

CFTC Designated Contract Market 23 Core Principles Chart

<p>CFTC Regulations Part 38 Designated Contract Market (“DCM”) Core Principles of section 5(d) of the Commodity Exchange Act</p>	<p>Cleartrade Exchange Pte. Limited (“Cleartrade” or “Exchange”)</p>
<p align="center">Core Principle 1: DESIGNATION AS A CONTRACT MARKET</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> <ul style="list-style-type: none"> (1) Any core principle described in section 5(d) of the Act, and (2) Any requirement that the Commission may impose by rule or regulation pursuant to section 8a(5) of the Act. <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>In order to be registered and maintain registration as a foreign board of trade (“FBOT”), Cleartrade shall comply with the core principles described in Section 5(d) of the Act, to the extent they are applicable to Cleartrade in its operation an FBOT, and shall comply with all requirements as required under CFTC Regulation Part 48. Cleartrade shall also seek to comply with any requirements that the Commission may impose by rule or regulation pursuant to Section 8a(5) of the Act.</p>
<p align="center">Core Principle 2: COMPLIANCE WITH RULES</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 subsection, including the capacity to carry out such international information-</p>	<p>(a) Cleartrade has established, monitors and enforces compliance with its rules, including with respect to those rules outlined in Core Principle</p> <p>These are outlined below.</p> <ul style="list-style-type: none"> (1) Access requirements: Prior to granting any member on Cleartrade (“Member”) access to the Cleartrade Platform, a Member must consent to the jurisdiction of Singapore law coupled with a comparable fee structure. Once a Member meets the access requirements as further set forth below, they are then subject to access limitations which include impartially enforced rules governing denials, suspensions, and revocations of a Member’s and a person with trading privileges’ access privileges.

<p>sharing agreements as the Commission may require.</p> <p><u>CFTC Guidance: Investigations and investigation reports – Warning letters:</u> The rules of a DCM may authorize compliance staff to issue a warning letter to a person or entity under investigation or to recommend that a disciplinary panel take such an action.</p>	<p>To be a trading Member of Cleartrade, a Member first needs to have an existing clearing account with one of the general clearing members of Cleartrade’s partner clearing houses to be able to clear the products that Cleartrade offers on its platforms (Forward Freight Agreements, Iron Ore Swaps, Fertilizer Swaps and Containers). The Member must also complete the Cleartrade Exchange membership process by completing the Membership Agreement, Authorised Representative List Form and the Responsible Individual List form.</p> <p>An applicant for access to trading on the Cleartrade Platform as a Member must, at the time of its application and at all times thereafter:</p> <ol style="list-style-type: none"> a. be a corporation or institution duly established and validly existing under the laws and rules of its place of establishment; b. be able to demonstrate, to the satisfaction of the Exchange, that the applicant is fit and proper to be a Member according to the criteria determined by the Exchange which reference shall be made to the Guidelines on Fit and Proper Criteria (Guideline No: FSG-G01) (“Guidelines”) issued by the Monetary Authority of Singapore (“MAS”), as amended from time to time; c. be able to demonstrate, to the satisfaction of the Exchange, that the applicant has sufficient systems and controls in place to ensure that all the Member’s Representatives who may act on its behalf or in its name in the conduct of business on the Cleartrade Platform are fit and proper, suitable, adequately trained and properly supervised to perform such functions; d. maintain a properly established office (in a location which is acceptable to Cleartrade’s directors (the “Directors”) as they may determine in their absolute discretion) for the conduct of its business on the Cleartrade Platform; e. satisfy the minimum financial standing requirements at any time being stipulated by the Directors in relation to the relevant category of membership;
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	<ul style="list-style-type: none"> f. have sufficient resources and manpower, with adequate knowledge, experience, training and competency, to deal in the relevant products available on the Exchange; g. have more than one trader or broker, with adequate knowledge, experience, training and competency, to deal in the relevant products available on the Exchange; h. have a designated responsible person for the supervision of all trades conducted on the Exchange and the use of the Exchange in general; i. be a party to an Electronic User Agreement, which is in full force and effect, in the form prescribed by the Directors from time to time for use by the Member of the Cleartrade Platform at the address(es) notified to the Exchange; j. be a clearing member of the relevant clearing house(s) (or be accepted for such membership), where permitted by Cleartrade's Rules, or be a party to a clearing agreement with a clearing member in respect of contracts listed on the Exchange and covered by its trading and/or clearing or privilege under Rule 2 in the Cleartrade Rulebook from time to time; k. hold all necessary licenses, authorizations and consents, or benefit from available exemptions, so as to allow it to carry on business as a Member on the Cleartrade Platform in accordance with all applicable laws and regulations; for avoidance of doubt, in relation to a Member who is based in Singapore, it must be appropriately licensed or exempted under the Securities and Futures Act ("SFA") or relevant Singapore legislation or regulation; l. for applicants who are not licensed under the SFA as "Capital Markets Service" licencees and apply for access to trading on the Cleartrade Platform as "Broking Members" or "Block Trade Broking Members," they shall not have a business presence in Singapore and shall not transact business on behalf of Singapore-based clients; and m. such other specific criteria or other requirements stipulated
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by the Directors from time to time in relation to the particular category of membership applicable to it, supplying such documents in support thereof as they may require.

(2) **The terms and conditions of any contracts to be traded:** Cleartrade monitors and enforces compliance with its Rules with respect to the terms and conditions of contracts to be traded on the Cleartrade Platform. Rules 9 and 10 of the Cleartrade Rulebook set forth the general provisions for contracts traded on the Exchange as well as contract procedures. These Rules also set forth the mechanism and procedures for the variation of Contract Rules from time to time by the Directors.

(3) **Rules prohibiting abusive trade practices:** Cleartrade has established rules to ensure the prohibition of abusive trade practices on the Exchange, including the prohibition of front running of orders; trading against customer orders; accommodation trading; improper cross trading; wash trading; prearranged trading; fraudulent trading; and money passes. In its Rulebook, Cleartrade sets forth rules that specifically deal with circumstances in which acts of misconduct or breaches of the rules have occurred, and the steps which Cleartrade can take to sanction or punish a Member for such breaches. Cleartrade's Rulebook also sets forth the monitoring and enforcement of such rules but outlining the right of Cleartrade to investigate such breaches, and stipulating how such breaches should be dealt with in set procedures. A detailed description of Cleartrade's trade practice rules and its capacity to detect, investigate and sanction persons who violate Cleartrade's Rules is set forth in Exhibit G-2 of the Form FBOT Application.

(b) Cleartrade has the capacity to detect, investigate and apply appropriate sanctions to any person that violates any of its Rules. Cleartrade demonstrates compliance with this Core Principle 2 by its

response in Exhibit G-2 of its Form FBOT Application. A summary of this section is provided below:

The sanctions which may be imposed on a person subject to the Rules by the Compliance Committee of the Exchange shall not exceed the following:

- a. the issue of a warning or reprimand, which is line with CFTC Guidance on this Core Principle;
- b. in the case of an individual, disqualification (either indefinitely or for a fixed term) from being a Director or member of any committee of the Exchange;
- c. in the case of a Member, disqualification (either indefinitely or for a fixed term) of any of its Member's representatives from being a Director or member of any committee of the Exchange;
- d. a fine of any amount not exceeding the equivalent of 3-years of subscription and/or license fees due from the Member, to be paid on such terms as may be prescribed;
- e. a recommendation to the Directors that they expel a Member from membership of the Exchange, or in the case of other persons subject to the Rules, permanently remove their right to access the Trading Facilities as set forth in the membership requirements under the Cleartrade Rulebook;
- f. in relation to any infringement of Cleartrade's Rules related to base capital requirements, deposits with clearinghouses, maintenance of reserve funds, risk base capital requirements, false statements, keeping and safeguarding of books, audits and accounts and noncompliance herein (Rule 2A of the Cleartrade Rulebook), the Exchange may direct the Member to (i) submit statements on a periodic basis for such duration and in such form and substance as the Exchange may specify, (ii) cease any increase in positions, (iii) operate its business in such manner and on such conditions as the Exchange may impose, or the Exchange may suspend or terminate the membership of the Member;
- g. any combination of the foregoing.

	<p>(c) <i>Requirement of rules:</i> Under Rule 1.2.1 of the Cleartrade Rulebook, Cleartrade may make arrangements with any person for monitoring compliance with an investigating alleged breaches of the Rules and/or the SFA; co-operate generally with any person, agency or authority have responsibility for the regulation of investment or any other financial business or the enforcement of law, including but not limited to MAS in relation to alleged breaches of the SFA in relation to the Member's act, omission or conduct on Cleartrade; and enter into any other arrangement that may be necessary or relevant for purposes of operating and maintaining the Exchange in accordance with the Rules. Rule 1.2.2 also provides Cleartrade with the authority to make arrangements for the sharing of information and sets forth that Cleartrade may at any time refer a complaint or any other matter coming to its attention to one or more regulatory bodies, agencies or persons for their comments or investigation and may, pending the result of such reference, either suspend or continue with (in whole or in part) its own investigations, proceedings or other actions.</p>
<p>Core Principle 3: CONTRACTS NOT READILY SUBJECT TO MANIPULATION</p>	
<p>The board of trade shall list on the contract market only contracts that are not readily susceptible to manipulation.</p>	<p>All contracts that are offered on the Cleartrade Platform receive approval from MAS prior to being made available on the Platform.</p> <p>Only contracts that are deemed satisfactory in the eyes of MAS to not be readily susceptible to manipulation will be approved by MAS and listed on the market.</p>
<p>Core Principle 4: PREVENTION OF MARKET DISRUPTION</p>	
<p>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:</p> <ul style="list-style-type: none"> (a) Methods for conducting real-time monitoring of trading; and (b) Comprehensive and accurate trade reconstructions. <p><u>CFTC Guidance:</u> The detection and prevention of market manipulation, disruptions, and distortions should be incorporated into the design of</p>	<p>The Cleartrade Rulebook sets forth broad authority for Cleartrade to prevent manipulation, price distortion and disruptions of the delivery or cash-settlement process through market surveillance, compliance and enforcement practices and procedures.</p> <p>Exhibit G-4 of the Form FBOT sets forth in detail the role of Cleartrade's Market Operations team, who is responsible of providing market surveillance of all trades executed on Cleartrade's trading platform. Cleartrade performs market surveillance to check for</p>

programs for monitoring trading activity. Monitoring of intraday trading should include the capacity to detect developing market anomalies, including abnormal price movements and unusual trading volumes, and position-limit violations. The DCM should have rules in place that allow it broad powers to intervene to prevent or reduce market disruptions. Once a threatened or actual disruption is detected, the DCM should take steps to prevent the disruption or reduce its severity.

CFTC Acceptable Practices: (1) *General Requirements.* Real-time monitoring for market anomalies and position-limit violations are the most effective, but the DCM may also demonstrate that it has an acceptable program if some of the monitoring is accomplished on a T+1 basis. An acceptable program must include automated trading alerts to detect market anomalies and position-limit violations as they develop and before market disruptions occur or become more serious. In some cases, a DCM may demonstrate that its manual processes are effective. (2) *Physical-delivery contracts.* For physical-delivery contracts, the DCM must demonstrate that it is monitoring the adequacy and availability of the deliverable supply, which, if such information is available, includes the size and ownership of those supplies and whether such supplies are likely to be available to short traders and saleable by long traders at the market value of those supplies under normal cash marketing conditions. Further, for physical-delivery contracts, the DCM must continually monitor the appropriateness of a contract's terms and conditions, including the delivery instrument, the delivery locations and location differentials, and the commodity characteristics and related differentials. The DCM must demonstrate that it is making a good-faith effort to resolve conditions that are interfering with convergence of its physical-delivery contract to the price of the underlying commodity of causing price distortions or market disruptions, including, when appropriate, changes to contract terms. (3) *Cash-settled contracts.* At a minimum, an acceptable program for monitoring cash-settled contracts must include access, either directly or through an information-sharing arrangement, to traders' positions and transactions in the reference market for traders of

irregular trades that may distort the market. Cleartrade Market Operations personnel is responsible for conducting monitoring of trading by downloading trade logs of business day T during business day T+1 from Cleartrade. Market Operations personnel then look for irregular trades. If there are any suspected irregular trades, the Market Operations personnel will investigate further by looking at trading patterns according to the Trade IDs of the trades done as well as identifying the trading counterparties associated with the suspected irregular trade. The Cleartrade Exchange Irregular Trades Procedures Manual, attached as Appendix S to the Form FBOT, is a reference guide for Market Operations personnel in performing irregular trades and investigations. Similarly, as the order information and trade information are stored, should there be any alleged infringement, accurate trade reconstruction of events can be done.

Cleartrade has also established risk controls for trading by setting no-cancellation ranges and price reasonability limits. These are hard limits and bids above the reasonability limit and offers below the limit are not accepted. Please refer to Cleartrade's No-Cancellation Range Procedures Manual, attached as Appendix T to the Form FBOT, for more information.

Subsequently, if Members are found to have engaged in acts of misconduct, under Rules 5.5 through 5.7 of the Rulebook, Cleartrade has the authority to engage in disciplinary proceedings and sanctions on its Members.

All contracts are cash settled. The Baltic Exchange is the world's only independent source of maritime freight market information used in the settlement of shipping freight derivative and physical contracts. There is not a centralized market at Cleartrade because brokers can find competitive prices through a variety of dealers around the globe. In other words, orders are not routed to Cleartrade and are not matched with an offsetting order as there is not a specific reference to a physical market. This is entirely consistent with the coal contract that the Chicago Mercantile Exchange offers.

<p>a significant size in the DCM near the settlement of the contract. (4) <i>Ability to obtain information.</i> With respect to the DCM’s ability to obtain information, a DCM may limit the application of the requirement to keep and provide such records only to those that are reportable under its large-trader reporting system or otherwise hold substantial positions. (5) <i>Risk controls for trading.</i> An acceptable program for preventing market disruptions must demonstrate appropriate trade risk controls, in addition to pauses and halts. Such controls must be adapted to the unique characteristics of the markets to which they apply and must be designated to avoid market disruptions without unduly interfering with that market’s price discovery function. The DCM may choose from among controls that include: pre-trade limits on order size, price collars or bands around the current price, message throttles, and daily price limits, or design other types of controls. Within the specific array of controls that are selected, the DCM also must set the parameters for those controls, so long as the types of controls and their specific parameters are reasonably likely to serve the purpose of preventing market disruptions and price distortions. If a contract is linked to, or is a substitute for, other contracts, either listed on its market or on other trading venues, the DCM must, to the extent practicable, coordinate its risk controls with any similar controls placed on those other contracts. If a contract is based on the price of an equity security or the level of an equity index, such risk controls must, to the extent practicable, be coordinated with any similar controls placed on national security exchanges.</p>	
<p>Core Principle 5: POSITION LIMITATIONS OR ACCOUNTABILITY</p>	
<p>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 the 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>Cleartrade do not impose position limits, although it has the ability to do so under Rule 7.9 of the Rulebook. However, subject to CFTC Regulation Part 48, a foreign board of trade is not required to impose position limits except for linked-contracts.</p> <p>All products traded at Cleartrade are entirely fungible. All traders comply with the position limits that are enforced by the clearing houses.</p>
<p>Core Principle 6: EMERGENCY AUTHORITY</p>	
<p>The board of trade, in consultation or cooperation will the Commission,</p>	<p>Cleartrade has adopted rules to provide for the exercise of emergency</p>

shall adopt rules to provide for the exercise of emergency authority, as is necessary and appropriate, including the authority –

- (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.

CFTC Guidance: In consultation and cooperation with the Commission, a DCM should have the authority to intervene as necessary to maintain markets with fair and orderly trading and to prevent or address manipulation or disruptive trading practices, whether the need for intervention arises exclusively from the DCM’s market or as a part of a coordinated, cross-market intervention. DCM rules should include procedures and guidelines to avoid conflicts of interest in accordance with the provisions of § 40.9 of this chapter, and include alternate lines of communication and approval procedures to address emergencies associated with real-time events. To address perceived market threats, the DCM should have rules that allow it to take certain actions in the event of an emergency, as defined in § 40.1(h) of this chapter, including: imposing or modifying position limits, price limits, and intraday market restrictions; imposing special margin requirements; ordering the liquidation or transfer of open positions in any contract; ordering the fixing of a settlement price; extending or shortening the expiration date or the trading hours; suspending or curtailing trading in any contract; transferring customer contracts and the margin or altering any contract’s settlement terms or conditions; and, where applicable, providing for the carrying out of such actions through its agreements with its trade-party provider of clearing or regulatory services. In situations where a contract is fungible with a contract on another platform, emergency action to liquidate or transfer open interest must be as directed, or agreed to, by the Commission or the Commission’s staff. The DCM has the authority to independently respond to emergencies in an effective and timely manner consistent with the nature of the emergency, as long as all such actions taken by the DCM are made in good faith to protect the integrity of the markets. The Commission should be notified promptly of the DCM’s exercise of emergency action, explaining how conflicts of interest were minimized, including

authority, as is necessary and appropriate. Rule 9.17 of the Cleartrade Rulebook sets forth the role of the Trade Emergency Committee which consists of a minimum of three people comprising: the Compliance Officer; the Chief Executive; a Relevant Clearing House senior executive nominated for this purpose by the Relevant Clearing House; or lay directors of the Exchange. The Trade Emergency Committee may take such professional advice as it sees fit in coming to any decision.

If in the opinion of the Trade Emergency Committee an excessive position or unwarranted speculation or any other undesirable situation or practice affecting or capable of affecting the Market is developing, or has developed, it may take any steps whatsoever to provide for, correct or check the further development of such situation or practice and may give directions to Members accordingly. Such steps may (without prejudice to the generality of this Rule), if the Trade Emergency Committee thinks fit, extend to trading which occurred before or on the date that such step is instigated.

A Member contravening a direction of the Trade Emergency Committee under the Rule shall be liable to the same sanctions (including expulsion or suspension from membership) as if a breach of the Rules were committed.

Similarly, under Rule 1.2.2(b) and (c) of the Cleartrade Rulebook, the Directors may at any time make additional rules, or amend or revoke the Rules or part of them, to the extent they consider necessary or desirable for the continued recognition of the Exchange as a Recognized Market Operator under the SFA. Any Rule so made, and any such amendment or revocation, shall be subject to MAS confirming in writing that they have no objection to the proposed amendments and announced by circular to Members and shall take effect at such time and in such manner as the Directors may determine.

In a case considered by the Chairman to be one of urgency, the Directors’ powers and authority under this Rule may be exercised by a committee consisting of the Chairman and the Chief Executive

<p>the extent to which the DCM considered the effect of its emergency action on the underlying markets and on the markets that are linked or referenced to the contract market and similar markets on other trading venues. Information on all regulatory actions carried out pursuant to a DCM’s emergency authority should be included in a timely submission of a certified rule pursuant to part 40 of this chapter.</p> <p><u>CFTC Acceptable Practices:</u> A DCM must have procedures and guidelines for decision-making and implementation of emergency intervention in the market. At a minimum, the DCM must have the authority to liquidate or transfer open positions in the market, suspend or curtail trading in any contract, and require market participants in any contract to meet special margin requirements. In situations where a contract is fungible with a contract on another platform, emergency action to liquidate or transfer open interest must be directed, or agreed to, by the Commission or the Commission’s staff. The DCM must promptly notify the Commission of the exercise of its emergency authority, documenting its decision-making process, including how conflicts of interest were minimized, and the reasons for using its emergency authority. The DCM must also have rules that allow it to take such market actions as may be directed by the Commission.</p>	<p>provided that such committee shall report the circumstances, and particulars of the Rules so made, amended or revoked, as soon as possible to the Directors.</p> <p>Rule 7.10 of the Cleartrade Rulebook sets forth Cleartrade’s authority to suspend trading of any contract in an emergency event or the event in which suspension of trading is necessary in the interests of the Exchange, its staff or its Member, or to maintain a fair and orderly market. The Compliance Officer may declare that trading on the Cleartrade Platform has been suspended and will remain so until all the consequences of such an event have been remedied to their satisfaction. Trading will be resumed as soon as reasonably practicable following any such interruption. Furthermore, if as a result of such a suspension, trading in respect of any contract may not be resumed before the end of the trading session, or at a time which, in the opinion of the Compliance Officer or his designated deputies, would leave sufficient time before the end of the trading as would allow the operation of a fair and orderly market, the Compliance Officer or his designated deputies will either declare the trading session suspended or refer the matter to a Director who may declare that trading continues on Cleartrade’s Telephone Trading market. Any three Directors may also suspend trading upon reasonable belief that immediate suspension is necessary to protect the interests, reputation or welfare of the Exchange and its Members or to ensure an orderly market, suspend for up to ten working days the right of any individual associated with a particular Member to enter the Market to trade.</p> <p>Cleartrade confirms that it will promptly notify the Commission of the exercise of its emergency authority, documenting its decision-making process, including how conflicts of interest were minimized, and the reasons for using its emergency authority.]</p> <p>Cleartrade may take such market actions as may be directed by the Commission under Rule 1.2 of the Cleartrade Rulebook.</p>
Core Principle 7: AVAILABILITY OF GENERAL INFORMATION	
The board of trade shall make available to market authorities, market	Cleartrade makes available to market authorities, market participants

<p>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: (i) Electronic market platform, or (ii) Trade execution facility. 	<p>and the public information concerning the terms and conditions of the contract available on Cleartrade. Specifically, contract specifications are available for download to the general public.</p> <p>Cleartrade’s Rulebook and other documents describing Cleartrade’s mechanisms for execution transactions on its facilities and Cleartrade’s operations are available to market participants when requested and forms part of the distribution of membership materials given out to Members.</p>
<p>Core Principle 8: DAILY PUBLICATION OF TRADING INFORMATION</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>Cleartrade produces a weekly report of market volumes (by product), price movements (by product) as well as market size. Both a daily and weekly report is distributed to Members via email and is also made available to the public on Cleartrade’s website. Separately, the daily trade information is also available via the trading platform and available for Members and view-only users of Cleartrade to extract and download.</p> <p>The Cleartrade Market Operations personnel are responsible for storing market data and producing statistical reports. The range of market data stored by Cleartrade includes daily market volumes (by product/by time of the day/by lot sizes), trade prices (across time) and daily closing prices with daily highs and lows (across all products).</p>
<p>Core Principle 9: EXECUTION OF TRANSACTIONS</p>	
<p>The board of trade shall provide a competitive, open, and effective 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; 	<p>Cleartrade has adopted Rules to ensure a competitive, open and effective market and mechanism for execution transactions that protects the price discovery process of trading. Under Rule 1.1.1 of the Cleartrade Rulebook, the Rules are binding on all Members in respect of their participation in and use of the Exchange. All Members must observe the Rules at all times which shall be interpreted and given effect in the manner most conducive to the recognition of the Exchange as a Recognized Market Operator under Section 8(2) of the SFA and the</p>

<p>(2) Futures for cash commodities; (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 futures delivery if the contract is reported, recorded, or cleared in accordance with the rules of the contract market or a derivatives clearing organization.</p>	<p>good reputation of the Exchange (and its Members); in particular with references to Cleartrade being an organized and regulated market place for OTC commodity derivatives which are currently and have been previously unregulated, and therefore the Exchange’s requirements to enforce the provisions of Cleartrade’s Rulebook in priority over “common practices” in the unregulated OTC commodity derivatives markets; the promotion and maintenance of an orderly market, free of undesirable situations or practices; in particular with reference to Rule 2 under the Rulebook (Membership) and the provisions applicable to “Broking Members,” Rule 7 (Trading Rules), Rule 7A (Additional Requirements for Conduct of Business) and to Rule 1.1.1(a); high standards of integrity and fair dealing at all times by all Members when transacting on or via the Exchange with particular reference to Rule 7 and 7A of Cleartrade’s Rules; and the proper protection for all persons and/or entities interested in the performance of transactions entered into the Exchange, with particular reference to Rule 7 and Rule 7A.</p> <p>Currently, Cleartrade does not offer transfer trades or office trades; or an exchange of: (1) Futures in connection with a cash commodity transaction; (2) Futures for cash commodities; (3) Futures for swaps.</p> <p>Cleartrade confirms that an FCM can either be a principal or as an agent when acting for the purchase or sale of a commodity for futures delivery if the contract is reported, recorded or cleared in accordance with its Rules.</p>
<p>Core Principle 10: EXECUTION OF TRANSACTIONS</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: (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>	<p>Cleartrade has established its rules and procedures regarding the recording and safe storage of all identifying trade information in its Rulebook and in the Cleartrade Exchange Infrastructure & Security Overview, attached as Appendix V to Cleartrade’s Form FBOT application. Cleartrade’s trading platform is configured in such a way that any trade data and market events data is immediately captured in the system and backed up in a master-slave mode in its data server and then subsequently backed up to a remove location on a periodic basis. This data is stored for a period for a minimum of 7 years. Hence, any</p>

	<p>changes to orders will also be captured by the above process and archived accordingly. This information can be used to assist in the prevention of customer and market abuses and to provide evidence of any violations of the rules of Cleartrade.</p> <p>Cleartrade’s application and database is also backed up every night, moved off site and saved for 32 days. Cleartrade’s host provider also takes one backup on the first of every month of the database which is stored off site for 7 years. The Cleartrade Exchange Business Continuity Plan, attached as Appendix P of Cleartrade’s Form FBOT application, provides in detail how Cleartrade assures trading data is backed up to prevent loss of data. As per Rule 2A.5 of the Cleartrade Rulebook, all Members are all required to provide records of transactions and shall store them for a period of not less than 5 years.</p>
<p>Core Principle 11: FINANCIAL INTEGRITY OF TRANSACTIONS</p>	
<p>The board of trade shall establish and enforce:</p> <ul style="list-style-type: none"> (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: <ul style="list-style-type: none"> (1) The financial integrity of any: (i) Futures commission merchant, and (ii) Introducing broker; and (2) The protection of customer funds. 	<p>Rule 7.4 of the Cleartrade Rulebook sets forth Cleartrade’s rules on the validity of a contract. Although Cleartrade does not clear contracts, the rules of the partner clearing houses has both relevant and prescriptive rules that also administers the financial integrity of any futures commission merchant coupled with introducing brokers and the protection of customer funds. Rule 7A of Cleartrade’s Rulebook provides Cleartrade’s rules and procedures regarding the protection of customer funds as well.</p>
<p>Core Principle 12: PROTECTION OF MARKETS AND MARKET PARTICIPANTS</p>	
<p>The board of trade shall establish and enforce rules:</p> <ul style="list-style-type: none"> (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>Cleartrade’s Rulebook sets forth rules that specifically deal with circumstances in which acts of misconduct or breaches of the Rules have occurred, and the steps which Cleartrade can take to sanction or punish a Member for such breaches. Cleartrade also has the authority to investigate any breaches in set procedures.</p> <p>As a condition of participating on the Cleartrade Platform, Cleartrade’s Members are subject to a number of Rules to ensure that Cleartrade or its Members are not engaged in any fraud or abusive trading practices.</p>

	<p>Members are prohibited in relation to contracts entered into, or orders placed, on the market or otherwise in accordance with the Rules, to commit any acts of fraud or bad faith; act dishonestly, engage or attempt to engage in extortion, continue (otherwise than to liquidate existing positions) to trade or enter into such contracts knowingly, disseminate false, misleading or inaccurate reports concerning any product or market information or conditions that affect or tend to affect prices on the market, manipulate or attempt to manipulate the market or create or attempt to create a disorderly market, or assist its clients, or any other person to do so, mark or report a false or fictitious trade, enter into any contract or fail to close out the same either intending to default in performance of the same or having no reasonable grounds for thinking that it would be able to avoid such default (provided that it shall not be sufficient to have intended to comply with any contractual or other provision governing the consequences of default), use or reveal any information confidential to Cleartrade or another person obtained by reason of participating in any investigation or disciplinary proceedings, or otherwise commit or cause to commit a breach of the SFA. Cleartrade performs trade and market surveillance in order to detect and investigate potential trade practice violations.</p> <p>In addition, as stated in the Cleartrade Exchange Error Policy, consequential trades done from error trades could also be cancelled if Cleartrade is satisfied that the consequential trades were derived and executed as a result of the error trade.</p>
<p>Core Principle 13: DISCIPLINARY PROCEDURES</p>	
<p>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><i>CFTC Guidance:</i> (1) <i>Notice of charges.</i> If the rules of the DCM so provide, a notice may also advise: (i) That failure to request a hearing within the period prescribed in the notice, except for good cause, may</p>	<p>As set forth in the Cleartrade Rulebook, Cleartrade has established disciplinary procedures that authorize it to discipline, suspend or expel Members that violate any of the Rules in the Cleartrade Rulebook. Specifically, Rule 5 of the Cleartrade Rulebook deals with circumstances in which acts of misconduct or breaches of the Rules have occurred, and the steps which the Exchange can take to sanction or punish a Member for such breaches. Rule 5 also outlines the right of the Exchange to investigate such breaches, and stipulates how such breaches should be dealt with in set procedures. Members have the</p>

<p>be deemed a waiver of the right to a hearing; and (ii) That failure to answer or to deny expressly a charge may be deemed to be an admission of such charge. (2) <i>Admission or failure to deny charges.</i> The rules of a DCM may provide that if a respondent admits or fails to deny any of the charges, a disciplinary panel may find that the violations alleged in the notice of charges for which the respondent admitted or failed to deny any of the charges have been committed. If the DCM's rules so provide, then: (i) The disciplinary panel should impose a sanction for each violation found to have been committed; (ii) The disciplinary panel should promptly notify the respondent in writing of any sanction to be imposed pursuant to paragraph 2(i) of this section and shall advise the respondent that it may request a hearing on such sanction within the period of time, which shall be stated in the notice; (iii) The rules of a DCM may provide that if a respondent fails to request a hearing within the period of time stated in the notice, the respondent will be deemed to have accepted the sanction. (3) <i>Settlement offers.</i> (i) The rules of a DCM may permit a respondent to submit a written offer of settlement at any time after an investigation report is completed. The disciplinary panel presiding over the matter may accept the offer of settlement, but may not alter the terms of a settlement offer unless the respondent agrees. (ii) The rules of a DCM may provide that, in its discretion, a disciplinary panel may permit the respondent to accept a sanction without either admitting or denying the rule violations upon which the sanction is based. (iii) If an offer of settlement is accepted, the panel accepting the offer should issue a written decision specifying the rule violations it has reason to believe were committed, including the basis or reasons for the panel's conclusions, and any sanction to be imposed, which should include full customer restitution where customer harm is demonstrated, except where the amount of restitution and to whom it should be provided cannot be reasonably determined. If an offer of settlement is accepted without the agreement of the enforcement staff, the decision should adequately support the disciplinary panel's acceptance of the settlement. Where applicable, the decision should also include a statement that the respondent has accepted the sanctions imposed without either admitting or denying the rule violations. (iv) The respondent may withdraw his or her offer of</p>	<p>right of appeal, and the appeals procedure is outlined in Rule 5.</p> <p>(1) <i>Notice of charges.</i> Under Rule 5.4.2 Cleartrade's Compliance Committee shall issue a Notice of Investigation (NoI) notifying the Member concerned that an investigation has been commenced. The NoI shall be sent to the Member or the person concerned and copied to the Member's compliance officer. The NoI shall contain a brief description of the matter under investigation.</p> <p>When the Compliance Committee decides to commence disciplinary proceedings, they shall direct that a written notice ("Notice") be sent to the Member (or, in the case of proceedings against some other person, that person and any Member with whom he was associated at the time of the matter in question). The Notice shall set out the alleged act of misconduct or infringement, including a summary of facts relied upon.</p> <p>(2) <i>Admission or failure to deny charges.</i> Under Rule 5.5.3, where <i>no defense</i> has been served and no settlement has been reached, the Exchange will deem the Member or other person who is the subject of the Notice to have accepted the facts and matters alleged in the Notice.</p> <p>If the Exchange or Member (or person concerned and any associated Member or either of them) should fail to meet a time limit imposed by the Compliance Committee or fail to attend a hearing, the Committee may in its absolute discretion allow an extension of time, adjourn its proceedings or proceed, if necessary in the absence of the Member (or the person and Member, or either of them).</p> <p>The findings of the Compliance Committee, and particulars of any sanction, shall be notified in writing to the Member concerned (or the person concerned and any associated Member). Such findings and sanction shall be deemed conclusive and binding subject to appeal process.</p> <p>The Compliance Committee may adopt such procedures as it deems appropriate in hearing the appeal but shall give both the appellant and</p>
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<p>settlement at any time before final acceptance by a disciplinary panel. If an offer is withdrawn after submission, or is rejected by a disciplinary panel, the respondent should not be deemed to have made any admissions by reason of the offer of settlement and should not be otherwise prejudiced by having submitted the offer of settlement. (4) <i>Hearings.</i> The rules of a DCM may provide that a sanction may be summarily imposed upon any person within its jurisdiction whose actions impede the progress of a hearing. (5) <i>Right to appeal.</i> The rules of a DCM may permit the parties to a proceeding to appeal promptly an adverse decision of a disciplinary panel in all or in certain classes of cases. Such rules may require a party's notice of appeal to be in writing and to specify the findings, conclusions, or sanctions to which objection are taken. If the rules of a DCM permit appeals, then both the respondent and the enforcement staff should have the opportunity to appeal and the DCM should provide for the following: (i) The DCM should establish an appellate panel that should be authorized to hear appeals of respondents. In addition, the rules of a DCM may provide that the appellate panel may, on its own initiative, order review of a decision by a disciplinary panel within a reasonable period of time after the decision has been rendered. (ii) The composition of the appellate panel should be consistent with the requirements set forth in part 40 of this chapter and paragraph (4) of the acceptable practices for Core Principle 16, and should not include any members of the DCM's compliance staff, or any person involved in adjudicating any other stage of the same proceeding. The rules of a DCM should provide for the appeal proceeding to be conducted before all of the members of the appellate panel or a panel thereof. (iii) Except for good cause shown, the appeal or review should be conducted solely on the record before the disciplinary panel, the written exceptions filed by the parties, and the oral or written arguments of the parties. (iv) Promptly following the appeal or review proceeding, the appellate panel should issue a written decision and should provide a copy to the respondent. The decision issued by the appellate panel should adhere to all the requirements of § 38.708 of this part, to the extent that a different conclusion is reached from that issued by the disciplinary panel. (6) <i>Summary fines for violations of rules regarding timely submission of</i></p>	<p>the Directors reasonable opportunity to make representations.</p> <p>(3) <i>Settlement</i></p> <p>Under Rule 5.6 of the Cleartrade Rulebook, the Member and/or the person alleged to have committed the infringement may attempt to settle in good faith the disciplinary proceedings at any stage (including any appeal) with the Exchange. The terms of any settlement shall be agreed between the Compliance Officer and the individual or Member as the case may be and submitted in writing to the Chairman of the Compliance Committee, or in his absence, a quorum of this Committee for ratification. Upon ratification, the terms of the settlement shall take effect. In the event the settlement is not ratified, the disciplinary proceedings shall continue.</p> <p>(4) <i>Hearings</i></p> <p>Under Rule 5.5.5 of the Cleartrade Rulebook, without adjournment the Compliance Committee, or a quorum of the Compliance Committee hearing a case summarily, may amend a Notice by deletion, alteration or addition, or may vary the Rule breach alleged or add another Rule breach provided that they are of the opinion that:</p> <ol style="list-style-type: none"> a. the amendment or variation is material to the course of conduct under investigation; b. the essential character of the allegation or Rule breach has not been changed; and c. the Member would not be prejudiced in any defense it might wish to put before the Compliance Committee. <p>Under Rule 5.11, where in all the circumstances of a case the Compliance Committee considers summary enforcement of the Rules to be apt, it may, summarily hear and determine the case itself. Any matter which financial penalty or impact to Cleartrade would be less than US\$50,000 can be summarily dealt with.</p> <p>(5) <i>Right to appeal.</i> Where an alleged infringement or misconduct falls</p>
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<p><i>records, or other similar activities.</i> A DCM may adopt a summary fine schedule for violations of rules relating to the timely submission of accurate records required for clearing or verifying each day's transactions, decorum, attire, or other similar activities. A DCM may permit its compliance staff, or a designated panel of contract market officials, to summarily impose minor sanctions against persons within the DCM's jurisdiction for violating such rules. A DCM's summary fine schedule may allow for warning letters to be issued for first-time violations or violators. If adopted, a summary fine schedule should provide for progressively larger fines for recurring violations. (7) <i>Emergency disciplinary actions.</i> (i) A DCM may impose a sanction, including suspension, or take other summary action against a person or entity subject to its jurisdiction upon a reasonable belief that such immediate action is necessary to protect the best interest of the marketplace. (ii) Any emergency disciplinary action should be taken in accordance with a DCM's procedures that provide for the following: (A) If practicable, a respondent should be served with a notice before the action is taken, or otherwise at the earliest possible opportunity. The notice should state the action, briefly state the reasons for the action, and state the effective time and date, and the duration of the action. (B) The respondent should have the right to be represented by legal counsel or any other representative of its choosing in all proceedings subsequent to the emergency action taken. The respondent should be given the opportunity for a hearing as soon as reasonably practicable and the hearing should be conducted before the disciplinary panel pursuant to the requirements of § 38.707 of this part. (C) Promptly following the hearing provided for in this rule, the DCM should render a written decision based upon the weight of the evidence contained in the record of the proceeding and should provide a copy to the respondent. The decision should include a description of the summary action taken; the reasons for the summary action; a summary of the evidence produced at the hearing; a statement of findings and conclusions; a determination that the summary action should be affirmed, modified, or reversed; and a declaration of any action to be taken pursuant to the determination, and the effective date and duration of such action.</p>	<p>outside those mentioned under Rule 5 of the Cleartrade Rulebook, before commencing a summary hearing the Compliance Committee shall inform the Member or other person concerned that such person may object to summary enforcement. A Member or other person proceeded against, may appeal to the Chairman against a summary determination of the Compliance Committee if notice of appeal is given to Cleartrade within 7 days of notification of the Committee's determination.</p> <p>(6) <i>Summary fines for violations of rules regarding timely submission of records, or other similar activities.</i> The sanctions which may be imposed by the Compliance Committee are those set forth in Rule 5 above save that:</p> <ul style="list-style-type: none"> i. the sanction of expulsion shall not be available to the Committee; ii. the maximum sanction of suspension which may be imposed by the Committee on an individual is limited to 3 calendar months; and iii. the maximum fine which may be imposed by the Committee is limited to \$100,000 for a Member in respect of each offence. <p>(7) <i>Emergency disciplinary actions.</i> The following sets forth Cleartrade's authority for emergency disciplinary actions under Rule 9.17 of the Cleartrade Rulebook:</p> <ul style="list-style-type: none"> a. In the event of the Exchange, whether by its Compliance Officer or otherwise, identifying or suspecting the development or possible development of a situation or practice referred to below, it shall forthwith refer the matter to a committee (the Trade Emergency Committee) being a minimum of three people comprising: the Compliance Officer; the Chief Executive; a Relevant Clearing House senior executive nominated for this purpose by the Relevant Clearing House; or lay directors of the Exchange. The Trade Emergency Committee may take such professional advice as it sees fit in coming to any decision.
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	<ul style="list-style-type: none"> b. If in the opinion of the Trade Emergency Committee, an excessive position, unwarranted speculation or any other undesirable situation or practice affecting or capable of affecting the Market is developing, or has developed, it may take any steps whatsoever to provide for, correct or check the further development of such situation or practice and may give directions to Members accordingly. Such steps may (without prejudice to the generality of this Rule), if the Trade Emergency Committee thinks fit, extend to trading which occurred before or on the date that such step is instigated. c. A Member contravening a direction of the Trade Emergency Committee under this Rule shall be liable to the same sanctions (including expulsion or suspension from membership) as if a breach of the Rules were committed.
Core Principle 14: DISPUTE RESOLUTION	
<p>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><u>CFTC Guidance:</u> A DCM should provide customer dispute resolution procedures that are: appropriate to the nature of the market; fair and equitable; and available on a voluntary basis, either directly or through another self-regulatory organization, to customers that are non-eligible contract participants.</p> <p><u>CFTC Acceptable Practices:</u> (1) <i>Fair and equitable procedure.</i> Every contract market shall provide customer dispute resolution procedures that are fair and equitable. An acceptable customer dispute resolution mechanism would: (i) Provide the customer with an opportunity to have his or her claim decided by an objective and impartial decisionmaker; (ii) Provide each party with the right to be represented by counsel at the commencement of the procedure, at the party's own expense; (iii) Provide each party with adequate notice of the claims presented against such party, an opportunity to be heard on all claims, defenses and</p>	<p>Cleartrade has established and enforces rules regarding, and provide facilities for alternatives dispute resolution as appropriate, for market participants. Rules regarding dispute resolution is covered under Rule 8 of the Cleartrade Rulebook. In the event of a complaint against Cleartrade or any of its officers, Rule 8 outlines the procedures for handling disputes between Members and the Exchange. It specifies that disputes shall be attempted to be resolved in good faith, and if this fails, shall be referred to arbitration in Singapore. For disputes between Members, Clearing Members of the Relevant Clearing Houses and the Clearing Houses themselves, all dispute resolution shall occur away from the Exchange and without the involvement of the Exchange other than in an advisory role. The Rule stipulates each party's duty to participate in dispute resolution and which procedures are set as guidelines in case of disputes. This Rule also deals with the role of the Relevant Clearing House in relation to Contracts and the Exchange.</p>

<p>permitted counterclaims, and an opportunity for a prompt hearing; (iv) Authorize prompt, written, final settlement awards that are not subject to appeal within the DCM; and (v) Notify the parties of the fees and costs that may be assessed. (2) <i>Voluntary Procedures.</i> The use of dispute settlement procedures shall be voluntary for customers other than eligible contract participants as defined in section 1a(18) of the Dodd-Frank Act, and may permit counterclaims as provided in § 166.5 of this chapter. (3) <i>Member-to-Member Procedures.</i> If the DCM also provides procedures for the resolution of disputes that do not involve customers (i.e., member-to-member disputes), the procedures for resolving such disputes must be independent of and shall not interfere with or delay the resolution of customers' claims or grievances. (4) <i>Delegation.</i> A DCM may delegate to another self-regulatory organization or to a registered futures association its responsibility to provide for customer dispute resolution mechanisms, provided, however, that in the event of such delegation, the DCM shall in all respects treat any decision issued by such other organization or association with respect to such dispute as if the decision were its own, including providing for the appropriate enforcement of any award issued against a delinquent member.</p>	
<p>Core Principle 15: GOVERNANCE FITNESS STANDARDS</p>	
<p>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><u>CFTC Guidance:</u> (1) A DCM should have appropriate eligibility criteria for the categories of persons set forth in the Core Principle that should include standards for fitness and for the collection and verification of information supporting compliance with such standards. Minimum standards of fitness for persons who have member voting privileges, governing obligations or responsibilities, or who exercise disciplinary authority are those bases for refusal to register a person under section 8a(2) of the Act. In addition, persons who have governing obligations or responsibilities, or who exercise disciplinary authority,</p>	<p>Cleartrade has established and enforces the fitness standards required under the Guidelines.</p> <p>MAS expects a relevant person to be competent, honest, to have integrity and to be of sound financial standing. This provides MAS with the assurance that the relevant person is willing and able to fulfill its or his obligations under any written law. This also underpins Cleartrade's requirements that the relevant person performs the activities regulated under the relevant legislation efficiently, honestly and fairly and acts in the best interests of its or his stakeholders and customers.</p> <p>The onus is on each relevant person to establish that he or she is a fit and proper person rather than for MAS to show otherwise. Where a relevant person is required under the relevant legislation to ensure that another relevant person is fit and proper, the onus is on the former to</p>

<p>should not have a significant history of serious disciplinary offenses, such as those that would be disqualifying under § 1.63 of this chapter. Members with trading privileges but having no, or only nominal, equity, in the facility and non-member market participants who are not intermediated and do not have these privileges, obligations, responsibilities or disciplinary authority could satisfy minimum fitness standards by meeting the standards that they must meet to qualify as a “market participant.” Natural persons who directly or indirectly have greater than a ten percent ownership interest in a DCM should meet the fitness standards applicable to members with voting rights. (2) The Commission believes that such standards should include providing the Commission with fitness information for such persons, whether registration information, certification to the fitness of such persons, an affidavit of such persons' fitness by the contract market's counsel or other information substantiating the fitness of such persons. If a contract market provides certification of the fitness of such a person, the Commission believes that such certification should be based on verified information that the person is fit to be in his or her position.</p>	<p>establish to the satisfaction of MAS that the latter is fit and proper. As different appointments and designations entail different responsibilities, these Guidelines would be applied in a manner and to the extent that is suitable to the circumstances. MAS will consider the nature of the responsibilities of the relevant person in determining the relative emphasis and standard that should be expected of the relevant person.</p> <p>Cleartrade will provide such information to the Commission as requested regarding the fitness for such persons, whether registration information, certification to the fitness of such persons, an affidavit of such persons' fitness by Cleartrade's counsel or other information substantiating the fitness of such persons.</p>
<p>Core Principle 16: CONFLICTS OF INTEREST</p>	
<p>The board of trade shall establish and enforce rules—</p> <ul style="list-style-type: none"> (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><u>CFTC Guidance:</u> The means to address conflicts of interest in decision making of a contract market should include methods to ascertain the presence of conflicts of interest and to make decisions in the event of such a conflict. In addition, the Commission believes that the contract market should provide for appropriate limitations on the use or disclosure of material non-public information gained through the performance of official duties by board members, committee members and contract market employees or gained through an ownership interest in the contract market.</p> <p><u>CFTC Acceptable Practices:</u> All DCMs bear special responsibility to</p>	<p>Cleartrade's conflicts of interest summarized as follows: each director of Cleartrade must act in such a way as to avoid a situation in which he has or could have an interest which conflicts with the interests of Cleartrade. In particular, this applies to transactions between the director and a third party (not Cleartrade, as disclosure rules will apply in this regard) regarding the exploitation of any property, information or opportunity available to Cleartrade and applies whether or not Cleartrade could take advantage of such property, information or opportunity.</p> <p>Cleartrade seeks to minimize and resolve conflicts of interest by first identifying and managing which conflicts of interests (“COIs”) exist and then maintaining a register that details any real or potential COIs. The following information outlines Cleartrade's processes and policies with respect to COIs.</p> <p><u>Identifying Conflicts</u></p>

regulate effectively, impartially, and with due consideration of the public interest, as provided for in section 3 of the Act. Under Core Principle 15, they are also required to minimize conflicts of interest in their decision making processes. To comply with this Core Principle, contract markets should be particularly vigilant for such conflicts between and among any of their self-regulatory responsibilities, their commercial interests, and the several interests of their management, members, owners, customers and market participants, other industry participants, and other constituencies. Acceptable practices for minimizing conflicts of interest shall include the following elements:

(1) Board composition for contract markets (i) At least thirty-five percent of the directors on a contract market's board of directors shall be public directors; and (ii) The executive committees (or similarly empowered bodies) shall be at least thirty-five percent public.

(2) Public director (i) To qualify as a public director of a contract market, an individual must first be found, by the board of directors, on the record, to have no material relationship with the contract market. A "material relationship" is one that reasonably could affect the independent judgment or decision-making of the director. (ii) In addition, a director shall be considered to have a "material relationship" with the contract market if any of the following circumstances exist: (A) The director is an officer or employee of the contract market or an officer or employee of its affiliate. In this context, "affiliate" includes parents or subsidiaries of the contract market or entities that share a common parent with the contract market; (B) The director is a member of the contract market, or an officer or director of a member. "Member" is defined according to section 1a(34) of the Commodity Exchange Act and Commission Regulation 1.3(q); (C) The director, or a firm with which the director is an officer, director, or partner, receives more than \$100,000 in combined annual payments from the contract market, or any affiliate of the contract market (as defined in subsection (2)(ii)(A)), for legal, accounting, or consulting services. Compensation for services as a director of the contract market or as a director of an affiliate of the contract market does not count toward the \$100,000 payment limit, nor does deferred compensation for services prior to becoming a director, so long as such compensation is in no way contingent, conditioned, or

Cleartrade must first take all reasonable steps to identify conflicts of interest between:

- (1) Cleartrade, including its managers, employees and "[Appointed Representatives](#)" (or where applicable, "[Tied Agents](#)", or any [person](#) directly or indirectly linked to them by [control](#), and a [client](#) of Cleartrade; or
- (2) one member of Cleartrade and another member;

"Appointed Representatives" and "Tied Agents" refer to individuals who are allowed to carry on certain regulated activities by an authorized firm (his principal) under a contract by which the principals accept responsibility for the regulated activities carried on by its appointed representatives.

Types of Conflict

For the purposes of identifying the types of conflict of interest that arise, or may arise, in the course of providing a service and whose existence may entail a material risk of damage to the interests of a member, Cleartrade must take into account, as a minimum, whether Cleartrade or a [relevant person](#), or a [person](#) directly or indirectly linked by [control](#) to Cleartrade:

- (1) is likely to make a financial gain, or avoid a financial loss, at the expense of the member;
- (2) has an interest in the outcome of a service provided to the member or of a transaction carried out on behalf of the member, which is distinct from the member's interest in that outcome;
- (3) has a financial or other incentive to favour the interest of another member or group of members over the interests of the member;
- (4) carries on the same business as the member; or
- (5) receives or will receive from a [person](#) other than the member an inducement in relation to a service provided to the member, in the form of monies, goods or services, other than the standard commission or fee for that service.

Record of Conflicts

Cleartrade keeps and regularly updates a record of the kinds of service

revocable; (D) Any of the relationships above apply to a member of the director's "immediate family," i.e., spouse, parents, children and siblings. (iii) All of the disqualifying circumstances described in subsection (2)(ii) shall be subject to a one-year look back. (iv) A contract market's public directors may also serve as directors of the contract market's affiliate (as defined in subsection (2)(ii)(A)) if they otherwise meet the definition of public director in this section (2). (v) A contract market shall disclose to the Commission which members of its board are public directors, and the basis for those determinations. (3) Regulatory oversight committee ("ROC") (i) A board of directors of any contract market shall establish a ROC as a standing committee, consisting of only public directors as defined in section (2), to assist it in minimizing actual and potential conflicts of interest. The ROC shall oversee the contract market's regulatory program on behalf of the board. The board shall delegate sufficient authority, dedicate sufficient resources, and allow sufficient time for the ROC to fulfill its mandate. (ii) The ROC shall: (A) Monitor the contract market's regulatory program for sufficiency, effectiveness, and independence; (B) Oversee all facets of the program, including trade practice and market surveillance; audits, examinations, and other regulatory responsibilities with respect to member firms (including ensuring compliance with financial integrity, financial reporting, sales practice, recordkeeping, and other requirements); and the conduct of investigations; (D) Supervise the contract market's chief regulatory officer, who will report directly to the ROC; (E) Prepare an annual report assessing the contract market's self-regulatory program for the board of directors and the Commission, which sets forth the regulatory program's expenses, describes its staffing and structure, catalogues disciplinary actions taken during the year, and reviews the performance of disciplinary committees and panels; (E) Prepare an annual report assessing the contract market's self-regulatory program for the board of directors and the Commission, which sets forth the regulatory program's expenses, describes its staffing and structure, catalogues disciplinary actions taken during the year, and reviews the performance of disciplinary committees and panels; (F) Recommend changes that would ensure fair, vigorous, and effective regulation; and (G) Review regulatory proposals

or activity carried out by or on behalf of Cleartrade in which a conflict of interest entailing a material risk of damage to the interests of one or more members has arisen or, in the case of an ongoing service or activity, may arise.

Managing Conflicts

Cleartrade must maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps to prevent conflicts of interest.

Disclosure of Conflicts

(1) The disclosure must: -

(a) be made in a "[durable medium](#)"; and

(b) include sufficient detail, taking into account the nature of the member, to enable that member to take an informed decision with respect to the service in the context of which the conflict of interest arises.

Cleartrade aims to identify and manage the conflicts of interest arising in relation to its various business lines and its activities under a comprehensive [conflicts of interest policy](#). In particular, the disclosure of conflicts of interest by Cleartrade should not exempt it from the obligation to maintain and operate the effective organisational and administrative arrangements, an over-reliance on disclosure without adequate consideration as to how conflicts may appropriately be managed is not permitted.

Conflicts Policy

Cleartrade's conflicts of interest policy seeks to implement an effective conflicts of interest policy that is appropriate to the size and organisation of Cleartrade and the nature, scale and complexity of its business. Where Cleartrade is a member of a [group](#), the policy must also take into account any circumstances, of which Cleartrade is or should be aware, which may give rise to a conflict of interest arising as a result of the structure and business activities of other members of the [group](#).

and advise the board as to whether and how such changes may impact regulation. (4) Disciplinary panels. All contract markets shall minimize conflicts of interest in their disciplinary processes through disciplinary panel composition rules that preclude any group or class of industry participants from dominating or exercising disproportionate influence on such panels. Contract markets can further minimize conflicts of interest by including in all disciplinary panels at least one person who would qualify as a public director, as defined in subsections (2)(ii) and (2)(iii) above, except in cases limited to decorum, attire, or the timely submission of accurate records required for clearing or verifying each day's transactions. If contract market rules provide for appeal to the board of directors, or to a committee of the board, then that appellate body shall also include at least one person who would qualify as a public director as defined in subsections (2)(ii) and (2)(iii) above.

- (1) The “[conflicts of interest policy](#)“ includes the following:
 - (a) identify in accordance, by reference to the specific services and activities carried out by or on behalf of Cleartrade, the circumstances which constitute or may give rise to a conflict of interest entailing a material risk of damage to the interests of one or more members; and
 - (b) it must specify measures to be adopted in order to manage such conflicts.
- (2) Measures provided must: -
 - (a) be designed to ensure that [relevant persons](#) engaged in different business activities involving a conflict of interest of the kind specified above to ensure a level of independence appropriate to the size and activities of the of the [group](#) to which it belongs, and to the materiality of the risk of damage to the interests of members; and
 - (b) include such of the following as are necessary and appropriate for Cleartrade to ensure the requisite degree of independence: -
 - (i) effective procedures to prevent or control the exchange of information between [relevant persons](#) engaged in activities involving a risk of a conflict of interest where the exchange of that information may harm the interests of one or more members;
 - (ii) the separate supervision of [relevant persons](#) whose principal functions involve carrying out activities on behalf of, or providing services to, members whose interests may conflict, or who otherwise represent different interests that may conflict, including those of Cleartrade;
 - (iii) the removal of any direct link between the remuneration of [relevant persons](#) principally engaged in one activity and the remuneration of, or revenues generated by, different [relevant persons](#) principally engaged in another activity, where a conflict of interest may arise in relation to those activities;
 - (iv) measures to prevent or limit any [person](#) from exercising inappropriate influence over the way in which a [relevant person](#) carries out services or activities; and
 - (v) measures to prevent or control the simultaneous or sequential involvement of a [relevant person](#) in separate services or activities where such involvement may impair the proper management of conflicts of

interest.

Duty to Avoid Conflicts

Cleartrade's policy regarding the duty to avoid conflicts can be summarised as follows: each director of Cleartrade must act in such a way as to avoid a situation in which he has or could have an interest which conflicts with the interests of Cleartrade. In particular, this applies to transactions between the director and a third party (not Cleartrade, as disclosure rules will apply in this regard) regarding the exploitation of any property, information or opportunity available to Cleartrade and applies whether or not Cleartrade could take advantage of such property, information or opportunity.

Duty Not to Accept Benefits from Third Parties

This restates the existing rule known as 'non profit' in that a director is not permitted to accept a benefit from a third party by reason of (a) his being a director or (b) his doing or not doing anything as a director. "Benefits" cover both monetary and non monetary benefits, including non-executive directorships and even corporate entertainment. However, a director will not be in breach of this duty if the acceptance of such benefit cannot reasonably be regarded as likely to give rise to a conflict of interest. Nevertheless, because it is not always clear whether certain benefits will give rise to conflicts of interest, directors should seek advice on this area.

Duty to Declare Interest in Proposed Transaction

If a director is in any way, whether directly or indirectly, interested in a proposed transaction or arrangement with Cleartrade, he must declare (before Cleartrade enters into the transaction or arrangement) the nature and extent of that interest to the other directors. Disclosure must also be made where a director should reasonably be aware of the conflicting interest. Disclosure extends to a person connected with the director, for example, his wife and children. The requirement for disclosure is dispensed in circumstances where the interest cannot reasonably be regarded as likely to give rise to a conflict of interest or if other directors are already aware or should reasonably be aware' of

	<p>the director’s interest.</p> <p><u>Enforcement for Breach</u></p> <p>The consequences of a breach of any of Cleartrade’s conflicts of interest policies are the same as would be applied if the corresponding common law rule or equitable principal were applied (with the exception of the duty to exercise reasonable skill and care).</p> <p>Cleartrade is in process of updating its records to reflect the “CFTC Acceptable Practices” in the left column.</p>
Core Principle 17: COMPOSITION OF THE GOVERNING BOARDS OF CONTRACT MARKETS	
<p>The governance arrangements of the board of trade shall be designed to permit consideration of the views of market participants.</p>	<p>As provided under Rule 1.4.5 of the Cleartrade Rulebook, any change to the Cleartrade Rulebook will need at least 14 days’ prior notice circulated to the Members.</p> <p>In general terms Cleartrade seeks consultation from its market participants and then takes into account their views coupled with our governance arrangements prior to issuing a change in the Rulebook.</p>
Core Principle 18: RECORDKEEPING	
<p>The board of trade shall maintain records of all activities relating to the business of the contract market—</p> <p>(a) In a form and manner that is acceptable to the Commission; and</p> <p>(b) For a period of at least 5 years.</p>	<p>Currently, records must be maintained for five years. Section 39 of the SFA and Regulation 5 of the Securities and Futures (Markets) Regulations 2005 (“SFMR”) require an RMO to maintain a detailed record of all transactions effected through its facilities and keep all relevant books and other information for a minimum of five (5) years.</p>
Core Principle 19: ANTITRUST CONSIDERATIONS	
<p>Unless necessary or appropriate to achieve the purposes of this Act, the board of trade shall not—</p> <p>(a) Adopt any rule or taking any action that results in any unreasonable restraint of trade; or</p> <p>(b) Impose any material anticompetitive burden on trading on the contract market.</p> <p><u>CFTC Guidance</u>: An entity seeking designation as a contract market may request that the Commission consider under the provisions of section 15(b) of the Act, any of the entity's rules, including trading</p>	<p>The Commission's antitrust tools are complementary to these regulatory measures performed by Cleartrade which together seek to ensure safe, sound and efficient financial markets</p> <p>In its seeking registration as an FBOT, Cleartrade requests that the Commission consider under the provisions of Section 15(b) of the Act, any of Cleartrade’s rules, including trading policies, and including both operational Rules and the terms or conditions of products listed for trading, at the time of registration or thereafter.</p>

<p>protocols or policies, and including both operational rules and the terms or conditions of products listed for trading, at the time of designation or thereafter. The Commission intends to apply section 15(b) of the Act to its consideration of issues under this core principle in a manner consistent with that previously applied to contract markets.</p>	
<p>Core Principle 20: SYSTEM SAFEGUARDS</p>	
<p>The board of trade shall—</p> <p>(a) Establish and maintain a program of risk analysis and oversight to identify and minimize sources of operational risk, through the development of appropriate controls and procedures, and the development of automated systems, that are reliable, secure, and have adequate scalable capacity;</p> <p>(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</p> <p>(c) Periodically conduct tests to verify that backup resources are sufficient to ensure continued order processing and trade matching, price reporting, market surveillance, and maintenance of a comprehensive and accurate audit trail.</p>	<p>Cleartrade has a risk management manual which governs its risk analysis and oversight. Separately, there are also technical documents such as the infrastructure and security overview document which look at the development of automated systems that are reliable, secure, and have adequate scalable capacity.</p> <p>In terms of audit trail, the production MySQL database is replicated real-time to a slave instance running on a separate machine. Full database backups are performed daily from this slave instance and kept for 7 years.</p> <p>Cleartrade also has a disaster recovery procedure which allows Cleartrade to establish emergency procedures when activated.</p> <p>The disaster recovery procedures are tested annually to ensure that the procedures remain relevant and that there are sufficient backup resources to ensure continued order processing and trade matching.</p>
<p>Core Principle 21: FINANCIAL RESOURCES</p>	
<p>(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.</p> <p>(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 capital requirement that Cleartrade has to abide by is derived from the approval letter from MAS to Cleartrade on the March 8, 2011, to recognize Cleartrade as a Recognised Market Operator in Singapore, and requires that Cleartrade:</p> <ul style="list-style-type: none"> • shall not cause or permit its base capital to fall below S\$500,000; and • shall not cause or permit its financial resources to fall below its total risk requirement. The total risk requirement for Cleartrade shall be the higher of 18% of its annual operating revenue or 50% of its annual operating costs.

	<p>Cleartrade also sets out to provide the MAS with our updated base capital, financial resources and risk requirement on a monthly basis to determine that we are still operating in line with our capital requirements.</p> <p>The premise of such a regulatory capital calculation by MAS is to allow for the financial resources to cover the operating costs of the contract market for an extended period. Cleartrade considers a 6 month period adequate should it be needed to wind down.</p>
Core Principle 22: DIVERSITY OF BOARD OF DIRECTORS	
<p>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>Cleartrade Exchange is not a publically traded company.</p>
Core Principle 23: SECURITIES AND EXCHANGE COMMISSION	
<p>The board of trade shall keep any such records relating to swaps defined in section 1a(47)(A)(v) open to inspection and examination by the Securities and Exchange Commission.</p> <p><u>CFTC Guidance:</u> A DCM should have arrangements and resources for collecting and maintaining accurate records pertaining to any swaps agreements defined in section 1a(47)(A)(v) of the Act, and should leave them open to inspection and examination for a period of five years.</p>	<p>Currently, records must be maintained for five (5) years. Section 39 of the SFA and Regulation 5 of the SFMR require an RMO to maintain a detailed record of all transactions effected through its facilities and keep all relevant books and other information for a minimum of 5 years.</p> <p>Rule 1.2 of the Cleartrade Rulebook requires for Cleartrade to make arrangements for such records to be available for other regulatory authorities at their request.</p>