

<p><i>Sec. 5h(f)(2) Compliance with Rules –</i></p> <p>“A Swap execution facility shall –</p> <p>(A) establish and enforce compliance with any rule of the swap execution facility, including – (i) the terms and conditions of the swaps execution facility; and (ii) any limitation on access to the swap execution facility;</p> <p>(B) establish and enforce trading, trade processing, and participation rules that will deter abuses and have the capacity to detect, investigate, and enforce those rules, including means – (i) to provide market participants with impartial access to the market; and (ii) to capture information that may be used in establishing whether rule violations have occurred;</p> <p>(C) establish rules governing the operation of the facility, including rules specifying trading procedures to be used in entering and executing orders traded or posted on the facility, including block trades; and</p> <p>(D) provide by its rules that when a swap dealer or major swap participant enters into or facilitates a swap that is subject to the mandatory clearing requirement of section 2(h), the swap dealer or major swap participant shall be responsible for compliance with the mandatory trading requirement under section 2(h)(8).”</p>	<p>Operation of the SEF and Compliance with Rules</p> <p>CMSEF has adopted and will impartially enforce a comprehensive set of Rules for the conduct of trading on the SEF. Rule 407A requires Participants to execute Required Transactions that do not qualify as Block Trades through either the Order Book or the RFQ system described in Rule 406. Rule 416 sets forth the procedures for entering Block Trades. See <i>also</i> Rule 418 (Dissemination of Prices and Trading Information).</p> <p>CMSEF has established and enforces compliance with the Rules, including the Rules related to the terms and conditions of swaps traded or processed on or through the SEF (Rule 401), access to the SEF (Chapter 3 of the Rules), disciplinary procedures (Chapter 5 of the Rules) and mandatory trading requirements (Rule 311).</p> <p>As a condition to trading on the SEF, each SEF Participant is required to enter into either a CMSEF Market Maker Participant Agreement (Exhibit N-3) or a CMSEF Non-Market Maker Participant Agreement (Exhibit N-4), as the case may be, in which the Participant undertakes to comply with the Rules of the SEF.</p> <p>Access Requirements</p> <p>Chapter 3 of the Rules provides clear and transparent access criteria and requirements for Participants, Authorized Users and Authorized Persons. Rule 303A sets forth the qualification standards for Participants, including that an applicant must represent that it qualifies as an eligible contract participant (“ECP”) and must itself be a member of or have entered into an arrangement with a Derivatives Clearing Organization or other CFTC-approved clearinghouse to clear Swaps that it executes on or pursuant to the Rules of the SEF. Rule 304 provides clear and transparent criteria and requirements for Authorized Users who access the SEF.</p>	<p>Rules 418, 406, 407A and 416</p> <p>Chapters 3 and 5 of the Rules; Rules 401 and 311</p> <p>Exhibit N-3; Exhibit N-4</p> <p>Chapter 3 of the Rules Rules 303A and 304</p>
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	<p>Rule 303A provides CMSEF’s access criteria, which will be applied in an impartial manner through the application process described in Rule 306. Failure of an applicant to demonstrate a capacity to comply with the requirements of the Rules or of Applicable Law may lead to a denial of the application under Rule 302. Other provisions in the Rulebook, including Rules 302, 304 and 313, describe CMSEF’s authority to revoke, suspend or limit the access of a Participant or Authorized User.</p> <p>As set forth in CMSEF Dues, Fees & Other Charges (Exhibit K), CMSEF shall charge consistent fees for all Participants that receive comparable access to the SEF.</p> <p>Rule 301 requires any Participants, Authorized Users and other Persons accessing the SEF to abide by the Rules and consent to CMSEF’s jurisdiction when entering orders or executing trades on or pursuant to the Rules of the SEF. Rule 302 provides CMSEF with the right to deny the Trading Privileges of any Person (i) if such Person is unable to demonstrate a capacity to adhere to all of the Rules and Applicable Law; or (ii) if such Person would bring CMSEF into disrepute; or (iii) for other causes as CMSEF may reasonably decide. Rule 302 provides that CMSEF may suspend, condition or revoke the Trading Privileges of any Person that fails to meet any of the qualification requirements for Trading Privileges, fails to meet any condition placed on such Trading Privileges, violates any agreement with CMSEF, or has summary action taken against it by CMSEF. Under Rule 521, the Chief Compliance Officer (“CCO”) may, after consultation with the Regulatory Oversight Committee (“ROC”) if practicable, summarily suspend, revoke, limit, condition, restrict or qualify the Trading Privileges of a Participant, or Authorized User. The hearing and appeals process described in Rule 519 will ensure that any limitations on access are applied in a fair and impartial manner.</p> <p>Rule Enforcement Program</p> <p>CMSEF has established and enforces compliance with its</p>	<p>Rules 302, 303A, 306, 304 and 313</p> <p>Exhibit K</p> <p>Rules 301, 302, 519 and 521</p> <p>Compliance Manual</p>
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	<p>trading, trade practice and participation Rules. See the Rules and Exhibit O-1, CMSEF Compliance Manual (the “Compliance Manual”).</p> <p><i>Capacity to detect and investigate rule violations.</i> CMSEF has made adequate arrangements and has adequate resources to enforce its Rules. CMSEF’s ROC and the Compliance Department (including any Regulatory Service Provider (“RSP”) if CMSEF contracts for such services) are responsible for detecting, investigating and taking disciplinary action with respect to violations of the Rules. Pursuant to Rule 502, CMSEF (and CMSEF’s RSP if CMSEF contracts with an RSP) have the right to inspect the systems, equipment and software of Participants, including Authorized Persons, Authorized Users, and Customers (also includes Clearing Members). Rule 502 requires Participants, including Authorized Persons, Authorized Users and other Customers to produce books and records related to a Rule, inquiry or investigation as requested by the Compliance Department (including the staff of any CMSEF RSP). As set forth in Chapter 8 of the Compliance Manual, the Compliance Department performs trade practice surveillance, market surveillance and real-time market monitoring to analyze the data collected by the SEF and determine whether any Rule violations have occurred.</p> <p><i>Compliance staff and resources.</i> CMSEF has established sufficient compliance resources to ensure that it can conduct audit trail reviews, trade practice surveillance, market surveillance, real-time market monitoring and complete any inquiries or investigations in a timely manner. CMSEF’s compliance staffing and resources include: a ROC, the CCO, the Compliance Department and the resources available through any Regulatory Services Agreement (“RSA”) with an RSP if CMSEF contracts with an RSP. Pursuant to Rule 203, the ROC will review and approve the annual compliance budget and resources to ensure that they are sufficient to meet compliance obligations.</p> <p>As set forth in Sections 3.3 of the Compliance Manual, in the event CMSEF retains an RSP, CMSEF’s Compliance</p>	<p>Compliance Manual, Chapter 8; Rule 502</p> <p>Rule 203</p> <p>Compliance Manual, Sections 3.3</p>
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	<p>Department will retain ultimate decision-making responsibility with respect to any functions contracted to any RSP. The Compliance Department or RSP may review CMSEF's trades on a routine basis to determine whether suspicious activity relating to CMSEF's trading standards exists. Initially, CMSEF does not intend to use an RSP. CMSEF shall initially be responsible for financial surveillance, daily market surveillance, daily trade practice surveillance and inquiries and investigations. In the future, CMSEF may choose to outsource some services related to disciplinary proceedings.</p> <p>Rule 203 authorizes the ROC to be responsible for monitoring the sufficiency, independence and effectiveness of CMSEF's regulatory program.</p> <p><i>Trade surveillance system.</i> CMSEF shall be responsible for performing trade practice and market surveillance. Additional information on the CMSEF's market surveillance practices is provided in Chapter 8 of the Compliance Manual. As set forth in Section 8.2 of the Compliance Manual, CMSEF's Market Monitor Team ("MMT") shall monitor trading on the CMSEF Platform for certain types of suspicious transactions. The MMT shall monitor CMSEF's Platform for suspicious activity by watching for suspicious transactions on a view-only trading screen during trading hours. On a T+1 basis, the MMT and Compliance Department shall also review specialized reports to look for unusual activity. Any unusual activity will be reviewed and such review shall be documented.</p> <p>The MMT looks for the following types of suspicious transactions on a real-time basis by watching trading activity on CMSEF's trading platform: abnormal price movements unusual order volumes unusual order cancellations or modifications unusual trading volumes attempted manipulation.</p> <p><i>Real-time market monitoring.</i> As set forth in Section 8.4 of the Compliance Manual, the MMT will perform real-time market</p>	<p>Rule 203</p> <p>Compliance Manual, Chapter 8; Section 8.2</p> <p>Compliance Manual, Section 8.4</p>
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	<p>monitoring of trading activity on the CMSEF by using Scila and a view-only market monitor screen through which the MMT can track the activity of specific traders, and monitor price and volume information. The MMT shall also review Scila alerts and look for aberrational prices, excessive volume and other anomalies in trading on the CMSEF Platform as part of its market monitoring process. The Compliance Department will review all potentially prohibited trading activity on CMSEF's Platform.</p> <p>Pursuant to Rule 409, CMSEF may cancel or adjust trades when necessary, including if there is a trade entered at a price that would disrupt the market, there is a platform on the CMSEF system or both counterparties agree to cancel or amend a transaction. CMSEF will notify Participants pursuant to Rule 409 that a trade is under review.</p> <p><i>Investigations and investigative reports.</i> The Compliance Department, directly or indirectly through an RSP, will be primarily responsible for performing most of the investigatory work. Chapter 5 of the Rules describes CMSEF's disciplinary and enforcement procedures and demonstrates CMSEF's capacity to detect and investigate rule violations. In accordance with Rules 501 through 506, the Compliance Department will conduct investigations relating to real-time surveillance, financial surveillance, trade practices and market surveillance. Rules 507 through 525 govern disciplinary proceedings, including the initiation, litigation, and resolution of such proceedings.</p> <p>Regulatory Services Provided by a Third Party</p> <p>In the future, CMSEF may choose to enter into an RSA with an RSP. In such case, any such RSP will perform certain surveillance, investigative, and regulatory functions for CMSEF as described in the Rules and the Compliance Manual. CMSEF's ROC is charged with monitoring the sufficiency, effectiveness and independence of all facets of CMSEF's regulatory program as set forth in Section 3.2 of the Compliance Manual, including ensuring that the RSP has the</p>	<p>Rule 409</p> <p>Chapter 5 of the Rules; Rules 501 -506 and 507 -525</p> <p>Compliance Manual, Section 3.2</p>
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	<p>capacity and resources necessary to provide timely and effective regulatory services.</p> <p>CMSEF's CCO has supervisory authority with respect to any functions performed by an RSP. As set forth in Section 3.3.4 of the Compliance Manual, the RSP and CCO will hold monthly meetings to discuss new inquiries and investigations and provide a general update relating to the status of continuing inquiries and investigations. The RSP and the CCO will also evaluate the staff and resources devoted to enforcement of the Rules.</p> <p>CMSEF will retain exclusive authority over regulatory decisions. Under Rule 409, CMSEF maintains exclusive authority over decisions to cancel or adjust the price of trades, based on the fair and transparent standards set forth in the Rulebook. The decision to issue disciplinary charges will be made by the Compliance Department, and will, therefore, remain under the exclusive authority of CMSEF. Pursuant to Rule 302, CMSEF also retains exclusive authority to deny access to CMSEF.</p> <p>As described in Section 3.4.5 of the Compliance Manual, in the event CMSEF contracts with an RSP, the Compliance Department shall be responsible for documenting any differences between actions taken by CMSEF and any recommendation made by CMSEF's RSP.</p> <p>Audit Trail</p> <p>As described in Section 8.6 of the Compliance Manual, CMSEF has established audit trail processes that capture trading information to facilitate CMSEF's trade practice and market surveillance activities. The Audit Trail Program allows CMSEF to track a customer order from the time of receipt through fill, allocation, or other disposition, and includes both order and trade data, which allows the Compliance Department to reconstruct all order placement, modification and trade executions take place on CMSEF's Platform.</p>	<p>Compliance Manual, Section 3.3.4</p> <p>Rules 409 and 302</p> <p>Compliance Manual, Section 3.4.5</p> <p>Compliance Manual, Section 8.6</p>
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	<p>As described in Section 6.1 of the Compliance Manual, the Compliance Department will review CMSEF’s Participants for compliance with CMSEF’s audit trail and record keeping to ensure they are in compliance with any applicable Rules or requirements. Upon completion of such review, the Compliance Department will identify Participants that have demonstrated deficiencies in complying with CMSEF’s audit trail requirements, and the Compliance Department may sanction such Participants for purposes of deterring additional violations. Such sanctions are subject to the restrictions on warning letters described in Rule 507.</p> <p>Disciplinary Procedures and Sanctions</p> <p>Chapter 5 of the Rules provides the framework for the SEF’s disciplinary procedures. These procedures are designed to allow CMSEF to discipline, suspend, or expel any Person that violates the Rules.</p> <p><i>Enforcement Staff.</i> The Compliance Department is responsible for enforcing the Rules and conducting investigations into alleged violations of the Rules. The Compliance Department consists of the CCO and his staff, and the staff of any RSP responsible for providing services to CMSEF pursuant to the RSA. As described in Rule 203, the ROC will review the size and allocation of regulatory resources and number of regulatory personnel to ensure that CMSEF has adequate enforcement staff. Rule 210 ensures that any person with a conflict of interest will not be permitted to participate in any CMSEF enforcement action, Hearing Panel or Disciplinary Panel.</p> <p><i>Disciplinary Panels.</i> Pursuant to Rule 513, each Disciplinary Panel will be composed of three individuals selected by the CCO. Except in cases limited to the timely submission of accurate records, an individual who would not be disqualified from serving as a Public Director will chair each Disciplinary Panel.</p>	<p>Compliance Manual, Section 6.1; Rule 507</p> <p>Chapter 5 of the Rules</p> <p>Rules 203 and 210</p> <p>Rule 513</p>
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	<p><i>Notice of Charges.</i> If the Compliance Department authorizes disciplinary proceedings, it will prepare a notice of charges in accordance with Rule 508. Rule 509 provides CMSEF’s procedures for service of the notice of charges.</p> <p><i>Right to Representation.</i> Rule 508 requires the notice of charges to advise the respondent of its right to be represented by legal counsel or any other representative of its choosing (other than a Director, Officer, CMSEF employee, member of the Disciplinary Panel or other person substantially related to the underlying investigation) in all succeeding stages of the disciplinary proceedings.</p> <p><i>Answer to charges.</i> Rule 510 provides that if the respondent answers a notice of charges, the respondent must file its response within 20 days after being served the notice, or within such other time period determined appropriate by the CCO. Rule 510 also sets forth the requirements for the answer, the consequences of failing to file a timely answer, and the consequences of failing to deny the allegations described in the notice of charges.</p> <p><i>Admission or failure to deny charges.</i> Under Rule 510, if a respondent admits or fails to specifically deny any of the allegations in the notice of charges, the Disciplinary Panel shall find that the violations set forth in such allegations have been committed and shall impose a sanction for such violations. The Disciplinary Panel shall promptly notify the respondent in writing of any sanction imposed pursuant to CMSEF rules and advise the respondent that the respondent may request a hearing on such sanction within 20 days of the respondent being served with such notice.</p> <p><i>Denial of Charges; Right to Hearing.</i> Pursuant to Rule 510, a respondent may request a hearing before a Disciplinary Panel in an answer to a statement of charges. A respondent may also request a hearing following the imposition of a sanction under Rule 510.</p> <p><i>Settlement offers.</i> Pursuant to Rule 512, a respondent or</p>	<p>Rules 508 and 509</p> <p>Rule 508</p> <p>Rule 510</p> <p>Rule 510</p> <p>Rule 510</p> <p>Rule 512</p>
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	<p>potential respondent may, at any time, submit a written offer to settle anticipated or instituted disciplinary proceedings. The Disciplinary Panel may accept the offer of settlement, but may not alter the terms of a settlement offer unless the respondent or potential respondent agrees.</p> <p><i>Hearings.</i> Rules 513, 514, 515 and 516 establish detailed procedures for forming a Disciplinary Panel, convening a disciplinary proceeding, reviewing evidence and conducting hearings. Under Rule 514, all hearings will be conducted before a Disciplinary Panel, which will be promptly convened following reasonable notice to each respondent.</p> <p><i>Decisions.</i> Pursuant to Rule 517, following a hearing, the Disciplinary Panel will issue an order rendering its decision based on the weight of the evidence. A decision by a majority of the Disciplinary Panel will constitute the decision of the Disciplinary Panel. CMSEF will serve a copy of the order of the Disciplinary Panel to the respondent and the Compliance Department within 30 days.</p> <p><i>Right to appeal.</i> Rule 519 provides appeal procedures that allow the respondent to appeal an adverse decision of the Disciplinary Panel to an Appeals Panel. The Appeals Panel's written order will be the final action of CMSEF and is not subject to appeal within CMSEF.</p> <p><i>Summary Fines.</i> Pursuant to Rule 520, the CCO may summarily impose a fine against a Participant, Authorized User, Customer or Clearing Member. CMSEF will set the amount of summary fines imposed pursuant to Rule 520, with the maximum fine not exceeding \$5,000 for each violation.</p> <p><i>Summary Actions.</i> If the CCO reasonably believes that immediate action is necessary to protect the best interests of CMSEF or the marketplace, the CCO may, in accordance with Rule 521, summarily suspend, revoke, limit, condition, restrict or qualify the Trading Privileges of a Participant or Authorized User and may take other summary action against a Participant or any of its Authorized Users in accordance with the Rules.</p>	<p>Rules 513 - 516</p> <p>Rule 517</p> <p>Rule 519</p> <p>Rule 520</p> <p>Rule 521</p>
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	<p>Before taking such action, the CCO must consult with the ROC.</p> <p>Whenever practicable, the Compliance Department will provide prior written notice to the Participant, Authorized User or other Person against whom the action is brought. If prior written notice is not practicable, CMSEF will give notice at the earliest possible opportunity pursuant to Rule 521. Such notice will state the action, the reasons for the action, and the effective time, date and duration of the action. Upon serving the notice, the Compliance Department will advise the recipient of its right to a prompt hearing before a Disciplinary Panel and its right to be represented by legal counsel or other representative at such hearing.</p> <p>If a hearing is requested, the Disciplinary Panel will promptly convene a hearing to be conducted in accordance with Rule 516. After the hearing, the Disciplinary Panel will issue to the respondent a written order affirming, modifying or reversing the summary action. The order will include a description of the summary action taken, a summary of the evidence introduced at the reinstatement hearing, a statement of findings of fact and conclusions, a description of any action taken or to be taken by CMSEF and the effective date, time and duration thereof.</p> <p>A respondent whose Trading Privileges are suspended, revoked, limited, conditioned, restricted or qualified pursuant to Rule 521 may apply for reinstatement through the process described in Rule 522.</p>	<p>Rule 521</p> <p>Rule 516</p> <p>Rules 521 and 522</p>
<p>Core Principle 3</p> <p><i>Sec. 5h (f)(3) Swaps Not Readily Susceptible to Manipulation –</i></p> <p>“The swap execution facility shall permit trading only in swaps that are not readily susceptible to manipulation”</p>	<p>CMSEF intends to permit trading only in swaps based on underlying markets such as those for currencies, interest rates and default indices that are large and highly liquid and thus are inherently unlikely candidates for manipulation. CMSEF proposes to list interest rate Swaps for which the Chicago Mercantile Exchange (“CME”), and LCH Clearnet Limited (“LCH”) act as a Derivatives Clearing Organization (“DCO”). Pursuant to Rule 312, CMSEF does not permit trading of uncleared Swaps (unless the Participant or Customer is an</p>	<p>Rule 312</p>

	<p>end-user and completes process for exemption from clearing) and requires that all Swaps that will be traded on CMSEF be settled in cash by the DCO.</p>	
<p>Core Principle 4</p> <p><i>Sec 5h (f)(4) Monitoring of Trading and Trading processing –</i></p> <p>“(A) establish and enforce rules or terms and conditions defining, or specifications detailing—(i) trading procedures to be used in entering and executing orders traded on or through the facilities of the swap execution facility; and (ii) procedures for trade processing of swaps on or through the facilities of the swap execution facility; and</p> <p>(B) monitor trading in swaps to prevent manipulation, price distortion, and disruptions of the delivery or cash settlement process through surveillance, compliance, and disciplinary practices and procedures, including methods for conducting real-time monitoring of trading and comprehensive and accurate trade reconstructions.”</p>	<p>Disciplinary Procedures</p> <p>Under the oversight of the ROC, the Compliance Department (including any RSP) will implement CMSEF’s monitoring, surveillance and other enforcement functions. The Rules, RSA and the Compliance Manual provide the framework for CMSEF’s surveillance activities. CMSEF also provides market monitoring on a real-time basis (In the event CMSEF contracts with an RSP, CMSEF shall provide the RSP with a view-only screen so that it can act as a second set of eyes. As described in Section 8.4 of the Compliance Manual, CMSEF reviews reports of aberrational prices, excessive volume and other anomalies in trading on the SEF as part of its real-time market monitoring process.</p> <p>CMSEF has established comprehensive audit trail processes that capture trading information to facilitate the surveillance activities described above. See Section 8.6 of the Compliance Manual for additional information.</p> <p>Pursuant to the CMSEF Market Maker Participant Agreement (Exhibit N-3) and the CMSEF Non-Market Maker Participant Agreement (Exhibit N-4), all Participants including Authorized Users consent to CMSEF and its agents to conduct electronic and non-electronic surveillance of trading activities, trade practices, and position limits for Swaps executed on the CMSEF platform.</p> <p>The Compliance Department or its RSP conducts product specific monitoring for all SEF products. The product specific monitoring procedures are set forth in Section 8.7 of the Compliance Manual and vary depending on whether the specific Swap is physically delivered or cash-settled.</p> <p>Additional Requirements for Physical-Delivery Swaps</p>	<p>Compliance Manual, Section 8.4</p> <p>Compliance Manual, Section 8.6</p> <p>Exhibit N-3 Exhibit N-4</p> <p>Compliance Manual, Section 8.7</p>

	<p>The SEF does not list swaps that are physically delivered. If the SEF lists such a product in the future, CMSEF or its RSP will monitor the swap’s terms and conditions as they related to the underlying commodity market, the convergence between the contract price and the price of the underlying commodity and the adequacy of the deliverable supply in the underlying commodity.</p> <p>Additional Requirements for Cash-Settled Swaps</p> <p>As described in Section 8.7 of the Compliance Manual, in respect of cash-settled swaps linked to a commodity index that are listed for trading on or pursuant to the SEF Rules. The Compliance Department or its RSP will monitor the pricing of the index against which the swap will be settled.</p> <p>Ability to Obtain Information</p> <p>Pursuant to Section 8.7 of the Compliance Manual, to achieve sufficient monitoring of cash-settled swaps linked to a price or index derived from prices of products listed for trading on another venue, CMSEF must have either Rules or agreements that allow CMSEF to have access to information on the activities of its Participants on such other venue(s).</p> <p>Pursuant to Rule 309, all Participants must maintain all records required by the CEA, CFTC or the Rules including all records of trading, activity in the underlying commodity and activity in related markets. All such books and records shall be made available for inspection by, and copies thereof shall be delivered to, CMSEF and its authorized representatives upon request.</p> <p>In addition, under Rule 303, in order to be eligible for admission as a Participant and to maintain continued access to CMSEF, the applicant must be in compliance with all record keeping requirements set forth in the Rules as well as the Applicable Law.</p>	<p>Compliance Manual, Section 8.7</p> <p>Compliance Manual, Section 8.7</p> <p>Rule 309</p> <p>Rule 303</p>
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	<p>Risk Controls for Trading</p> <p>As described in Chapter 11 of the Compliance Manual, CMSEF has established certain risk controls, including the imposition of trading pauses or halts, to address risks posed by potential market disruptions. To the extent practicable, CMSEF will coordinate its trading controls with other DCM(s) and/or SEF(s).</p> <p>Trade Reconstruction</p> <p>As set forth in Sections 5.2 of the Compliance Manual, CMSEF will maintain comprehensive audit trail data to accurately reconstruct all trading on the SEF.</p>	<p>Compliance Manual, Chapter 11</p> <p>Compliance Manual, Sections 5.2</p>
<p>Core Principle 5</p> <p><i>Sec 5h (f)(5) Ability to Obtain Information –</i></p> <p>“(A) establish and enforce rules that will allow the facility to obtain any necessary information to perform any of the functions described in this section;</p> <p>(B) provide the information to the Commission on request; and</p> <p>(C) have the capacity to carry out such international information-sharing agreements as the Commission may require.”</p>	<p>Establish and Enforce Rules</p> <p>Rule 309 requires each Participant to prepare and maintain all books, ledgers and other records required by CFTC Regulations and the Rules and make them available at the request of CMSEF, the Commission or the Department of Justice. Pursuant to Rule 502, CMSEF and its RSP have the right to inspect the systems, equipment and software of Participants, Authorized Users or Clearing Members. These rules will be binding on all Participants including Authorized Users, pursuant to CMSEF Market Maker Participant Agreement (Exhibit N-3) or CMSEF Non-Market Maker Participant Agreement (Exhibit N-4) or CMSEF Clearing Member Agreement (Exhibit N-16).</p> <p>Collection of Information</p> <p>Rule 318 and 502 requires Participants, Authorized Users and Clearing Members to collect and produce books and records, including detailed trading records on a routine and non-routine basis as requested by the CMSEF Compliance Department or any RSP that CMSEF may employ in the future.</p> <p>Provide Information to the Commission</p>	<p>Rules 309 and 502 Exhibit N-3 Exhibit N-4</p> <p>Rules 318 and 502</p>

	<p>As set forth in Rule 218, CMSEF will keep, or cause to be kept, all books and records required to be maintained pursuant to the CEA and CFTC Regulations and will make such books and records readily accessible for inspection, in each case in the form and manner required under the CEA and CFTC Regulations.</p> <p>Information-Sharing Agreements</p> <p>Pursuant to Chapter 12 of the Compliance Manual, CMSEF has broad discretion to enter into information-sharing agreements to coordinate surveillance with other markets that trade financial instruments related to the swaps listed for trading on the SEF or pursuant to the Rules. CMSEF may enter into agreements or other arrangements or procedures to coordinate surveillance with domestic or foreign regulators, self-regulatory organizations, clearing organizations, exchanges, markets or other execution facilities to share information and provide other forms of mutual assistance for market surveillance, audits, investigations, enforcement actions and other regulatory purposes CMSEF deems necessary or appropriate for CMSEF or required by Applicable Law.</p>	<p>Rule 218</p> <p>Compliance Manual, Chapter 12</p>
<p>Core Principle 6</p> <p><i>Sec. 5h(f)(6) Position Limits or Accountability –</i></p> <p>“(A) IN GENERAL – To reduce the potential threat of market manipulation or congestion, especially during trading in the delivery month, a swap execution facility that is a trading facility shall adopt for each of the contracts of the facility, as is necessary and appropriate, position limitations or position accountability for speculators.</p> <p>(B) POSITION LIMITS – For any contract that is subject to a position limitation established by the Commission pursuant to section 4a(a), the</p>	<p>Position Limits</p> <p>Pursuant to Rule 413A, CMSEF may adopt position limits for swaps and grant exemptions from position limits, as it may determine to be necessary and appropriate, in accordance with CFTC Regulations. CMSEF shall not set its position limit for any swap subject to a position limit set by the CFTC at a level higher than the CFTC’s limit. CMSEF’s procedures for monitoring for position limit violations are set forth in Chapter 13 of the Compliance Manual.</p> <p>Pursuant to the CMSEF Market Maker Participant Agreement (Exhibit N-3) and the CMSEF Non-Market Maker Participant Agreement (Exhibit N-4), all Participants including Authorized</p>	<p>Rule 413A Compliance Manual, Chapter 13</p> <p>Exhibit N-3 Exhibit N-4</p>

<p>swap execution facility shall – (i) set its position limitation at a level no higher than the Commission limitation; and (ii) monitor positions established on or through the swap execution facility for compliance with the limit set by the Commission and the limit, if any, set by the swap execution facility.”</p>	<p>Users consent to abide by any position limits set from time to time by CMSEF, the CFTC or other Applicable Law regulation</p> <p>Position Accountability Levels</p> <p>Rule 413B provides for the adoption of position accountability levels for swaps that are not subject to a position limit pursuant to Section 4a(a) of the CEA. As set forth in Section 13.1 of the Compliance Manual, the SEF will set such levels prudently below the level at which position concentrations may present a market integrity concern. Any position accountability rules established by the SEF must require traders to provide, upon request by the Compliance Department, information about their positions in excess of the relevant position accountability threshold and to consent to halt any further increases in its positions.</p>	<p>Rule 413B Compliance Manual, Section 13.1</p>
<p>Core Principle 7</p> <p><i>Sec. 5h (f)(7) Financial Integrity of Transactions –</i></p> <p>“The swap execution facility shall establish and enforce rules and procedures for ensuring the financial integrity of swaps entered on or through the facilities of the swap execution facility, including the clearance and settlement of the swaps pursuant to section 2(h)(1).”</p>	<p>CMSEF has established a comprehensive set of Rules and procedures to attempt to ensure the financial integrity of transactions entered into on the SEF. Rule 411 and Chapter 9 of the Compliance Manual establish CMSEF’s requirements for clearing transactions. If the CFTC has determined that the clearing requirement under Applicable Law applies to a certain type or class of swap, then CMSEF Participants must submit all such swaps traded on or pursuant to the Rules of the SEF to a DCO, unless they ascertain that Applicable Law exempts one or both of the parties to the swap from such clearing requirement. To increase awareness of financial integrity among Participants, and since financial risk can be transferred or mitigated but not eliminated, Rule 410A emphasizes that it is the responsibility of the Participant to evaluate the credit quality of his Prime Broker, FCM, and or Clearinghouse, and his counterparty on uncleared swaps.</p> <p>Pursuant to Rule 309A, each Participant must notify CMSEF immediately upon becoming aware that it fails to satisfy the minimum financial requirements applicable to it, including the requirement to qualify as an ECP. Participants are also required to submit financial and related information to CMSEF</p>	<p>Rules 410A and 411 Compliance Manual, Chapter 9</p> <p>Rule 309A Compliance Manual, Section 8.4</p>

	<p>If CMSEF determines that Emergency Rules must be implemented, the decision must be reviewed by the Board as soon as practicable under the circumstances and may be revoked, suspended or modified by the Board.</p> <p>Before any Emergency Rule may be adopted and enforced, a required vote of the Board must approve the implementation of such Emergency Rule at a duly convened meeting requested by the President or any other Officer. CMSEF will post a Notice to Participants regarding such Emergency, as soon as practicable.</p> <p>CMSEF will use reasonable efforts to notify the CFTC prior to implementing, modifying or terminating an Emergency Rule. If such prior notification is not possible or practicable, CMSEF will notify the CFTC as soon as possible or reasonably practicable, but in all circumstances within twenty-four (24) hours of the implementation, modification or termination of such Emergency Rule.</p> <p>CMSEF will promptly notify its Participants whenever CMSEF implements an Emergency Rule. CMSEF will use reasonable efforts to notify the Commission prior to implementing, modifying or terminating an Emergency Rule. If such prior notification is not possible or practicable, CMSEF will notify the Commission as soon as reasonably practicable, but in all circumstances within 24 hours of the implementation, modification or termination of such Emergency Rule. Upon taking any action in response to an Emergency, CMSEF will document the decision-making process related to such action.</p> <p>Pursuant to the CMSEF Market Maker Participant Agreement (Exhibit N-3), the CMSEF Non-Market Maker Participant Agreement (Exhibit N-4) and the CMSEF Clearing Member Agreement (Exhibit N-16), all Participants including Authorized Users and all Clearing Members agree to permit CMSEF, in its sole discretion, to take Emergency Action as it alone sees fit in any situation deemed by CMSEF to be an Emergency.</p>	<p>Compliance Manual, Section 8.8</p>
<p>Core Principle 9 <i>Sec. 5h (f)(9) – Timely Publication of Trading Information –</i></p>	<p>Consistent with Rule 418, CMSEF will publish information on its Website daily regarding prices, trading volume and other</p>	<p>Rule 418</p>

<p>“(A) IN GENERAL – “The swap execution facility shall make public timely information on price, trading volume, and other trading data on swaps to the extent prescribed by the Commission.</p> <p>(B) CAPACITY OF SWAP EXECUTION FACILITY – The swap execution facility shall be required to have the capacity to electronically capture and transmit trade information with respect to transactions executed on the facility.”</p>	<p>data as required by CFTC Regulations. CMSEF will also make available a centralized pricing screen on the SEF providing a real-time view of resting Orders and any indicative bids and offers.</p> <p>Rule 418 requires CMSEF to transmit Required Swap Creation Data for each Swap executed or pursuant to the Rules to the appropriate SDR in the form and manner, and within the timeframe, required by the CEA and CFTC Regulations. CMSEF may provide such Required Swap Creation Data to Participants and Authorized Users no earlier than the time it transmits such information to an SDR and in a form that does not disclose the identities, or otherwise facilitate identification, of the parties to the Swap.</p>	<p>Rule 418</p>
<p>Core Principle 10</p> <p><i>Sec. 5h (f)(10) – Recordkeeping and Reporting –</i></p> <p>“(A) IN GENERAL – A swap execution facility shall –(i) maintain records of all activities relating to the business of the facility, including a complete audit trail, in a form and manner acceptable to the Commission for a period of 5 years; (ii) report to the Commission, in a form and manner acceptable to the Commission, such information as the Commission determines to be necessary or appropriate for the Commission to perform its duties of the Commission under this Act; and (iii) 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>(B) REQUIREMENTS- The Commission shall adopt data collection and reporting requirements for swap execution facilities that are comparable to corresponding requirements for derivatives clearing organizations and swap</p>	<p>CMSEF’s record keeping program will satisfy the relevant criteria set forth in Commission Regulation 1.31 and Part 45 of the Commission Regulations. As described in Section 16.5 of the Compliance Manual, CMSEF will retain all books and records on electronic storage media in a non-rewritable, non-erasable format that fulfill the criteria set forth in CFTC Regulation 1.31(b).</p> <p>Pursuant to Rule 218, the SEF will: (i) keep, or cause to be kept, complete and accurate books and records of accounts of CMSEF, including all books and records required to be maintained pursuant to the CEA and CFTC Regulations; (ii) retain all such books and records for the life of each Swap transacted pursuant to the Rules and five years following the termination of such Swap, and shall make such books and records readily accessible for inspection, in each case in the form and manner required under the CEA and CFTC Regulations; and (iii) may disclose such books and records to any government agency, self-regulatory organization or other Person if CMSEF believes such disclosure is necessary and appropriate in exercising a legal or regulatory function, whether or not a formal arrangement governing the disclosure exists or a request for information was made.</p>	<p>Compliance Manual, Section 16.5</p> <p>Rule 218</p>

	<p>a discriminatory manner within each category or class of Participants or between similarly situated categories or classes of Participants. Moreover, CMSEF will make public daily information related to Swaps traded on the SEF. See Core Principle 9 (Timely Publication of Trading Information).</p>	
<p>Core Principle 12</p> <p><i>Sec 5h(f)(12) – Conflicts of Interest – The swap execution facility shall –</i></p> <p>(A) establish and enforce rules to minimize conflicts of interest in its decision-making process; and</p> <p>(B) establish a process for resolving the conflicts of interest.</p>	<p>Rule 201 minimizes conflicts of interest by requiring that, at all times, the Board adheres to the Commission’s guidance related to Public Directors. The qualifications for Public Directors are set forth in Rule 207. In addition, Rule 203 requires the SEF to establish an ROC that is primarily composed of Public Directors. The ROC will oversee CMSEF’s regulatory program and supervise the CCO on behalf of the Board. Rule 212 requires a written report to be sent to the Commission in the event that the Board rejects a recommendation of, or supersedes an action of, the ROC.</p> <p>Rule 210 provides the Rules for minimizing and resolving conflicts of interest. Under Rule 210, no member of the Board or any Disciplinary Panel or Appeals Panel of CMSEF may knowingly participate in such body’s deliberations or voting on any significant action if such member: (1) Is a named party in interest; (2) Is an employer, Employee, or fellow Employee of a named party in interest; (3) Is associated with a named party in interest through a “broker association” as defined in CFTC Regulation 156.1; (4) Has any other significant, ongoing business relationship with a named party in interest, not including relationships limited to executing futures or option transactions opposite of each other or to clearing futures or option transactions through the same clearing member; or (5) Has a family relationship with a named party in interest.</p> <p>Rule 210 also establishes a process for determining if a conflict of interest exists, resolving conflicts of interest and requires documentation of all conflicts. Section 2.5 of the Compliance Manual details specific conflicts of interest with regard to (i) Board Membership; (ii) Close Personal Relationships; (iii) Investments; (iv) and Gifts. Section 3.1.3 of the Compliance Manual provides additional details on the</p>	<p>Rules 201, 207, 203 and 212</p> <p>Rule 210 Compliance Manual, Section 3.1.3 Compliance Manual, Section 2.5</p>

	<p>CCO's responsibilities when resolving conflicts.</p> <p>Rule 211 limits the use and disclosure of material, non-public information gained in connection with a Board member's participation on the Board or any committee for any purpose other than the performance of his or her official duties as a member of the Board or committee (unless such information is requested by the CFTC). In addition, Chapter 5 of the Compliance Manual describes CMSEF's policies regarding the use of data collected in connection with its regulatory obligations.</p> <p>Pursuant to Rule 513, a respondent may seek to disqualify any individual named to a Disciplinary Panel or Appeals Panel due to a conflict of interest or for any other reasonable grounds.</p> <p><i>See also</i> Core Principle 2 (Compliance with Rules).</p>	<p>Rule 211 Compliance Manual, Chapter 5</p> <p>Rule 513</p>
<p>Core Principle 13. Financial resources.</p> <p>(A) <i>In general.</i> The swap execution facility shall have adequate financial, operational, and managerial resources to discharge each responsibility of the swap execution facility.</p> <p>(B) <i>Determination of resource adequacy.</i> The financial resources of a swap execution facility shall be considered to be adequate if the value of the financial resources exceeds the total amount that would enable the swap execution facility to cover the operating costs of the swap execution facility for a one-year period, as calculated on a rolling basis.</p>	<p>CMSEF has adequate financial, operational and managerial resources to satisfy its financial responsibilities. CMSEF calculates its financial resources quarterly to ensure that the amount of such resources is sufficient (and sufficiently liquid) to cover its operating costs for a one-year period, as calculated on a rolling basis. In addition, CMSEF will maintain unencumbered, liquid financial assets (<i>i.e.</i>, cash and/or highly liquid securities) equal to at least six months' operating costs. In preparing these financial resources calculations, CMSEF applies "haircuts" to the market value of certain resources where appropriate to reflect market and credit risk, and the ROC may require that the value of financial resources be calculated more often than quarterly if the ROC determines that doing so is necessary or advisable. CMSEF also submits quarterly reports of its financial resources calculations to the Commission. <i>See</i> Chapter 14 of the Compliance Manual.</p> <p><i>See also</i> CMSEF Financial Information (Exhibit I)</p>	<p>Compliance Manual, Chapter 14</p> <p>Exhibit I</p>
<p>Core Principle 14. System safeguards.</p> <p>The swap execution facility shall:</p>	<p>Pursuant to Chapter 15 of the Compliance Manual, CMSEF</p>	

<p>(A) Establish and maintain a program of risk analysis and oversight to identify and minimize sources of operational risk, through the development of appropriate controls and procedures, and automated systems, that:</p> <ul style="list-style-type: none"> (1) Are reliable and secure; and (2) Have adequate scalable capacity; <p>(B) Establish and maintain emergency procedures, backup facilities, and a plan for disaster recovery that allow for:</p> <ul style="list-style-type: none"> (1) The timely recovery and resumption of operations; and (2) The fulfillment of the responsibilities and obligations of the swap execution facility; and <p>(C) Periodically conduct tests to verify that the backup resources of the swap execution facility are sufficient to ensure continued:</p> <ul style="list-style-type: none"> (1) Order processing and trade matching; (2) Price reporting; (3) Market surveillance; and (4) Maintenance of a comprehensive and accurate audit trail. 	<p>has developed a program of risk analysis and oversight to identify and minimize sources of operational risk by implementing appropriate controls and procedures and automated systems that are reliable, secure and scalable as described in CMSEF Technology Questionnaire (Exhibit V). It also describes CMSEF’s emergency plan and includes a description of the back-up systems and emergency procedures that include recovery time objectives.</p> <p>Business Continuity-Disaster Recovery Planning and Resources</p> <p>CMSEF’s trading platform is fully redundant and replicated real-time in its two primary locations in New Jersey and London, England, which are designed to prevent interruptions in the performance of the system as a result of any abnormal conditions or disaster scenarios. CMSEF has implemented the following specific backup features for the system:</p> <ol style="list-style-type: none"> 1. The network architecture supporting CMSEF’s system has been designed to minimize single points of failure by providing equipment and route redundancy. Redundancy in the system provides for high systemic availability. CMSEF’s systems have dimensioned sufficient bandwidth to handle peak volume. CMSEF maintains connections to the internet through multiple independent internet service providers (“ISPs”) from its New Jersey and Chicago data centers. Traffic is automatically rerouted in the case of a problem with one of the ISPs. Data on the system is continually mirrored between our two data centers. Furthermore, data is backed up daily and removed to an appropriate off-site location twice per week. Full backups are available off-site for up to six months. 2. The network architecture of CMSEF’s systems is designed to allow for real-time replication between CMSEF’s data centers such that CMSEF’s systems can be operated from either location in case the other location becomes non-functional. In the event that either of the main facility becomes inoperable Participants are rerouted to the alternate site. 3. CMSEF monitors the availability of the network architecture supporting its systems for normal operations, including 	<p>Compliance Manual, Chapter 15 Exhibit V</p>
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	<p>monitoring of network traffic and congestion levels. Specific monitoring occurs with respect to: functionality and performance of servers and applications, messaging infrastructure, trade and post trade connectivity for Participants, and connectivity for remote access users. Appropriate escalation procedures are in place for resolving any performance or capacity issues.</p> <p>4. CMSEF maintains an inventory of pre-configured hardware that may be used should network hardware fail. The hardware inventory is tested periodically in an effort to ensure that it will be operational upon installation.</p> <p>5. CMSEF recommends that Participants put in place certain controls with respect to their internal operations related to their activity on CMSEF. These recommended controls include: proper configuration of firewalls and network routers; appropriate limitations on access to CMSEF; adequate security protocols for account and customer profiles, including password/PIN security; entitlement review of their user accounts; and development and implementation of data backup and recovery plans.</p> <p>In addition, Rule 419 authorizes CMSEF to adopt and implement Emergency Rules.</p>	<p>Rule 419</p>
<p>Core Principle 15. Designation of Chief Compliance Officer.</p> <p>(A) <i>In general.</i> Each swap execution facility shall designate an individual to serve as a chief compliance officer.</p> <p>(B) <i>Duties.</i> The chief compliance officer shall:</p> <p>(1) Report directly to the board or to the senior officer of the facility;</p> <p>(2) Review compliance with the core principles in this subsection;</p> <p>(3) In consultation with the board of the facility, a body performing a function similar to that of a board, or the senior officer of the facility, resolve any conflicts of interest that may arise;</p> <p>(4) Be responsible for establishing and</p>	<p>Designation and Qualifications of CCO</p> <p>CMSEF has appointed a CCO and has conferred to the CCO all of the obligations and powers specified by the CEA and the Commission Regulations. The authority and resources of the CCO to enforce CMSEF's policies and procedures designed to achieve compliance with the CEA and Commission Regulations are set forth in Section 3.1 of the Compliance Manual. Under Rule 209 and Section 3.1.4 of the Compliance Manual, the CCO is responsible for supervision of the SEF's self-regulatory program and the Compliance Department. The minimum qualifications of the CCO are set forth in CMSEF Personnel Qualifications (Exhibit E).</p>	<p>Rule 209 Compliance Manual, Section 3.1 and 3.1.4 Exhibit E</p>

<p>administering the policies and procedures required to be established pursuant to this section;</p> <p>(5) Ensure compliance with the Act and the rules and regulations issued under the Act, including rules prescribed by the Commission pursuant to section 5h of the Act; and</p> <p>(6) Establish procedures for the remediation of noncompliance issues found during compliance office reviews, look backs, internal or external audit findings, self-reported errors, or through validated complaints.</p> <p>(C) <i>Requirements for procedures.</i> Establishing procedures under paragraph (b)(6) of this section, the chief compliance officer shall design the procedures to establish the handling, management response, remediation, retesting, and closing of noncompliance issues.</p> <p>(D) <i>Annual reports.</i></p> <p>(1) <i>In general.</i> In accordance with rules prescribed by the Commission, the chief compliance officer shall annually prepare and sign a report that contains a description of:</p> <p>(i) The compliance of the swap execution facility with the Act; and</p> <p>(ii) The policies and procedures, including the code of ethics and conflict of interest policies, of the swap execution facility.</p> <p>(2) <i>Requirements.</i> The chief compliance officer shall:</p> <p>(i) Submit each report described in clause (1) with the appropriate financial report of the swap execution facility that is required to be submitted to the Commission pursuant to this section; and</p> <p>Include in the report a certification that, under penalty of law, the report is accurate and</p>	<p>Appointment, Supervision and Removal of CCO</p> <p>Rule 209 requires the Board to designate an individual to serve as the CCO, who will report directly to the CEO. As set forth in Section 3.7 of the Compliance Manual, the CCO shall meet annually with the Board and quarterly with the ROC to provide an overview of the compliance and market surveillance programs of the SEF.</p> <p>Duties of the CCO</p> <p>Under Rule 209 and Section 3.1.2 of the Compliance Manual, the CCO shall:</p> <p>(i) oversee and review CMSEF’s compliance with the Core Principles for SEFs set forth in the CEA and Part 37 of the CFTC Regulations;</p> <p>(ii) resolve, in consultation with the Board, the ROC or the CEO, any conflicts of interest that may arise, including:</p> <p>a. conflicts between business considerations and compliance requirements;</p> <p>b. conflicts between business considerations and the requirement that the SEF provide fair, open, and impartial access; or</p> <p>c. conflicts between the SEF’s management and members of the Board;</p> <p>(iii) establish and administer written policies and procedures reasonably designed to prevent violations of the CEA and CFTC Regulations, including, without limitation, the rules comprising Part 37 of such Regulations;</p> <p>(iv) take reasonable steps to ensure compliance with the CEA and CFTC Regulations;</p> <p>(v) monitor compliance with provisions of the Exchange Act and SEC Regulations thereunder applicable to security-based swap transactions on the security-based SEF (if applicable);</p> <p>(vi) establish and follow appropriate procedures for the handling, management response, remediation, retesting, and closing of noncompliance issues identified through compliance office reviews, look-backs, internal or external audit findings, self-reported errors or validated complaints;</p>	<p>Rule 209 Compliance Manual, Section 3.7</p> <p>Rule 209 Compliance Manual, Section 3.1.2</p>
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<p>complete.</p>	<p>(vii) supervise the SEF’s self-regulatory program administered by the Market Regulation Team with respect to trade practice surveillance, market surveillance, real-time market monitoring, compliance with audit trail requirements, enforcement and disciplinary proceedings, audits, examinations, and other regulatory responsibilities with respect to members and market participants in accordance with CFTC Regulations; and (viii) prepare CMSEF’s Annual Compliance Report.</p> <p>Annual Report</p> <p>CMSEF’s policies and procedures for the CCO’s annual compliance report are set forth in Section 6.2 of the Compliance Manual. As described in Section 6.2.1 of the Compliance Manual, the CCO’s annual compliance report will contain: (i) a summary description of CMSEF’s written policies and procedures, including CMSEF’s Code of Conduct and conflict of interest policies; (ii) a list of any material changes to CMSEF’s compliance policies and procedures; (iii) a compliance chart containing a description of CMSEF’s compliance policies and procedures, an assessment of the effectiveness of these policies and procedures and a summary of areas for improvement; (iv) a description of CMSEF’s compliance resources; and (v) a discussion of material compliance matters arising in the previous year. The CCO must certify that, to the best of his or her knowledge and reasonable belief, and under penalty of perjury, the report is accurate and complete.</p> <p>Submission of the Annual Report</p> <p>As set forth in Section 6.2.2 of the Compliance Manual, the CCO’s annual compliance report will be provided to the Board prior to submission to the CFTC. The Board does not have the authority to compel the CCO to make any changes to the contents of the Report. Section 6.2.3 of the Compliance Manual provides that the CCO’s annual compliance report must be submitted to the CFTC not later than 60 days after the end of the SEF’s fiscal year and that the CCO must file an amendment to correct any material error or omission.</p>	<p>Compliance Manual, Section 6.2 and 6.2.1</p> <p>Compliance Manual, Section 6.2.2 and 6.2.3</p>
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