>

20. Subpart U – System Safeguards – §38.1050

Core Principle #20	Compliance
<p>§ 38.1050 Core Principle 20. Each designated contract market shall: (a) Establish and maintain a program of risk analysis and oversight to identify and minimize sources of operational risk, through the development of appropriate controls and procedures, and the development of automated systems, that are reliable, secure, and have adequate scalable capacity; (b) Establish and maintain emergency procedures, backup facilities, and a plan for disaster recovery that allow for the timely recovery and resumption of operations and the fulfillment of the responsibilities and obligations of the board of trade; and (c) Periodically conduct tests to verify that backup resources are sufficient to ensure continued order processing and trade matching, transmission of matched orders to a designated clearing organization for clearing, price reporting, market surveillance, and maintenance of a comprehensive and accurate audit trail.</p>	<p>The Exchange demonstrates its compliance with this Core Principle 20 through the responses already provided within DCM Exhibit V, including its substantial attachments.</p> <p>Specifically, the ERM section provides numerous documents to support compliance with section (a), including exhibits labeled under DCM Exhibit V’s 1.2, 1.3, 1.5, 1.6.08, and 1.7.</p> <p>Specifically, the BCM section provides numerous documents to support compliance with sections (b) and (c), including exhibits labeled under DCM Exhibit V’s 1.4.01.</p>

21. Subpart V – Financial Resources – §38.1100

Core Principle #21	Compliance
<p>§ 38.1100 Core Principle 21. (a) <i>In General.</i> The board of trade shall have adequate financial, operational, and managerial resources to discharge each responsibility of the board of trade. (b) <i>Determination of adequacy.</i> The financial resources of the board of trade shall be considered to be adequate if the value of the financial resources exceeds the total amount that would enable the contract market to cover the operating costs of the contract market for a 1-year period, as calculated on a rolling basis.</p>	<p>The Exchange demonstrates its compliance with this Core Principle 21 through the responses already provided within DCM Exhibit I, including the attached DCM Exhibit I-1: Year One Operating Expenses.</p>

22. Subpart W – Diversity of Board of Directors – §38.1150

Core Principle #22	Compliance
<p>§ 38.1150 Core Principle 22. The board of trade, if a publicly traded company, shall endeavor to recruit individuals to serve on the board of directors and the other decision-making bodies (as determined by the Commission) of the board of trade from among, and to have the composition of the bodies reflect, a broad and culturally diverse pool of qualified candidates.</p>	<p>Although the board of trade is not a publicly traded company, it strives for inclusivity in its governing bodies.</p>

23. Subpart X – Securities and Exchange Commission – §38.1200

Core Principle #23	Compliance
<p>§ 38.1200 Core Principle 23. The board of trade shall keep any such records relating to swaps defined in section 1a(47)(A)(v) of the Act open to inspection and examination by the Securities and Exchange Commission.</p>	<p>Not Applicable.</p>