

FTSEF LLC RULEBOOK

LAST REVISED:

[, 2015]

BY ACCESSING, OR ENTERING INTO ANY ORDER INTO, FTSEF LLC WHETHER DIRECTLY OR THROUGH AN INTERMEDIARY, AND WITHOUT ANY NEED FOR ANY FURTHER ACTION, UNDERTAKING OR AGREEMENT, EACH PARTICIPANT, ITS CLIENTS, AND CUSTOMERS, IF APPLICABLE, EACH REPRESENT THAT IT IS AN ELIGIBLE CONTRACT PARTICIPANT AS DEFINED IN SECTION 1A(18) OF THE COMMODITY EXCHANGE ACT AND SUCH PERSONS, AND THEIR AUTHORIZED TRADERS, AGREE:

- (1) TO BE BOUND BY, AND COMPLY WITH, THE SEF RULES AND OBLIGATIONS, AND APPLICABLE LAW, IN EACH CASE TO THE EXTENT APPLICABLE TO IT;**
- (2) TO BECOME SUBJECT TO THE JURISDICTION OF THE SEF WITH RESPECT TO ANY AND ALL MATTERS ARISING FROM, RELATED TO, OR IN CONNECTION WITH, THE STATUS, ACTIONS OR OMISSIONS OF SUCH PERSON;**
- (3) TO PERMIT THE SEF TO ACCESS ANY AND ALL INFORMATION RELEVANT TO ACTIVITIES RELATED TO THE SEF'S BUSINESS;**
- (4) TO ASSIST THE SEF IN COMPLYING WITH ITS LEGAL AND REGULATORY OBLIGATIONS, COOPERATE WITH THE SEF AND THE CFTC IN ANY INQUIRY, INVESTIGATION, AUDIT, EXAMINATION OR PROCEEDING; AND**
- (5) THAT THE SEF IS AUTHORIZED TO PROVIDE INFORMATION REGARDING PARTICIPANT TO THE CFTC OR ANY SELF-REGULATORY ORGANIZATION.**

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Chapter 1 MEANING OF TERMS

Unless the context otherwise indicates, the following terms have the meanings set forth below for all purposes under the Rules.

“**Account Manager**” means a Person other than an individual that acts as an agent to buy or sell Swaps on the Trading System in the name or on behalf of another Person.

“**Administrative Services Agreement**” means the administrative services agreement(s) between the SEF and any Services Provider whereby technology services or other services are provided to the SEF.

“**Affiliate**” means, with respect to any Person, any Person who, directly or indirectly through one or more intermediaries, Controls, is Controlled by, or is under common Control with, such other Person.

“**Applicable Law**” means any means, with respect to any Person, any statute, law, regulation, rule or ordinance of any governmental or Self-Regulatory Organization applicable to such Person, including the CEA and CFTC Regulations.

“**Arbitration Panel**” shall mean a panel appointed to fulfill the various adjudicative responsibilities described in Chapter 8 regarding arbitration matters.

“**Authorized Representative**” means any Person who is authorized by a Participant to represent the Participant in SEF matters pursuant to Rule 306.

“**Authorized Trader**” means a natural person that has been designated by a Participant to be able to access and use the Trading System and SEF Services on Participant’s behalf

“**Block Trade**” means a privately negotiated Swap that (i) meets the criteria set forth in Rule 602 and (ii) is executed off of the Trading System pursuant to the SEF Rules and Applicable Law.

“**Board**” means the Board of Managers of the SEF

“**Business Day**” means any day on which the SEF is open for trading.

“**CFTC**” or “**Commission**” means the U.S. Commodity Futures Trading Commission or any successor regulatory body.

“**CFTC Regulations**” means the rules and regulations promulgated by the CFTC, as amended.

“**Chief Compliance Officer**” means the individual appointed by the Board as the SEF’s Chief Compliance Officer, with the duties and responsibilities as may be prescribed by the Board from time to time.

“**Chief Executive Officer**” means the individual appointed by the Board as the SEF’s Chief Executive Officer.

“**Clearing House**” or “**Derivatives Clearing Organization**” means a derivatives clearing organization as defined in CFTC Regulation § 1.3(d), or any successor regulation

thereto or any non-U.S. central clearing counterparty(ies) recognized or approved by the CFTC that provide clearing services with respect to any or all of Swaps traded on the SEF.

“**Clearing House Rules**” means the Certificate of Incorporation, the By- Laws and any rule, interpretation, stated policy, or instrument corresponding to any of the foregoing, in each case as adopted or amended from time to time by the Clearing House relating to any or all of the Swaps.

“**Clearing Member**” means a member of a Clearing House that is authorized to clear trades in any or all Swaps for a Participant or its Clients or Customers. Each Clearing Member must sign documentation required by the SEF.

“**Client**” means a Person that granted in writing to an Account Manager authority to enter Orders and execute Swaps on behalf such Person.

“**Commodity Exchange Act**” or “**CEA**” means the Commodity Exchange Act, as amended from time to time.

“**Compliance Department**” means the Chief Compliance Officer and all SEF Officials and/or agents of the SEF that assist FTSEF with the implementation, surveillance and enforcement of the SEF Rules and other Obligations.

“**Confirmation Data**” has the meaning ascribed to it in CFTC Regulation § 45.3(c), or any successor regulation thereto.

“**Continuation Data**” means the data required to be reported to a Swap Data Repository in CFTC Regulation § 45.3(b), or any successor regulation thereto.

“**Contract**” means any Swap, contract, agreement, or transaction approved for trading on the Trading System pursuant to the SEF Rules.

“**Contract Market**” has the meaning ascribed to it in CFTC Regulation § 1.3(h), or any successor regulation thereto.

“**Contract Specifications**” means, with respect to any Contract, the rules or other trading protocols containing specifications for such Contract, as adopted, amended, supplemented or otherwise modified from time to time by FTSEF.

“**Control**” means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of securities, by contract, or otherwise. The terms “controlling” or “controlled” shall have meanings correlative to the foregoing.

“**Creation Data**” has the meaning ascribed to the term “Required swap creation data” in CFTC Regulation § 45.1.

“**CTI Code**” means a customer type indicator code.

“**Customer**” has the meaning set forth in CFTC Regulation § 1.3(k).

“**Customer Account**” means an account carried by a Participant or Clearing Member on behalf of a Customer.

“**Director**” means a member of the Board of Managers.

“**Disciplinary Action**” means a disciplinary proceeding, summary imposition of fines, summary suspension or other summary action.

“**Disciplinary Panel**” means the panel appointed by the Board at the recommendation of the Chief Compliance Officer to act in an adjudicative role and fulfill various adjudicative responsibilities and duties described in Chapter 10.

“**Eligible Contract Participant**” shall have the meaning set forth in Section 1a(18) of the CEA, as amended, and the CFTC’s rules and regulations promulgated thereunder.

“**Emergency**” means any occurrence or circumstance that, in the opinion of the Board, or a Person or Persons duly authorized to issue such an opinion on behalf of the Board under circumstances and pursuant to procedures that are specified, requires immediate action and threatens or may threaten such things as the fair and orderly trading in, or the liquidation of or delivery pursuant to, any agreements, contracts, Swaps or Transactions or the timely collection and payment of funds in connection with clearing and settlement by a Derivatives Clearing Organization, including: (a) any manipulative or attempted manipulative activity; (b) any actual, attempted or threatened corner, squeeze, congestion or undue concentration of positions; (c) any circumstances which may materially affect the performance of agreements, contracts, Swaps or Transactions, including failure of the payment system or the bankruptcy or insolvency of any participant; (d) any action taken by any Governmental Agency, or any other Registered Entity, board of trade, market or facility which may have a direct impact on trading or clearing and settlement; (e) at the request of the CFTC; and (f) any other circumstance which may have a severe, adverse effect upon the functioning of the SEF.

“**Emergency Rules**” means temporary emergency procedures and rules implemented pursuant to Rule 209.

“**End-User**” mean a Participant that is not a “financial entity” as defined in CEA Section 2(h)(7)(C)(i) (or is exempt from the definition of “financial entity”), is using the Transaction to hedge or mitigate commercial risk as defined in CFTC Regulation § 50.50(c), and provides or causes to be provided to a registered Swap Data Repository or, if no registered Swap Data Repository is available, the Commission, the information specified in CFTC Regulation § 50.50(b), or any successor regulation thereto.

“**End-User Exception**” means the exception to the clearing requirement set forth in CEA Section 2(h)(7)(A), as amended from time to time, and 17 C.F.R. 50.50.

“**Execution**” means, with respect to a Contract, an agreement by the counterparties to the terms of the Contract that legally binds the counterparties to such terms under Applicable Law.

“**Futures Commission Merchant**” has the meaning set forth in Section 1a(28) of the CEA.

“**Government Agency**” means any means (a) any U.S. or non-U.S. federal, national, state or local court or (b) any U.S. or non-U.S. federal, national, state or local entity that is (i) a governmental authority, (ii) a regulatory body or (iii) a self-regulatory body.

“**Hearing Panel**” means the Disciplinary Panel responsible for adjudicating disciplinary cases pursuant to a notice of charges authorized by a Review Panel.

“**Independent Software Vendor**” or “**ISV**” means a Person that makes available to Participants and Authorized Traders a system or platform offering smart order routing, front-end trading applications, an aggregator platform or a combination of the foregoing but

that does not provide the ability to effect the execution of Contracts other than through the Trading System.

“**Interested Person**” has the meaning attributed to such term in Rule 210(a).

“**Legal Entity Identifier**” has the meaning set forth in Part 45 of the CFTC Regulations.

“**Major Swap Participant**” shall have the meaning set forth in Section 1a(33) of the CEA and the CFTC’s rules and regulations promulgated thereunder.

“**NFA**” means the National Futures Association.

“**Notice of Arbitration**” shall mean a pleading served by a Claimant in connection with a SEF Arbitration that meets the requirements of Rule 1102.

“**Notice to Participants**” means a communication sent by or on behalf of the SEF to all Participants as described in Rule 309.

“**Obligation**” means each SEF Rule, order or procedure issued by the SEF, including Notice to Participants, and other requirements implemented under the SEF Rules.

“**Officer**” has the meaning attributed to such term in Rule 203.

“**Order**” means either a bid or an offer for a Contract, including a response to a request for quote, a response to a resting quote, and the display of a quote on an order book.

“**Participant**” means any Person that has signed the Participant Documentation and has been granted, and continues to have, Trading Privileges under the SEF Rules. Subject to Applicable Law, a Participant may trade for its own proprietary account or for or on behalf of a Client or Customer.

“**Participant ID**” means each unique identifier assigned to a Participant by FTSEF for access to the SEF

“**Participant Documentation**” means the agreements (together with any applicable schedules, exhibits or appendices thereto required by the SEF) in form and substance acceptable to the SEF, that are required to be executed and delivered to the SEF before a Person may access the Trading System as a Participant.

“**Permitted Transactions**” means any Transaction that is not a Required Transaction.

“**Person**” means an individual, sole proprietorship, partnership, limited liability company, association, firm, trust, corporation or other entity, as the context may require.

“**Trading System**” means the electronic trading system of the SEF established and operated by FTSEF, or any successor thereto, that is made available by FTSEF to Participants for trading in Swaps.

“**Primary Economic Terms**” has the meaning ascribed to it by CFTC Regulation § 45.1, or any successor regulation thereto.

“**Registered Entity**” means (1) a board of trade designated as a contract market under section 5 of the CEA; (2) a Derivatives Clearing Organization; (3) a board of trade designated as a contract market under section 5f of the CEA; (4) a Swap Execution Facility registered under section 5h of the CEA; (5) a Swap Data Repository registered under section 21 of the CEA; and (6) with respect to a contract that the CFTC determines is a

significant price discovery contract, any electronic trading facility on which the contract is executed or traded.

“**Regulatory Oversight Committee**” means the committee of the Board constituted in accordance with Rule 207.

“**Reporting Counterparty**” has the meaning ascribed to it by CFTC Regulation § 45.1, or any successor regulation thereto.

“**Reporting Party**” has the meaning ascribed to it by CFTC Regulation § 43.2, or any successor regulation thereto.

“**Required Number**” means (i) prior to October 2, 2014, no less than two (2) potential Counterparties and (ii) thereafter, no less than three (3) potential Counterparties.

“**Required Transactions**” means any Transaction involving a Swap which is subject to the clearing requirement of Section 2(h)(1) of the CEA and which has been “made available to trade” by any Swap Execution Facility or Contract Market.

“**Review Panel**” means the Disciplinary Panel responsible for determining whether a reasonable basis exists for finding a violation of the SEF Rules, and for authorizing the issuance of notices of charges against Persons alleged to have committed violations if the Review Panel believes that the matter should be adjudicated.

“**SEF**” or “**the SEF**” means FTSEF LLC, or any successor thereto, a Self-Regulatory Organization registered with the CFTC as a Swap Execution Facility.

“**SEF Activity**” means business for which a Participant, Clearing Member, Customer or Client is subject to the SEF Rules or which is purportedly conducted subject to the SEF Rules, including but not limited to the Execution of any Contract on the Trading System, including Permitted Transactions and Block Trades.

“**SEF Arbitration**” shall mean an arbitration proceeding commenced and conducted pursuant to the SEF Rules.

“**SEF LLC Agreement**” means the Operating Agreement of FTSEF LLC dated as of October 3, 2014 as the same may be amended from time to time.

“**SEF Confirmation**” has the meanings attributed to such term in Rule 404(a).

“**SEF Official**” means any Director or Officer of, or individual employed directly by, the SEF, a Regulatory Services Provider or any individual rendering similar services to the SEF under an administrative or similar agreement.

“**SEF Participant Application**” means the User Agreement and any other agreements or information that are required to be executed and delivered to the SEF before a Person may access the Trading System.

“**SEF Proceeding**” has the meanings attributed to such term in Rule 210(a).

“**SEF Rules**” means all rules adopted, all Notices to Participants published by the SEF, the User Agreement, interpretations, orders, resolutions, advisories, statements of policy, decisions, manuals and directives of the SEF, and all amendments thereto.

“**Self-Regulatory Action**” has the meaning attributed to such term in Rule 210(a).

“**Self-Regulatory Organization**” shall, unless otherwise provided, have the meaning attributed to such term in CFTC Regulation § 1.3(ee), or any successor regulation

thereto, and, in addition, shall include a Swap Execution Facility, Contract Market, Derivatives Clearing Organization, and registered futures association, such as the NFA. FTSEF is a self-regulatory organization.

“**Services Provider**” means the organization, if any, which provides technology services or other services to the SEF pursuant to an Administrative Services Agreement.

“**Swap**” or “**Swaps**” means any agreement, contract or transaction that is a swap as defined in Section 1a(47) of the CEA and as further defined by the CFTC, which is listed on the SEF in accordance with CFTC Regulation 37.4.

“**Swap Data Repository**” or “**SDR**” shall have the meaning set forth in Section 1a(48) of the CEA and the CFTC’s rules and regulations promulgated thereunder.

“**Swap Dealer**” shall have the meaning ascribed to it by CFTC Regulation § 1.3(ggg), or any successor regulation thereto.

“**Swap Execution Facility**” shall have the meaning set forth in Section 1a(50) of the CEA and the CFTC’s rules and regulations promulgated thereunder.

“**Terms Incorporated by Reference**” means any documents and agreements (including, without limitation, ISDA master agreements, other master agreements, terms supplements, master confirmation agreements, and incorporated industry definitions) governing a Transaction existing at the time of execution to which the applicable Participants are party.

“**Trade Confirmation**” has the meaning attributed to such term in Rule 404(a).

“**Trading Hours**” means, for any Business Day, the hours during which Orders may be placed on Trading System , as shall be established, and may be revised from time to time, by the SEF pursuant to SEF Rule 903.

“**Trading Privileges**” means the right granted to a Participant to use, directly or indirectly, the SEF for execution of Swaps. No Person may exercise Trading Privileges on behalf of a Participant during any suspension of such Participant’s Trading Privileges.

“**Trading System**” means the electronic trading system of the SEF established and operated by FTSEF, or any successor thereto, that is made available by FTSEF to Participants for trading in Swaps.

“**Transaction**” means any purchase or sale of any Contract made on the Trading System or pursuant to the SEF Rules.

“**Transaction Data**” means, with respect to a Participant, data submitted by that Participant related to requests for quotes, offers, bids, pricing, matching, netting, settlement and similar data submitted through the Trading System to one or more counterparties, as well as information that such Participant may upload to the Trading System with respect to Transactions conducted otherwise than through the use of the Trading System’s functionality, and messages sent in respect thereof.

“**U.S. Person**” means a U.S. person as defined in the Commodity Exchange Act and the applicable regulations promulgated from time to time in connection therewith, or, in each case, under any interpretation issued in connection therewith or successor statute or rule.

“**Unique Swap Identifier**” shall have the meaning ascribed to it by CFTC Regulation § 45.5, or any successor regulation thereto.

“**User Agreement**” mean the agreement entered into between a Participant and FTSEF that identifies the rights and obligations of both parties and incorporates the FTSEF Rules by reference into such agreement.

“**Valuation Data**” has the meaning ascribed to it in CFTC Regulation § 45.1, or any successor regulation thereto.

“**written**” or “**writing**” means printing, lithography, photography, and other modes of representing or reproducing words or data in a visible form, including electronic transmissions.

* * * * *

The following rules of construction shall apply to the SEF Rules:

- (a) the headings in the SEF Rules are for convenience only and do not affect the construction of the SEF Rules;
- (b) all references to time in the SEF Rules are to local time in New York, New York, except where expressly provided otherwise;
- (c) in the SEF Rules, words denoting a singular number include the plural number where the context permits and vice versa;
- (d) where the context permits or requires, any pronoun shall include the corresponding masculine, feminine and neuter forms;
- (e) forms of the word “include” mean that the inclusion is not limited to the items listed;
- (f) “or” is disjunctive but not exclusive;
- (g) references in the SEF Rules to statutory provisions include those provisions as amended, and any rules or regulations promulgated thereunder.

Chapter 2 GOVERNANCE

RULE 201. GOVERNANCE

The SEF is a New York limited liability company. The management of the SEF is governed by the SEF LLC Agreement.

RULE 202. BOARD

The Board shall oversee the operation of the SEF and shall have the authority to review, call for review, amend, suspend or overrule the decisions and actions of any SEF Committee. Without limiting the generality of the foregoing, the Board shall have the power to: (a) adopt, amend, implement and repeal SEF Rules, not contrary to applicable law or the SEF LLC Agreement, as in the Board's judgment promotes the best interest of the SEF, and (b) make interpretations of the SEF Rules, which shall be binding on all Persons subject to the jurisdiction of the SEF.

RULE 203. OFFICERS

The Board shall appoint a Chief Compliance Officer, and such other officers of the SEF as it may deem necessary or appropriate from time to time, in accordance with the SEF LLC Agreement. The Chief Compliance Officer shall have all authority required under CFTC Rules 37.1500 *et seq.* Any Officer may also be a director, officer, partner or employee of the SEF or any of its Affiliates. The Officers shall have such powers and duties in the management of the SEF as the Board may prescribe from time to time.

RULE 204. DISQUALIFICATION OF BOARD AND COMMITTEE MEMBERS

- (a) No Person may serve as a Director, or serve on a committee established by the Board or a Disciplinary Panel if the individual:
- (1) within the prior three (3) years has been found, by a final decision in any action or proceeding brought in a court of competent jurisdiction, the CFTC, or any Self-Regulatory Organization, to have committed a disciplinary offense;
 - (2) within the prior three (3) years has entered into a settlement agreement in which any of the findings or, in the absence of such findings, any of the acts charged, included a disciplinary offense;
 - (3) is currently suspended from trading on a Contract Market, is suspended or expelled from membership in a Self-Regulatory Organization, is serving any sentence or probation, or owes any portion of a fine or penalty related to either:

- i. a finding of a disciplinary offense by a final decision in any action or proceeding brought in a court of competent jurisdiction, the CFTC, or any Self-Regulatory Organization; or
 - ii. a settlement agreement in which any of the findings or, in the absence of such findings, any of the acts charged included a disciplinary offense;
 - (4) is currently subject to an agreement with the CFTC or Self-Regulatory Organization not to apply for registration with the CFTC or for membership in the Self-Regulatory Organization;
 - (5) is currently, or within the past three (3) years has been, subject to a revocation or suspension of registration by the CFTC or has been convicted of a felony listed in section 8a(2)(D)(ii) through (iv) of the CEA; or
 - (6) is currently subject to a denial, suspension or disqualification from serving on a disciplinary committee, arbitration panel or governing board of any self-regulatory organization as that term is defined in section 3(a)(26) of the Securities Exchange Act of 1934.
 - (7) is subject to a statutory disqualification pursuant to Section 8a(2) or 8a(3) of the CEA.
- (b) For purposes of Rule 204(a), the terms “disciplinary offense,” “final decision,” and “settlement agreement” have the meanings set forth in CFTC Regulation § 1.63(a) or any successor regulation.

RULE 205. CHIEF COMPLIANCE OFFICER QUALIFICATIONS AND DUTIES

- (a) The individual designated to serve as Chief Compliance Officer shall have background and skills appropriate for fulfilling the responsibilities of the position. No individual disqualified from registration pursuant to Sections 8a(2) or 8a(3) of the CEA may serve as Chief Compliance Officer. The SEF shall notify the CFTC of the removal of the Chief Compliance Officer and the appointment of any new Chief Compliance Officer, whether interim or permanent, within two Business Days of such appointment.
- (b) The position of Chief Compliance Officer shall carry with it the authority and resources to develop and enforce policies and procedures necessary to fulfill the duties set forth for chief compliance officers in the CEA and the CFTC Regulations. The Chief Compliance Officer shall have supervisory authority over all staff acting in furtherance of the Chief Compliance Officer’s obligations.
- (c) The Chief Compliance Officer shall report directly to the Board, and the Board shall approve the compensation of the Chief Compliance Officer.
- (d) The Chief Compliance Officer shall have the following duties:
 - (1) Overseeing and reviewing the SEF’s compliance with Section 5h of the CEA and any related rules adopted by the CFTC;

- (2) In consultation with the Board, resolving any conflicts of interest that may arise including:
 - i. Conflicts between business considerations and compliance requirements;
 - ii. Conflicts between business considerations and the requirement that the SEF provide fair, open, and impartial access as set forth in CFTC Regulation § 37.202 or any successor regulation; and;
 - iii. Conflicts between the SEF's management and members of the Board;
 - (3) Establishing and administering written policies and procedures reasonably designed to prevent violation of the CEA and any rules adopted by the CFTC;
 - (4) Taking reasonable steps to ensure compliance with the CEA and CFTC regulations;
 - (5) Establishing procedures for the remediation of noncompliance issues identified by the Chief Compliance Officer through a compliance office review, look-back, internal or external audit finding, self-reported error, or validated complaint;
 - (6) Establishing and following appropriate procedures for the handling, management response, remediation, retesting, and closing of noncompliance issues;
 - (7) Establishing and administering a compliance manual designed to promote compliance with the applicable laws, rules, and regulations and a written code of ethics designed to prevent ethical violations and to promote honesty and ethical conduct;
 - (8) Supervising the SEF's self-regulatory program 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 Participants, Customers and Clients (including ensuring compliance with, if applicable, financial integrity, financial reporting, sales practice, recordkeeping, and other requirements); and
 - (9) Supervising the effectiveness and sufficiency of any regulatory services provided to the SEF by a Regulatory Services Provider or other Registered Entity in accordance with CFTC Regulation § 37.204 or any successor regulation.
- (e) The Chief Compliance Officer shall have the authority to inspect the books and records of all Participants and the authority to require any Participant to appear before him or her and produce its books and records and answer questions regarding alleged violations of the SEF Rules, at the time, place and in the manner it designates.

- (f) The Chief Compliance Officer shall annually prepare and sign a report pursuant to the requirements in Section 37.1501(e) and 37.1501(f) which shall contain a description of:
 - (i) the compliance of the SEF with the CEA; and
 - (ii) the policies and procedures, including the code of ethics and conflict of interest policies, of the SEF. Such annual report shall include a certification that, under penalty of law, it is accurate and complete and be submitted to the CFTC.

RULE 206. COMMITTEES

- (a) The SEF shall have such committees, and special committees that the Board may deem, from time to time, necessary for the operations of the SEF and appointed in accordance with the SEF Rules. For the avoidance of any doubt, all references to “committee” shall include any panel appointed from a committee.
- (b) The Board shall initially have one standing committee: the Regulatory Oversight Committee.
- (c) Each standing committee shall assist in the supervision, management and control of the affairs of the SEF within its particular area of responsibility, subject to the authority of the Board.
- (d) All committee decisions shall be reported to the Board for final approval. Except as otherwise provided in the SEF Rules, the Board shall have the authority to overrule the decision of any committee.

RULE 207 REGULATORY OVERSIGHT COMMITTEE

- (a) The Regulatory Oversight Committee shall have a total of three members or such other number of committee members as the Board shall determine is necessary to comply with any final governance rules adopted by the CFTC. The Board shall delegate sufficient authority, dedicate sufficient resources, and allow sufficient time for the Regulatory Oversight Committee to fulfill its mandate. The Regulatory Oversight Committee shall oversee all aspects of the SEF’s regulatory program on behalf of the Board. The Regulatory Oversight Committee shall report to the Board and shall make such recommendations to the Board as may, in its judgment, best promote the interests of the SEF. The Chief Compliance Officer shall meet with the Regulatory Oversight Committee at least once each calendar quarter.
- (b) Each member of the Regulatory Oversight Committee shall serve for a term of two calendar years from the date of their appointment or for the remainder of their term as a Director, if applicable, and until the due appointment of his or her successor, or until his or her earlier resignation or removal, with or without cause, as a member of the Regulatory Oversight Committee or as a Director. A member of the Regulatory Oversight Committee may serve for multiple terms.
- (c) The Regulatory Oversight Committee shall oversee the SEF’s regulatory program on behalf of the Board. The Board shall delegate sufficient authority, dedicate sufficient resources, and allow sufficient time for the Regulatory Oversight Committee to fulfill

its mandate. It shall make such recommendations to the Board as will, in its judgment; best promote the interests of the SEF. The Regulatory Oversight Committee shall also have such other powers and perform such other duties as set forth in the SEF Rules and as the Board may delegate to it from time to time.

- (d) Without limiting the generality of the foregoing, the Regulatory Oversight Committee shall have authority to monitor all aspects of the SEF's regulatory program for sufficiency, effectiveness, and independence regarding:
- (1) trade practice and market surveillance, audits, examinations and other regulatory responsibilities with respect to SEF Participants, including, without limitation, compliance with financial integrity, financial reporting, sales practice, recordkeeping, and conducting investigations;
 - (2) reviewing the size and allocation of regulatory budget and resources, and the number, hiring, termination, and compensation of regulatory personnel;
 - (3) reviewing the performance of the Chief Compliance Officer and making recommendations with respect to such performance to the Board;
 - (4) recommending changes that would ensure fair, vigorous, and effective regulation;
 - (5) reviewing all regulatory proposals prior to implementation and advising the Board as to whether and how such changes may impact regulation; and
 - (6) assisting in minimizing actual or potential conflicts of interest.

RULE 208 ADDITIONAL COMMITTEES AND PANELS

- (a) The Board may create such additional standing committees of the Board as it may from time to time deem necessary or advisable. Except as otherwise specifically provided in the SEF Rules, the members of any additional committee or panel shall be appointed as determined by the Board. The Board shall designate the chairperson of such additional committee or panel.
- (b) In addition to the standing committees, the Board may from time to time constitute and appoint, by Rule or resolution, special committees of the Board and designate their composition, responsibilities and powers.
- (c) Subject to the authority of the Board, each additional committee or panel shall determine the manner and form in which its proceedings shall be conducted. Each additional committee or panel may act only by the decision of an absolute majority in number of the members of such committee or panel, either by vote at a meeting or by unanimous written consent without a meeting.

RULE 209. EMERGENCY RULES

- (a) Subject to Applicable Law, during an Emergency, the SEF may implement Emergency Rules. Pursuant to the Emergency Rules, the SEF will 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 SEF's market or as part of a coordinated, cross-market intervention. Emergency Rules may require or authorize the SEF, the Board, any committee of the Board, the Chief Executive Officer, the Chief Compliance Officer, or any other Officer to take actions necessary or appropriate to respond to the Emergency, including:
- (1) suspending or restricting trading or limiting trading to liquidating only (in whole or in part)
 - (2) extending, limiting or changing trading hours;
 - (3) temporarily modifying or suspending any provision of the SEF Rules or Participant obligations;
 - (4) imposing intraday market restrictions;
 - (5) ordering the liquidation or transfer of open positions;
 - (6) shortening or extending trading hours;
 - (7) suspending or curtailing trading in a Contract;
 - (8) altering the terms and conditions of a Contract;
 - (9) imposing or modifying price limits; and/or
 - (10) imposing or modifying position limits.
- (b) Before any Emergency Rule may be adopted and enforced, a required vote of the Regulatory Oversight Committee must approve the enforcement of such Emergency Rule at a duly convened meeting. Directors may attend such a meeting by teleconference. If the Chief Executive Officer or Chief Compliance Officer determines that Emergency Rules must be implemented with respect to an Emergency before a meeting of the Regulatory Oversight Committee can reasonably be convened, then the Chief Executive Officer or Chief Compliance Officer shall have the authority, without Board or Committee action, to implement any Emergency Rules with respect to such Emergency that he or she deems necessary or appropriate to respond to such Emergency. In such circumstances, the Chief Executive Officer or Chief Compliance Officer must convene a meeting as soon as practicable.
- (c) Whenever the SEF, the Board, any committee of the Board, the Chief Executive Officer or Chief Compliance Officer takes actions necessary or appropriate to respond to an Emergency, it will, where practicable, ensure that prompt notice is given to Participants.

- (d) In situations where a Swap is traded on more than one Swap Execution Facility, emergency action to liquidate or transfer open interest must be directed, or agreed to, by the CFTC or CFTC staff, and the SEF will use reasonable efforts to coordinate with any Derivatives Clearing Organization that has cleared the Swap and any other Swap Execution Facilities where such Swap is traded prior to mandating the liquidation or transfer of such Swap.
- (e) The SEF will use reasonable efforts to notify the CFTC prior to implementing, modifying or terminating an Emergency Rule. If such prior notification is not possible or practicable, the SEF will notify the CFTC at the earliest possible time after implementation, modification or termination, but in no event more than twenty-four hours after implementation, modification or termination.
- (f) Upon taking any action in response to an Emergency, the SEF will document the decision-making process related to such action. Information on any regulatory action taken pursuant to the Emergency Rules will be included in a submission of a certified rule to the CFTC. All such documentation will be kept for at least five years, two years in a readily accessible location, following the date on which the Emergency ceases to exist or to affect the SEF, and all such documentation will be provided to the CFTC upon request.
- (g) Upon taking any action in response to an Emergency, the SEF will promptly notify the CFTC of the SEF's exercise of the Emergency Rules, explaining its decision-making process, the reasons for using its emergency authority, and how conflicts of interest were minimized, including the extent to which the SEF considered the effect of its emergency action on the underlying markets and on markets that are linked or referenced to the contracts traded on its facility, including similar markets on other trading venues.
- (h) When the SEF determines that the emergency has been reduced sufficiently to allow the SEF to resume normal functioning, any such actions will be modified or terminated, as appropriate.

RULE 210. CONFLICTS OF INTEREST

FTSEF believes that it is in the best interest of FTSEF and Participants to be aware of and properly manage all conflicts of interest and appearances of conflicts of interest. Accordingly, the following rules shall apply to mitigate potential and actual conflicts of interest.

- (a) A Director, Officer, Disciplinary Panel member or other Person authorized to exercise the SEF's authority concerning any inquiry, investigation, disciplinary proceeding, summary suspension, or other summary actions (any such action, a "***SEF Proceeding***" and, collectively, "***SEF Proceedings***"), or Emergency actions taken pursuant to Rule 209 or emergency disciplinary action taken pursuant to Rule 1014 (each such SEF Proceeding or Emergency action, a "***Self-Regulatory Action***") who knowingly has a "material conflict of interest" between his or her position as a Director, Officer, panel member or exercise of authority concerning a Self-Regulatory Action and his or her personal interests (each, an "***Interested Person***") may not participate in any

deliberations or vote of the Board Committee, panel or exercise any authority with respect to such Self-Regulatory Action involving his or her personal interest, except as described in Rule 210(d).

- (b) For purposes of Rule 210(a), a “material conflict of interest” means a Director, Officer, Disciplinary Panel Member or other Person:
 - (1) being named as a respondent or potential respondent in the Self-Regulatory Action;
 - (2) being an employer, employee, fellow employee or an Affiliate of a respondent or potential respondent in the Self-Regulatory Action;
 - (3) having any significant, ongoing business relationship with a respondent or potential respondent in the Self-Regulatory Action;
 - (4) having a family relationship with a respondent or potential respondent in a Self-Regulatory Action (including the individual’s spouse, co-habitator, former spouse, parent, step-parent, child, step-child, sibling, step-brother, step-sister, grandparent, grandchild, uncle, aunt, nephew, niece, father-in-law, mother-in-law, brother-in-law or sister-in-law);
 - (5) having a direct and substantial financial interest in the result of the deliberations or vote based upon either exchange or non-exchange positions (as referenced in Section 1.69 of the CFTC Regulations) that could reasonably be expected to be affected by the action. A direct and substantial financial interest includes positions in Contracts in accounts of, controlled by, or affiliated with the Interested Person or in any other types of direct and substantial financial positions of the Interested Person that are reasonably expected to be affected by the deliberations or vote; and/or
 - (6) any other circumstance that gives rise to a conflict between the Director’s, Officer’s, Disciplinary Panel Member’s or Other Person’s exercise of authority concerning any Self-Regulatory Action and his or her personal interests.
- (c) Before considering any Self-Regulatory Action, an Interested Person must disclose in writing to the Board the material facts concerning his or her relationship or interest in the matter.
- (d) Any Interested Person who would be required otherwise to abstain from deliberations and voting pursuant to Rule 210(a) as a result of having a direct and substantial financial interest in the result of the deliberations and vote may participate in deliberations, prior to a vote on the matter, if:
 - (1) the material facts about the Interested Person’s financial interest in the matter are disclosed or known to the Board, Committee, of Disciplinary Panel;
 - (2) the Board, Committee, of Disciplinary Panel determines that the participation by the Interested Person would be consistent with the public interest; and

- (3) a majority of the Directors (excluding any Interested Persons) vote to allow the Interested Person to participate in deliberations on the matter.
- (e) If a determination is made pursuant to Rule 210(d) that an Interested Person may participate in deliberations prior to a vote, then the minutes of the meeting of the Board or committee thereof will reflect the determination and the reasons for the determination.
- (f) If a determination is made that all Directors are Interested Persons with respect to a matter subject to a vote by the Board, the Chief Executive Officer will appoint a panel of individuals who are not Interested Persons with respect to such matter, which will have the same authority and powers over such matter that the Board would have if the Directors were not Interested Persons with respect to such matter.
- (g) No Director, Officer or member of any committee or panel established by the Board shall use or disclose for any purpose other than the performance of his or her official duties and responsibilities as a Director, Officer or committee or panel member any material, non-public information obtained as a result of the individual's duties and responsibilities as a Director, Officer or committee or panel member. No Director, Officer or committee or panel member shall, directly or indirectly, disclose or use at any time, either during his or her association with the SEF or thereafter, any confidential information of which the Board member or committee or panel member becomes aware. Each Director, Officer or committee or panel member in possession of confidential information shall take all appropriate steps to safeguard the information and to protect it against disclosure, misuse, espionage, loss and theft.
- (h) Notwithstanding Rule 210(g), a Director, Officer or committee or panel member may disclose confidential information if required by Applicable Law or a court order to be revealed to the United States Department of Justice or the CFTC.
- (i) For the purposes of Rule 210(g), the terms "material information" and "non-public information" shall each have the meaning set forth in CFTC Regulation § 1.59(a) or any successor regulation.

RULE 211. SERVICES AGREEMENTS

- (a) The SEF may, at any time, choose to contract with a registered futures association, or other Registered Entity, for the provision of regulatory services which includes, without limitation, assistance with the SEF's enforcement of the SEF Rules. Any act or requirement that is required to be performed by the Compliance Department, under the SEF Rules, may be performed by a regulatory service provider. The SEF shall retain ultimate decision-making authority with respect to any functions that are contracted to a Regulatory Service Provider.
- (b) The SEF may contract with a Services Provider to provide certain technology services to the SEF pursuant to an Administrative Services Agreement. In accordance with an Administrative Services Agreement, a Services Provider may perform certain functions under the SEF Rules and the SEF may provide

information to the Services Provider in connection with the performance by the Services Provider of such functions.

Chapter 3 PARTICIPANTS

RULE 301. ELIGIBILITY CRITERIA FOR BECOMING A PARTICIPANT

- (a) To be eligible for admission as a Participant, an applicant must demonstrate to the satisfaction of the SEF that it:
- (1) is an Eligible Contract Participant, and each Client or Customer on whose behalf it wishes to trade on the SEF is an Eligible Contract Participant;
 - (2) is of good reputation and business integrity;
 - (3) maintains adequate financial resources and credit;
 - (4) is validly organized, in good standing, and authorized by its governing body and, if relevant, documents of organization, to trade Contracts (if an entity);
 - (5) has not filed for bankruptcy;
 - (6) is not prohibited from using the services of the SEF for any reason whatsoever;
 - (7) holds all registrations required under Applicable Law, if any;
 - (8) is not subject to statutory disqualification under Section 8a(2) of the CEA;
 - (9) consents to the SEF's jurisdiction pursuant to Rule 311; and
 - (10) satisfies any other criteria that the SEF may require from a Participant perform its SRO responsibilities, comply with Applicable Law or provide SEF services.
- (b) No Participant, including a Participant that is an Account Manager, shall carry an account for a Customer or enter an Order in the name of or on behalf of a Client unless the Participant has entered into an agreement with such Customer or Client, which must, at a minimum:
- (7) contain a representation from the Customer or Client that the Customer or Client is an Eligible Contract Participant at the time of execution of any Swap on or subject to the rules of the SEF;
 - (8) contain a requirement that each Customer or Client become a Participant or consent to the jurisdiction of the SEF in connection with and with respect to any Swap executed for or on behalf of such Customer or Client on or subject to the rules of the SEF; and
 - (9) obligate the Customer or Client to provide the SEF and its agents access to all books and records, staff and other information necessary for monitoring and enforcement of the SEF Rules.

- (c) Once admitted, the Participant shall continue to comply with all applicable eligibility criteria in Rule 301(a).
- (d) Each Participant that is not an Account Manager must either be a Clearing Member or establish a clearing relationship with a Clearing Member, and each Participant that is an Account Manager must ensure that each of its Clients has established a clearing relationship with a Clearing Member; provided, however, that such requirements shall not apply if a Participant or Client, as the case may be: (i) (A) qualifies as an End-User, or (B) otherwise transacts in Swaps on the Trading System that are not required to be cleared, and (ii) does not clear or intend to clear any Swaps executed on the Trading System .
- (e) Each Participant that is not an Account Manager must disclose to the SEF the Clearing Members with which it has clearing relationships, if any, and shall immediately notify the SEF if it ceases to be a clearing customer of any Clearing Member.
- (f) Each Participant that is an Account Manager must disclose to the SEF the Clearing Members with which its Clients have clearing relationships, if any, and shall immediately notify the SEF if it ceases to be a clearing customer of any Clearing Member.
- (g) Participants and Clients that do not have a relationship with a Clearing Member as set forth in the SEF Rule 301(d) are prohibited from entering Orders or causing Orders to be entered for Required Transactions.
- (h) Participant understands that the SEF may restrict, suspend or terminate Participant's access to the Trading System at the direction of the Clearing Member.
- (i) The SEF may allow, deny, suspend, or permanently bar Participant's access to the Trading System pursuant to disciplinary measures or emergency action, or for any other reason at the sole discretion of the SEF.

RULE 302. APPLICATION PROCEDURES; TERMINATION OF PARTICIPANT

- (a) Any Person who desires to become a Participant shall:
 - (1) complete and submit the Participant Documentation;
 - (2) establish a clearing relationship with a Clearing Member, except as provided in the SEF Rule 301(d);
 - (3) enter into an agreement to clear with a Clearing House, if applicable;
 - (4) agree to abide by the SEF Rules and Applicable Law;
 - (5) provide such information and documentation as may be requested by the SEF pertaining to the Participant or the Participant's Clients if Participant is an Account Manager, and follow the procedures established by the SEF for admission; and,

- (6) if Participant is organized or located outside of the United States, enter into a written agreement acceptable to the SEF appointing a third party as its U.S. agent for service of process for purposes of CFTC Regulation 15.05, and shall provide the SEF with a copy of the agreement.
- (b) The Company may require additional information from an applicant in order to establish the applicant's eligibility to access the Trading System and may conduct an investigation to verify information submitted by the applicant. In determining whether to admit an applicant as a Participant, the SEF will evaluate, among other things, the applicant's disciplinary history and financial and operational soundness.
- (a) If the SEF decides to admit an applicant as a Participant, it shall promptly notify the applicant and state in such notice the date on which the applicant shall become a Participant.
- (b) The SEF may deny, condition or terminate Participant status of any Person:
 - (1) If such Person is unable to satisfactorily demonstrate its ability to satisfy the eligibility criteria to become or remain a Participant;
 - (2) If such Person is unable to satisfactorily demonstrate its capacity to adhere to all applicable SEF Rules and Applicable Law;
 - (3) for such other cause as the SEF may reasonably determine.
- (c) If the SEF decides to deny or condition an application for admission as a Participant, the Company shall promptly notify the applicant in writing, setting forth the reasons for the denial or conditioning of Participant status. The applicant may, within fourteen (14) days of the date of such notice, request in writing that the Board reconsider that determination. The Board may request additional information from the applicant or establish any other process that it believes is necessary and appropriate to consider the request for reconsideration. Unless extended with the consent of the applicant, the Board shall confirm, reverse or modify the denial or conditioning of the application within thirty (30) days of receiving the request for reconsideration or such longer period as may be agreed by the applicant. Board shall promptly notify the applicant of its decision in writing. The decision of the Board shall be final and not subject to appeal.

RULE 303. TRADING PRIVILEGES OF A PARTICIPANT

- (a) Upon admission as a Participant, the Participant must execute such Participant Documentation as required from time to time by the SEF, and such Participant Documentation must remain in effect for the Participant to access the Trading System .
- (b) Admission as a Participant only entitles the Participant to the Trading Privileges and does not confer any right of ownership in, or right to attend or vote at meetings of, the SEF, or right to share in the profits, of the SEF. A Participant may not transfer or assign its status as a Participant.

RULE 304. TRADING ACCESS

The SEF may at any time revoke, suspend, limit, condition, restrict or qualify a Participant's and/or a Participant's Authorized Trader(s)' Trading Privileges and/or ability to access the Trading System, if in the sole discretion of the SEF such action is in the best interests of the SEF.

RULE 305. FEES AND ASSESSMENTS

Each Participant shall pay when due all dues, assessments and fees as may be established by the SEF and published on the SEF's website or otherwise agreed between the SEF and such Participant. The SEF shall charge comparable dues, assessments and fees to Persons that receive comparable access to the Trading System. The Company may suspend, revoke, limit, condition, restrict or qualify the Trading Privileges of a Participant and its ability to otherwise access the Trading System if such Participant, fails to pay such amounts when due.

RULE 306. PARTICIPANT REPRESENTATIVES

(a) Authorized Traders. Each Participant shall nominate or designate one or more Authorized Traders.

(1) Each Authorized Trader: (i) must be a natural person; and (ii) must satisfy any other requirements as be prescribed by the SEF from time to time; and

(2) Any person who is an Authorized Trader must: (i) utilize the Participant's Legal Entity Identifier for all activities on the Trading System; and (ii) utilize the Participant ID provided by the SEF to such Authorized Trader.

(b) Authorized Representatives

(1) Authorized Representatives will represent the Participant before the SEF and its committees and receive notices on behalf of such Participant.

(2) Authorized Representatives shall be empowered by the Participant to act on its behalf, and the SEF shall be entitled to rely on the actions of Authorized Representatives as binding on the Participant, unless and until Participant has notified the SEF that such Authorized Representative's designation has been revoked

(3) Each Participant must provide the SEF with current contact and other requested information for each of its Authorized Representatives so that the SEF is able to immediately contact such Authorized Representatives.

RULE 307. IDENTIFICATION OF AUTHORIZED TRADERS

(a) Each person trading on behalf of a Participant shall be identified to the SEF by Participant's Legal Entity Identifier and shall be subject to the SEF Rules. It is the duty of the Participant to ensure that Legal Entity Identifiers are current and accurate at

all times. Participant shall not use, and the SEF may deny Participant access to, the Trading System at any time that Participant has, or is required by CFTC regulations to have, a Legal Entity Identifier if Participant does not have such a Legal Entity Identifier or has not notified the SEF in writing of such Legal Entity Identifier.

- (b) Participant shall be responsible for, and shall take and maintain appropriate steps to ensure, the security of Participant's (and Participant's Authorized Traders') use of the Trading System.
- (c) Without limiting the foregoing, each Authorized Trader will abide by applicable SEF Rules and Applicable Law, and each Participant will ensure on an ongoing basis that (i) none of its Authorized Traders is subject to a disqualification pursuant to any Applicable Law (unless an appropriate exemption has been obtained with respect thereto); (ii) each of its Authorized Traders will be technically proficient; (iii) each of its Authorized Traders will conduct its business in a fair and equitable manner; and (iv) each of its Authorized Traders will conduct its business in accordance with the SEF Rules.
- (e) Each Participant and each Authorized Trader will also individually receive a Participant ID and a corresponding password to enable such Participant or Authorized Trader to access and use the Trading System. Each individual must use a Legal Entity Identifier and Participant ID to access the Trading System. In no event may a Person enter an Order or permit the entry of an Order by an individual using Participant ID other than the individual's own Participant ID.

RULE 308. RECORDING OF COMMUNICATIONS

The SEF or may record conversations and retain copies of electronic communications between SEF Officials, on one hand, and Participants and their Authorized Traders, on the other hand. Any such recordings may be retained by the SEF in such manner and for such periods of time as the SEF may deem necessary or appropriate or as required by Applicable Law.

RULE 309. NOTICES TO PARTICIPANTS

The SEF shall publish a notice with respect to each addition to, modification of, or clarification of, the SEF Rules or of any action to implement any SEF Rules, in a form and manner that is reasonably designed to enable each Participant to become aware of and familiar with, and to implement any necessary preparatory measures to be taken by it with respect to, such addition or modification, prior to the effective date thereof (each a "***Notice to Participants***"). For purposes of publication in accordance with the first sentence of this Rule, it shall be sufficient (without limiting the discretion of the SEF as to any other reasonable means of communication) if a Notice to Participants is published on the SEF's website and posted on the SEF's internal notification system. Any Notice to Participants published and transmitted shall also be deemed to have been made to all Account Managers, Clients, Customers, Authorized Representatives and Authorized Traders.

RULE 310. COMMUNICATIONS BETWEEN THE SEF AND PARTICIPANTS

Each Participant must provide the SEF with its current electronic mail address and telephone number and the electronic mail address and telephone number of any of its Authorized Traders, and immediately (and in any event within 24 hours) update this information whenever it changes. All communications made to Participants shall also be deemed to have been made to all Authorized Representatives and Authorized Traders, and all communications made to an Authorized Representative or Authorized Trader shall also be deemed to have been made to Participant. The Participant shall be responsible for conveying such communications to its Authorized Traders and/or to its Customers or Clients. Each Participant will be responsible for promptly reviewing and, if necessary, responding to all electronic communications from the SEF to the Participant or any of its Authorized Traders, Customer or Clients.

RULE 311. APPLICATION OF THE SEF RULES

- (a) Any Participant accessing the Trading System or entering any Order or submitting any Contract into the Trading System ,whether directly or through an intermediary, and without any need for any further action, undertaking or agreement, a Participant and its Authorized Trader(s), and the Clients and Customers of any Participant agree:
 - (1) TO BE BOUND BY, AND COMPLY WITH, THE SEF RULES AND OBLIGATIONS, AND APPLICABLE LAW, IN EACH CASE TO THE EXTENT APPLICABLE TO IT;
 - (2) TO BECOME SUBJECT TO THE JURISDICTION OF THE SEF WITH RESPECT TO ANY AND ALL MATTERS ARISING FROM, RELATED TO, OR IN CONNECTION WITH, THE STATUS, ACTIONS OR OMISSIONS OF SUCH PERSON;
 - (3) TO PERMIT THE SEF TO ACCESS ANY AND ALL INFORMATION RELEVANT TO ACTIVITIES RELATED TO THE SEF'S BUSINESS;
 - (4) TO ASSIST THE SEF IN COMPLYING WITH ITS LEGAL AND REGULATORY OBLIGATIONS, COOPERATE WITH THE SEF AND THE CFTC IN ANY INQUIRY, INVESTIGATION, AUDIT, EXAMINATION OR PROCEEDING; AND
 - (5) THAT THE SEF IS AUTHORIZED TO PROVIDE INFORMATION REGARDING PARTICIPANT TO THE CFTC OR ANY SELF-REGULATORY ORGANIZATION.

- (b) Any Person whose access to the SEF is suspended for any period remains subject to the SEF Rules, the Obligations and the SEF's jurisdiction throughout the period of suspension. Any Person whose access to the SEF is revoked or terminated shall remain bound by the SEF Rules and Applicable Law, in each case to the extent applicable to it, and subject to the jurisdiction of the SEF with respect to any and all matters arising

from, related to, or in connection with, the status, actions or omissions of such Participant prior to such revocation or termination.

RULE 312. DESCRIPTION OF PARTICIPANT'S STATUS

A Participant shall ensure that the form, content and context of any description of the Participant's status on the SEF to Customers is not inconsistent with, and does not misrepresent, the Participant's capacity on the SEF under the SEF Rules or the Participant's registration, if any, under the CEA, or under any other Applicable Law.

RULE 313. DEATH OR DISSOLUTION OF A PARTICIPANT

All rights and privileges of a Participant terminate upon, and all obligations of a Participant shall survive, the death or incapacity of the Participant (if an individual) or the dissolution of the Participant (if an entity).

RULE 314. WITHDRAWAL OF A PARTICIPANT

- (a) A Participant may withdraw from the SEF by submitting a written request to the SEF. All requests for withdrawal of Participant status will be reviewed by the SEF. Unless otherwise provided by written agreement Participant's request to withdraw from the the SEF shall be effective immediately upon receipt of a Participant's request to withdraw
- (b) When the SEF accepts the withdrawal of a Participant, all rights and privileges of such Participant terminate (including, without limitation, the Trading Privileges and ability to access the Trading System). The accepted withdrawal of a Participant shall not affect the rights of the SEF under the SEF Rules or relieve the former Participant of its Obligations under the SEF Rules, to perform all contracts involving any Contracts entered into by such, or to pay any the SEF fees, costs, or charges incurred, before the withdrawal. Notwithstanding the accepted withdrawal of a Participant, the withdrawn Participant remains subject to the SEF Rules, the Obligations and the jurisdiction of the SEF for acts done and omissions made while a Participant, and must cooperate in any SEF Proceeding under Chapter 10 as if the withdrawn Participant were still a Participant.

RULE 315 COMPLIANCE WITH THE COMMODITY EXCHANGE ACT

All Participants, Authorized Traders of Participants and all Clients and Customers of any Participant that is an Account Manager shall comply with the provisions of the CEA and CFTC Regulations, including the filing of reports, maintenance of books and records, and permitting inspection and visitation by duly authorized representatives of the CFTC or Department of Justice.

RULE 316 ACCESS

- (a) Eligible Contract Participant Access. The SEF will provide its services to any Eligible Contract Participant with access to its markets and services that is impartial, transparent and applied in a fair and non-discriminatory manner; provided, however, that each Eligible Contract Participant complies with the SEF's documentation and the eligibility requirements set forth in this Rulebook.

- (b) ISV Access. The SEF will provide independent software vendor's with access to its Trading System and data in a fair and non-discriminatory manner; provided, however, that each Independent Software Vendor shall comply with the SEF's criteria governing such access. Such access shall be impartial and transparent.

Chapter 4 RECORDKEEPING AND REPORTING

RULE 401. REAL-TIME PUBLIC REPORTING

- (a) CFTC Regulation Part 43, which sets forth the rules regarding real-time reporting, requires certain transaction data to be reported to a Swap Data Repository as soon as technologically practicable after Execution.
- (b) The responsibilities for real-time reporting pursuant to CFTC Regulation Part 43 will vary depending on whether or not the Transaction is executed on or pursuant to the SEF Rules.
- (c) Participant or Participant's counterparty must transmit all data required to be reported under CFTC Regulation Part 43 for any Block Trades to the SEF as soon as technologically practicable after Execution, but in any event before the times set forth in CFTC Regulation § 43.5(d), or any successor regulation thereto.
- (d) For Transactions executed on the Trading System or pursuant to the SEF Rules, including Block Trades, the SEF will fulfill the real-time reporting obligations in CFTC Regulation Part 43. The SEF may enter into contractual relationships with third party service providers to transmit the Swap transaction and pricing data to a Swap Data Repository.
- (e) The SEF shall have the authority to charge fees for the transmission of transaction and pricing data to a real-time disseminator for Transactions executed on the Trading System or pursuant to the rules of the SEF; provided, however, that such fees shall be equitable and non-discriminatory.
- (f) Pursuant to CFTC Regulation § 43.3(b), or any successor regulation thereto, the SEF will report all transaction and pricing data for Transactions executed on the Trading System or pursuant to the SEF Rules as soon as technologically practicable after Execution to a registered Swap Data Repository for public dissemination.
- (g) Pursuant to CFTC Regulation § 43.4(f)(2), or any successor regulation thereto, the SEF will report the actual notional or principal amount for all Swaps executed on or pursuant to the rules of the SEF, including those of any Block Trade, to a registered Swap Data Repository. However, this amount may be rounded or capped by such Swap Data Repository prior to public dissemination.
- (h) The SEF will not disclose transaction or pricing data for any Transactions to the general public prior to the public dissemination of such data. However, the SEF may permit Participants and any market participants subscribing to the SEF for information services to access such data after or at the same time that the SEF transmits such data to a registered Swap Data Repository pursuant to Rule 401(b).
- (i) Real-time dissemination of Block Trades will be done in accordance with Rule 602.

RULE 402. REGULATORY REPORTING

(a) Creation Data.

- (1) CFTC Regulation Part 45, which sets forth the rules regarding regulatory reporting, requires Creation Data for any Transaction to be reported to a Swap Data Repository after Execution. Creation Data includes the Primary Economic Terms and Confirmation Data.
- (2) Participant or Participant's counterparty must transmit all data required to be reported under CFTC Regulation Part 45 for any Block Trades to the SEF as soon as technologically practicable after Execution.
- (3) If both counterparties are Swap Dealers, or both counterparties are Major Swap Participants, or both counterparties are neither Swap Dealers nor Major Swap Participants that are financial entities as defined in CEA section 2(h)(7)(C), or both counterparties are neither Swap Dealers nor Major Swap Participants and neither counterparty is a financial entity as defined in CEA section 2(h)(7)(C), then the seller of risk in the currency which is first, when sorted alphabetically by ISO code, would bear responsibility to report the trade.
- (4) For Transactions executed on the Trading System or pursuant to the SEF Rules, including Block Trades, the SEF will report the Primary Economic Terms and Confirmation Data to a Swap Data Repository. The SEF may enter into contractual relationships with third party service providers to transmit the Primary Economic Terms and Confirmation Data to such Swap Data Repository.
- (5) Participant must provide the SEF with sufficient information to enable the SEF to report all Creation Data, including without limitation:
 - i. The Legal Entity Identifier of the Participant;
 - ii. A yes/no indication of whether Participant is a Swap Dealer with respect to the product with respect to which the Order is placed;
 - iii. A yes/no indication of whether Participant is a Major Swap Participant with respect to the product with respect to which the Order is placed.
 - iv. A yes/no indication of whether Participant is a financial entity as defined in CEA section (2)(h)(7)(C);
 - v. A yes/no indication of whether Participant is a U.S. Person;
 - vi. If applicable, an indication that Participant will elect the End-User Exception for any Swap resulting from the order;
 - vii. If the Transaction will be allocated:
 1. An indication that the Transaction will be allocated.

2. The Legal Entity Identifier of the agent.
 3. An indication of whether the Swap is a post-allocation swap.
 4. If the swap is a post-allocation swap, the Unique Swap Identifier of the original Transaction between the Reporting Counterparty and the agent.
- (6) The SEF shall have the authority to charge fees for any services provided pursuant to this Rule 402; provided, however, that such fees shall be equitable and non-discriminatory.

(b) Continuation Data.

- (1) CFTC Regulation Part 45 requires Continuation Data to be reported to a Swap Data Repository during the life of any Transaction. Continuation Data includes life-cycle event data or state data, each as defined in CFTC Regulation § 45.1, or any successor regulation thereto, and Valuation Data.
- (2) Pursuant to CFTC Regulation § 45.4(b), Continuation Data for any cleared Transaction will be reported to the relevant Swap Data Repository by the relevant Derivatives Clearing Organization, except that the Reporting Counterparty will also be responsible for reporting Valuation Data to the relevant Swap Data Repository if the Reporting Counterparty is a Swap Dealer or Major Swap Participant.
- (3) Pursuant to CFTC Regulation § 45.4(c), Continuation Data for any uncleared Transaction, whether or not the Transaction is executed on a Swap Execution Facility, will be reported to the relevant Swap Data Repository by the Reporting Counterparty.
- (4) The SEF will have no obligation to fulfill any requirements to report Continuation Data for any Participant, including Valuation Data.
- (5) If the SEF fulfills any requirements to report Continuation Data for any Participant that is a Reporting Counterparty, such Participant will at all times remain responsible for the performance of any and all regulatory reporting requirements imposed on such Participant under CFTC Regulation Part 45.

RULE 403. MAINTENANCE OF BOOKS AND RECORDS BY THE SEF

The SEF shall keep, or cause to be kept, complete and accurate books and records of all activities relating to the business of the SEF, including a complete audit trail for all Swaps executed on or subject to the rules of the SEF, confirmations produced pursuant to Rule 404, investigatory files, and disciplinary files, and all books and records required to be maintained pursuant to the CEA and CFTC Regulations.

RULE 404. TRADE CONFIRMATIONS

(a) The SEF will confirm each Transaction at the same time as execution of the Transaction. The economic terms specific to the Transaction agreed to by the Participants on the SEF shall be reflected by the SEF in a written communication (the “Trade Confirmation”) sent to the applicable Participants.

(1) With respect to an uncleared Transaction:

- i. The Trade Confirmation, together with the Terms Incorporated by Reference shall, taken together, comprise all of the terms of such Transaction and constitute a confirmation for purposes of CFTC Regulation § 37.6(b) and shall be deemed to be the “SEF Confirmation.”
- ii. In satisfaction of the obligations imposed on the SEF under CFTC Regulation § 37.6(b): (i) each Trade Confirmation is deemed to incorporate the Terms Incorporated by Reference set forth in this Rule 404, and (ii) the participants hereby agree that the provisions of Rule 404(b)(1)(iii) shall govern any conflicting terms.
- iii. In the event of any conflict between (x) the Trade Confirmation and (y) the Terms Incorporated by Reference, the Trade Confirmation shall prevail to the extent of any inconsistency.
- iv. Participant agrees that all Terms Incorporated by Reference shall be made available to CFTC staff upon request within a reasonable period of time.

(2) For a cleared Transaction, the Trade Confirmation shall constitute a confirmation for purposes of CFTC Regulation § 37.6(b) and shall be deemed to be the “SEF Confirmation”.

(b) A SEF Confirmation shall be deemed to be a binding and fully enforceable confirmation of the Transaction between such parties.

(c) A SEF Confirmation shall be deemed to be fully, and mutually executed by the parties, “signed” and “in writing” for any and all purposes, and the resulting SEF Confirmation shall constitute the controlling confirmation with respect to the applicable Transaction.

(d) Participant agrees not to contest the legally binding nature or enforceability of any Transaction entered into or negotiated on the Trading System and further agrees not to contest or assert any defense to the validity or enforceability of any Transaction on the basis that such Transaction was executed or negotiated electronically or on the basis of any law requiring agreements to be in writing or to be signed by the parties. Participant hereby waives any and all right to assert any such claims.

(e) Participant agrees to use commercially reasonable efforts to promptly review all SEF Confirmations and to reconcile any data or other discrepancies. Any

discrepancies, errors or omission with respect to SEF Confirmations shall be resolved as provided in the SEF Rules.

RULE 405. AUDIT TRAIL PROGRAM

- (a) The SEF's audit trail permits it to track customer orders from the time of receipt through fill, allocation, or other disposition, and includes both order and trade data. The audit trail program includes all original source documents and an electronic transaction history database. The electronic transaction history database includes a history of all indications of interest, requests for quotes, orders, and trades entered into the Trading System , including all orders and trades, and order modifications and cancellations. An adequate transaction history database also includes:
- (1) All data that is input into the trade entry or matching system for the transaction to match and clear;
 - (2) Customer type indicator code;
 - (3) Timing and sequencing data adequate to reconstruct trading; and
 - (4) Identification of each account to which fills are allocated.
- (b) The SEF will enforce its audit trail and recordkeeping requirements through at least annual reviews of all Participants to verify their compliance with the SEF's audit trail and recordkeeping requirements. Such reviews will include, but are not limited to, reviews of randomly selected samples of front-end audit trail data for order routing systems; a review of the process by which user identifications are assigned and user identification records are maintained; a review of usage patterns associated with user identifications to monitor for violations of user identification rules; and reviews of account numbers and customer type indicator codes in trade records to test for accuracy and improper use.

RULE 406. MONITORING OF TRADING

The SEF will monitor trading on the Trading System in order to prevent manipulation, price distortion, and disruptions of the delivery or cash settlement process through surveillance, compliance, and disciplinary practices and procedures, including through the real-time monitoring of trading, and comprehensive trade reconstruction.

RULE 407. USE OF PARTICIPANT PROPRIETARY DATA

The SEF shall not use for business or marketing purposes any proprietary data or personal information it collects or receives, from or on behalf of any person, for the purpose of fulfilling its regulatory obligations; provided, however, that SEF may use such data or information for business or marketing purposes if the Person from whom it collects or receives such data or information clearly consents in Writing to the SEF's use of such data or information in such manner. The SEF shall not condition access to its market(s) or

market services on a Person's consent to the SEF's use of proprietary data or personal information for business or marketing purposes. The SEF, where necessary for regulatory purposes, may share such data or information, with one or more SDRs, Swap Execution Facility, or Contract Markets registered with the CFTC.

RULE 408 TIMELY PUBLICATION OF TRADING INFORMATION

The SEF will publish trading information as required by CEA Section 5h(f)(9) and Parts 16 and 37 of CFTC Regulations.

Chapter 5
PARTICIPANT OBLIGATIONS

RULE 501. DUTIES AND RESPONSIBILITIES OF PARTICIPANTS

(a) Each Participant shall, its Authorized Traders and Clients or Customers, if applicable shall:

- (1) Ensure the SEF's Trading System is used in a responsible manner and not for any improper purpose;
- (2) Ensure the Trading System is used only to conduct SEF Activity;
- (3) Ensure that conduct all SEF Activity in a manner consistent with SEF Rules and Obligations;
- (4) Comply with all SEF Rules and Obligations and act in a manner consistent with each SEF Rule and Obligation;
- (5) Observe high standards of integrity, market conduct, commercial honor, fair dealing, and just and equitable principles of trade while conducting or attempting to conduct any SEF Activity, or any aspect of any business connected with or concerning the SEF;
- (6) not mislead or conceal any material fact or matter in any dealings or filings with the SEF or in response to any SEF Proceeding;
- (7) employ practices to monitor and enforce compliance with risk limits; and
- (8) keep, or cause to be kept, complete and accurate books and records, including, without limitation, all books and records of its SEF Activity and his or her activity in the underlying commodity and related derivatives markets, and all books and records required to be maintained pursuant to the CEA, the CFTC Regulations or the SEF Rules, for the period required by Applicable Law, and make such books and records available for inspection by a representative of the SEF or the CFTC.

(b) Each Participant shall:

- (1) be responsible for promptly informing the SEF of any material changes to the eligible criteria information provided to the SEF by the Participant.
- (2) be fully liable for all trading losses, all Orders, all transactions in Contracts effected by such Participant, all transactions effected on the Trading System and for any use of the Trading System made by Participant or the Participant's Authorized Traders, and all trades even if the Orders received via the Trading System : (1) were entered as a result of a failure in the security controls and/or

credit controls, other than due to the gross negligence of the SEF; or (2) were entered by an unknown or unauthorized user;

- (3) be responsible for promptly informing the SEF of any material changes to the information provided to the SEF by the Participant pursuant to Rule 301.

RULE 502. REQUIRED NOTICES

- (a) Each Participant shall immediately notify the Compliance Department upon becoming aware of any of the following events:

- (1) any material change to the contact information provided to the SEF;
- (2) any damage to, or failure or inadequacy of, the systems, facilities or equipment of the Participant to effect transactions pursuant to the SEF Rules or to timely perform the Participant's financial obligations under or in connection with Transactions;
- (3) any refusal of admission, or involuntary withdrawal of the Participant for membership in, any Self-Regulatory Organization, Contract Market or Derivatives Clearing Organization;
- (4) any expulsion, suspension or fine in excess of \$25,000, cease and desist order, denial of trading privileges, censure or other sanction or remedy (whether through an adverse determination, voluntary settlement or otherwise) imposed on the Participant by any Self-Regulatory Organization, Contract Market or Derivatives Clearing Organization registered with the CFTC or, with respect to SEF Activity, any relevant Government Agency;
- (5) any indictment or conviction of, or any confession of guilt or plea of guilty or nolo contendere by, the Participant (or, if the Participant is an entity, by any of its principals or senior officers) for any felony or misdemeanor involving, arising from, or related to, the purchase or sale of any commodity, swap, Futures contract, option, security, securities futures product or other financial instrument, or involving or arising from fraud or moral turpitude;
- (6) the Participant becoming the subject of a petition for bankruptcy;
- (7) the appointment of a receiver, trustee or administrator for the Participant;
- (8) the presentment of a petition, or the passing of a resolution, for the winding-up of Participant;
- (9) the commencement of proceedings for the dissolution of Participant; or
- (10) the occurrence of an event of insolvency with respect to the Participant.

RULE 503. INSPECTIONS BY THE SEF

- (a) The SEF shall have the right with such prior reasonable advance notice as is practicable under the circumstances, in connection with determining whether all SEF Rules and Obligations are being, will be, or have been complied with by the Participant, to:
 - (1) inspect the books and records of the Participant in connection with SEF Activity, wherever located;
 - (2) inspect systems, equipment and software of any kind operated by the Participant in connection with SEF Activity and any data stored in any of the systems or equipment related to SEF Activity; or
 - (3) copy or reproduce any data to which the SEF has access under this Rule.
- (b) Such books and records, systems, equipment, software and data shall be made available to the SEF during regular business hours and the SEF and the Regulatory Services Provider agrees to adhere to Participant's reasonable logical and physical access and security procedures.
- (c) The Compliance Department may examine (periodically or on a particular occasion) the books and records of any Participant or any Customer or Client of a Participant that relate to SEF Activity.
- (d) The SEF shall provide information in its possession to the CFTC upon request. The SEF shall also share information with other regulatory organizations, data repositories, and reporting services as required by the CFTC or as otherwise necessary and appropriate to fulfill its self-regulatory and reporting responsibilities. Appropriate information-sharing agreements can be established with such entities or the CFTC can act in conjunction with the SEF to carry out such information sharing.

RULE 504. MINIMUM REQUIREMENTS FOR PARTICIPANTS

- (a) Each Participant and each Participant's Authorized Traders shall comply with the provisions of Applicable Law, including but not limited to the rules and regulations of any Government Agency that are imposed on a Participant relating to minimum financial requirements (if applicable), reporting and recordkeeping requirements, and any mandatory clearing requirements.
- (b) Transactions executed on or through the Trading System must be cleared through a CFTC-registered Derivatives Clearing Organization unless:
 - (1) The Transaction is exempted from clearing under Section 2(h)(7) of the CEA or another applicable exemption under CFTC Regulations; or
 - (2) The Transaction is a Permitted Transaction.

- (c) Each Participant who is a Swap Dealer or Major Swap Participant shall be responsible for compliance with any mandatory trading requirements under CEA Section 2(h)(8) and CFTC regulations thereunder.
- (d) For Transactions that are executed on or subject to the rules of the SEF, if such Transaction is not cleared by a Derivatives Clearing Organization and is not required to be cleared, each Participant party must have entered into an agreement governing the execution and settlement of the Swap with the prospective counterparty to such Swap prior to placing such Order.
- (e) A copy of any notice or written report that a Participant is required to file with the CFTC pursuant to CFTC Regulation § 1.12, or any successor regulation thereto, shall be concurrently provided to the SEF.
- (f) A Participant who violates any CEA provision or CFTC Regulation referred to in this Rule 504 shall be deemed to have also violated this Rule 504.

RULE 505. PARTICIPANT BOOKS AND RECORDS

- (a) Each Participant must maintain or cause to be maintained records for all books and records required to be maintained in accordance with Applicable Law, including the SEF Rule 501(a)(8).
- (b) Bunched Orders must be allocated and recorded in accordance with CFTC Regulation § 1.35(b)(5), or any successor regulation thereto, and the NFA's Interpretative Notice related to Compliance Rule 2-10 or any successor regulations.
- (c) As required by CFTC Regulation § 37.404, each Participant must keep records of its trading on the SEF, including records of its activity in the commodity underlying any Swap and trading on related derivatives markets and make such records available, upon request, to the SEF and the CFTC.

RULE 506. CONFIDENTIALITY OF FINANCIAL AND OTHER INFORMATION

All information and data obtained or received by the Compliance Department from inspections of accounting and other records, quarterly balance sheets and declarations or reports on financial condition will be treated as confidential by the SEF; however, this Rule 506 does not supplant Rules 210, 1003(c), 1201(e), or any other requirement of Applicable Law.

RULE 507. AUTHORITY TO REPORT

Whenever the SEF learns that Participant has failed to file any notice or written report required by CFTC Regulation § 1.12, or any successor regulation thereto, the SEF will immediately report this failure to the CFTC. The SEF may impose such conditions or restrictions on the business and operations of Participant that has failed to file any such

notice or written report as the SEF may deem necessary or appropriate for the protection of Customers, other Participants, or the SEF.

RULE 508. BROKERS AND ACCOUNT MANAGERS

- (a) No Participant acting as a broker or Account Manager shall carry an account for a Customer or enter an Order in the name of or on behalf of a Client unless the Participant has entered into a written agreement with the Customer or Client containing such terms as may from time to time be prescribed in these SEF Rules, including without limitation, those rules contained in SEF Rule 301(b).
- (b) No Participant shall engage in soliciting or accepting an Order for the Contract for a Participant, Customer or Client unless the Participant has entered into a written agreement with the Participant, Customer or Client obtaining such terms as may from time to time be prescribed in these SEF Rules.

RULE 509. TREATMENT OF CUSTOMER FUNDS AND SECURITIES

Each Participant that is required to be registered with any Government Agency, including the CFTC and the U.S. Securities and Exchange Commission or any Self-Regulatory Organization, shall comply with the provisions of Applicable Law, including but not limited to the rules and regulation such Government Agency imposes on a Participant relating to the treatment of Customer funds and the maintenance of books and records with respect thereto. Any Participant that violates any of the aforementioned Government Agency Regulations shall be deemed to have violated this Rule 509.

RULE 510. DISCLOSURE REQUIREMENTS; KNOW YOUR COUNTERPARTY REQUIREMENTS

- (a) Each Participant must comply with all disclosure requirements set forth in applicable CFTC Regulations, if any. Any such disclosure may be combined with a disclosure regarding the existence of financial interests held by the Participant in the SEF or any other Swap Execution Facility.
- (b) Participants that are Swap Dealers or Major Swap Participants shall verify that each potential counterparty is an Eligible Contract Participant with respect to each Swap as provided in Subpart H of Part 23 of the CFTC Regulations, or any successor regulations related to external business conduct standards for Swap Dealers and Major Swap Participants.
- (c) Participants that are Futures Commission Merchants must verify that each of their Customers are Eligible Contract Participants.
- (d) Participants that are Account Managers must verify that each of their Clients is Eligible Contract Participants.

RULE 511. INFORMATION REGARDING ORDERS

- (a) The SEF will make information regarding Orders (including prices bid or offered), trades and any other matters it may deem appropriate available to Participants and other Persons at such times and in such manner (whether through the Trading System , a ticker, financial information services or otherwise) as it may consider necessary or advisable from time to time.
- (b) Each Participant or other Person receiving any such information through the Trading System may redistribute such information only to such extent and in such manner as may be permitted by the SEF from time to time.

RULE 512. CUSTOMER TYPE INDICATOR (CTI) CODES

- (a) Each Participant must identify each transaction executed on the Trading System on the record of transactions submitted to the SEF with the correct CTI Code. The CTI Codes are as follows:
 - (1) CTI 1- Transactions initiated and executed by a Participant for his own account, for an account he controls or for an account in which he has ownership or financial interest.
 - (2) CTI 2- Transactions executed for the proprietary account of a Clearing Member or non-Clearing member firm.
 - (3) CTI 3- Transactions where an individual Participant or Authorized Trader executes for the personal account of another individual Participant, for an account the other individual Participant controls or for an account in which the other individual Participant has ownership or financial interest.
 - (4) CTI 4- Any transaction not meeting the definition of CTI 1, 2 or 3.

Chapter 6

TRANSACTIONS SUPPORTED

RULE 601. GENERAL

- (a) The SEF supports both Permitted Transactions and Required Transactions through the execution methods detailed in Chapter 7.
- (b) Required Transactions shall be submitted for clearing according to Rule 801 unless they are eligible for the End-User Exception and one Counterparty properly elects such End-User Exception.
- (c) If one or both of the counterparties to a transaction elects to use the End-User Exception detailed in Rule 801, the party electing to use the End-User Exception must notify the SEF of such election as required by SEF Rule 402(a)(5), and the transaction shall be treated as a Permitted Transaction.

RULE 602. BLOCK TRADES

- (a) The SEF shall set the minimum block sizes for all Swaps listed on the Trading System , which shall be equal to or greater than the appropriate minimum block sizes established by CFTC Regulation § 43.6.
- (b) The SEF will publish the list of contracts for which it permits and facilitates the bilateral trading and execution of Block Trades on its website.
- (c) The following shall govern Block Trades:
 - (1) Each counterparty to a Block Trade (or a Person, Customer or Client on whose behalf a Block Trade is executed) must be an Eligible Contract Participant.
 - (2) Parties to a Swap of a large notional value must elect to have the Swap treated as a Block Trade in order for the Swap to constitute a Block Trade pursuant to this Chapter 6.
 - (3) A Block Trade must be for a quantity that is at or in excess of the applicable minimum threshold. Orders may not be aggregated for different accounts in order to achieve the minimum transaction size unless done by a Person who:
 - (a) Is either: (i) a commodity trading advisor registered under Section 4n of the CEA, or exempt from registration under the CEA, or a principal thereof, who has discretionary trading authority or directs client accounts, (ii) is an investment adviser who has discretionary trading authority or directs client accounts and satisfies the criteria of CFTC Regulation § 4.7(a)(2)(v), or (iii) is a non-U.S. person, as defined in CFTC rules, regulations and/or interpretations who performs a similar role or function as the persons described in Rule 602(c)(3)(a)(i) or (ii) and is subject as such to foreign regulation; and

- (b) Has more than \$25,000,000 in total assets under management.
- (4) A broker for a Customer shall not execute any order by means of a Block Trade for a Customer unless such Customer has specified that the order be executed as a Block Trade. Such instruction or consent may be provided in the power of attorney or similar document by which the Customer provides the broker with discretionary trading authority or the authority to direct the trading in its account.
 - (5) The price at which a Block Trade is executed must be fair and reasonable in light of (i) the size of the Block Trade, (ii) the prices and sizes of other transactions in the same Contract at the relevant time, (iii) the prices and sizes of transactions in other relevant markets at the relevant time, and (iv) the circumstances of the markets or the Participants to the Block Trade.
 - (6) One of the counterparties or the broker of one of the Persons party to the Block Trade must ensure that each Block Trade is reported to the SEF within the time limit set forth in Rule 401.
 - (7) Block Trades must be reported to the SEF in accordance with the SEF approved reporting method and must include all of the data required by CFTC Regulations Part 43 and 45. The SEF will transmit Block Trade transaction and pricing data to a Swap Data Repository as soon as technologically practicable after receipt of such data. CFTC Regulations prohibit any Swap Data Repository from publicly disseminating this data until the expiration of certain time delays as specified in CFTC Regulation § 43.5, or any successor regulation thereto.
 - (8) An executed Block Trade must become a part of the SEF's audit trail.

Chapter 7

EXECUTION METHODS

RULE 701. GENERAL

Transactions executed on the SEF must be executed either on the SEF Central Limit Order Book (“CLOB”) or the SEF RFQ Trading System (“RFQ Trading System”) pursuant to this chapter.

RULE 702. CENTRAL LIMIT ORDER BOOK (“CLOB”)

- (a) The CLOB is an anonymous electronic price-time priority central limit order book in which Participants trade against firm quotes posted by other Participants. Quotes with better prices are placed ahead of others with worse prices. Quotes that are entered before other quotes take priority when multiple quotes have the same price.
- (b) Orders submitted as Required Transactions can only match with quotes for Required Transactions posted by Participants who have common clearing arrangements. Both counterparties must have available credit.
- (c) Orders submitted as Permitted Transactions can only match with quotes for Permitted Transactions posted by Participants who have bilateral settlement arrangements with the order submitters and where credit is available.

RULE 703. REQUEST FOR QUOTE TRADING SYSTEM (“RFQ TRADING SYSTEM”)

- (a) Both Required and Permitted Transactions may be negotiated by Participants and their Counterparties by use of the RFQ Trading System. Through the RFQ Trading System, Participants can transmit a request for a quote (“RFQ”) to buy or sell a specific instrument to other Participants, to which all such Participants may respond. An RFQ can be sent as a request for quote or as a request for streaming quote.
- (b) An RFQ for a Required Transaction must be submitted to no less than the Required Number of other Participants who are not affiliated with or controlled by the RFQ requester and are not affiliated with or controlled by each other.
- (c) An RFQ for a Required Transaction may be sent to any or all Counterparties with whom the Participant has a common clearing arrangement and where both counterparties have available credit.
- (d) An RFQ for a Permitted Transaction may be sent to any Counterparty with whom the Participant has an agreement governing the execution and settlement of Swaps.
- (e) Negotiation Process

- (1) The negotiation process on the RFQ Trading System is initiated by entry of an RFQ for specific value dates and tenors by an RFQ requester on the Trading System . An RFQ acts as a non-binding solicitation of a non-binding quote and provides essential economic terms sufficient for any RFQ requester's counterparty to formulate a responsive quote.
- (2) In response to an RFQ, any potential counterparty receiving an RFQ may reply with a responsive quote. For Required Transactions, any firm bids or offers resting on the CLOB will be communicated to the RFQ requester along with any responsive quotes.
- (3) In the event that a responsive quote is acceptable to the requestor, the requestor can accept the quote and a request to deal will be sent to the responder. If the responder accepts the request, a legally enforceable transaction arises and the RFQ process concludes. If the responder rejects the request, the RFQ process concludes and no transaction arises.
- (4) For a Required Transaction, if any resting bid or offer from the CLOB is acceptable to the RFQ requester, the RFQ requester may issue an acceptance and if the match is completed on the CLOB, a legally enforceable transaction arises and the RFQ process concludes.

RULE 704. LEGAL CERTAINTY FOR SEF TRADES.

A transaction entered into on or pursuant to the SEF Rules shall not be void, voidable, subject to rescission, otherwise invalidated, or rendered unenforceable as a result of:

- (a) a violation by the SEF of the provisions of Section 5h of the CEA or CFTC Regulations;
- (b) any CFTC proceeding to alter or supplement a Rule, term, or condition under Section 8a(7) of the CEA or to declare an emergency under Section 8a(9) of the CEA; or
- (c) any other proceeding the effect of which is to:
 - (1) alter or supplement a specific term or condition or trading rule or procedure;
or
 - (2) require the SEF to adopt a specific term or condition, trading rule or procedure, or to take or refrain from taking a specific action.

Chapter 8
MANDATORY CLEARING

RULE 801. GENERAL

- (a) All Participants must clear all Contracts which are required to be cleared under CEA Section 2(h)(1) and CFTC Regulation § 50.4, or any successor regulation thereto; provided, however, that the clearing requirement in this Rule 801 will not apply if at least one Participant party to a Transaction is an End-User and that party elects the End-User Exception.
- (b) Each Participant shall be responsible for determining whether any Swap it enters into is subject to the mandatory clearing requirements of Section 2(h)(1) of the Commodity Exchange Act.
- (c) Each Participant shall be responsible for determining whether an exemption from clearing is available, and, if Participant and its counterparty opt against clearing pursuant to an applicable exemption, Participant shall make all necessary elections and provide all necessary notifications to the SEF to establish that the Swap is exempted from the clearing requirement; provided, however, that the SEF shall have no responsibility for evaluating the validity of such exemption, and no conclusion as to such exemption should be made as a result of the SEF allowing a transaction to proceed on the Trading System .
- (d) Each Participant will only execute a Swap subject to the mandatory clearing requirement on the Trading System if Participant has delivered, or causes to be delivered, to the SEF all information necessary to permit the SEF to submit the Swap for clearing. Each Participant, that is not a direct Clearing Member, executing Required Transactions or executing Permitted Transactions that are intended to be cleared must have in place appropriate arrangements for the clearance of Swaps executed on the SEF by the Participant through one or more Clearing Members, and provide, or cause to be provided, appropriate evidence thereof to the SEF pursuant to the provisions of the SEF Rules.
- (e) All Participants that are not direct Clearing Members executing Required Transactions or executing Permitted Transactions that are intended to be cleared must be guaranteed by a Clearing Member that assumes responsibility for clearing any transactions executed by the Participant on the SEF that have satisfied the Clearing Member's credit limits and risk controls. Such guarantee is effective only until such time that the Clearing House accepts the transaction. With respect to transactions given up to other Clearing Members, such guarantee is effective only until such time that the other Clearing Member accepts the trade. A trade given up to another Clearing Member will be deemed to have been accepted by such Clearing Member if the trade is not rejected by the close of business on the business day that the trade is executed. The acceptance of a trade by a Clearing Member shall not relieve any Participant or Clearing Member of the duty to act in accordance with the SEF Rules.

- (f) Clearing Members that are Participants shall assist the SEF in any investigation into potential violations of the SEF Rules or the CEA which occur with respect to a Participant guaranteed by such Clearing Member or a Customer of such Clearing Member. Such assistance must be timely and may include, but not be limited to, requiring any Participant or Customer to produce documents, to answer questions from the SEF, and/or to appear in connection with an investigation. Upon request by the SEF, Clearing Members that are Participants shall suspend or terminate a Participant's or Customer's access if the SEF determines that the actions of the Participant or Customer threaten the integrity or liquidity of any Contract or violate any the SEF Rule or the CEA, or if the Participant or Customer fails to cooperate in an investigation.
- (g) If a Clearing Member that is a Participant has actual or constructive notice of a violation of the SEF Rules in connection with the use of the SEF by a Participant or Customer for which it has authorized a direct connection and the Clearing Member fails to terminate the connection, the Clearing Member may be found to have committed an act detrimental the SEF.

RULE 802. Acceptance and Rejection for Clearing

- (a) The SEF shall submit each Swap that is required to be or is intended to be cleared to the applicable Clearing House. If a Swap is submitted for clearing and is rejected or fails to clear for any reason, then such swap shall be void *ab initio*; provided, however, that Swaps originally executed without an intent to clear shall not be void *ab initio* if they are subsequently submitted for clearing and fail to clear for any reason.
- (b) Any agreement between two Participants that governs swaps that are submitted for clearing and fail to clear, including a breakage agreement, shall be inapplicable to Required Transactions and Permitted Transaction that are intended to be cleared and which are executed on or pursuant to the rules of the SEF.
- (c) Unless otherwise required under Applicable Law, the SEF shall be under no obligation to ensure that Swaps are successfully cleared and shall have no liability with respect to a Swap that fails to clear for any reason.

RULE 803. CLEARING HOUSE RULES

- (a) The clearing services provided by a Clearing House with respect to any Contract, and the rights and obligations of purchasers and sellers under cleared Contracts (including without limitation rights and obligations in respect of clearing and settlement, variation payments and performance at maturity), shall be governed by the Clearing House Rules, as applicable.
- (b) The Clearing House Rules shall prevail in the event of any conflict or inconsistency between the SEF Rules and the Clearing House Rules with respect to any Clearing Member responsibilities or obligations under the Clearing House Rules.

RULE 804. SUBSTITUTION AND NOVATION

For a Transaction that is both executed and submitted to a Clearing House on the current business date at prevailing market prices, and in accordance with the rules governing such Transaction, the Clearing House shall, through the process of novation, be substituted as, and assume the position of, seller to the buyer and buyer to the seller of the relevant number of Contracts once the Transaction is accepted at the Clearing House; provided, however, that the timing of the clearing guarantee for Transactions involving initial mark-to-market amounts above a specified threshold, and for Transactions that are not both executed and submitted to the Clearing House on the current business date, shall be subject to terms specified in the Clearing House manual of operations.

Chapter 9
TRADING PRACTICES AND BUSINESS CONDUCT

RULE 901. SCOPE

This Chapter 9 prescribes Rules concerning trading practices and business conduct on the SEF.

RULE 902 PROCEDURES

- (a) With respect to trading on or through the Trading System, the SEF may adopt, without limitation, procedures relating to transactions in Contracts and trading on the Trading System, including procedures to:
- (1) disseminate the prices of bids and offers on, and trades in, Contracts;
 - (2) record, and account for, Contracts and SEF Activity and regulate administrative matters affecting Swaps and SEF Activity;
 - (3) establish limits on the number and/or size of Orders that may be submitted by a Participant through the Trading System;
 - (4) establish limits on the number of Contracts that may be held by a Customer or Participant;
 - (5) establish a limit on the maximum daily price fluctuations for any Contract and provide for any related restriction or suspension of trading in the Contract; and
 - (6) require a suspended or expelled Participant, or a Participant with restricted trading rights, to have Contracts executed for the Participant to reduce or eliminate any open position or exposure to price changes for the Participant in any Contract.
- (b) The SEF may, in its discretion and at any time, amend any procedures adopted pursuant to Rule 902(a), and will publish the amendments in a Notice to Participants or in any other manner determined appropriate by the SEF.

RULE 903 BUSINESS DAYS AND TRADING HOURS

Except as provided in Rule 209 with respect to Emergencies, the SEF shall determine and publish a Notice to Participants listing the Business Days and Holidays of the SEF and the Trading Hours for each Contract.

RULE 904 RULE VIOLATIONS

- (a) It shall be an offense for a Participant, Authorized Trader, Account Manager, Customer, and Clients, as applicable, to violate any SEF Rule regulating the conduct or business of a Participant or its Account Managers or any agreement made with the SEF, or to engage in fraud, dishonorable or dishonest conduct, or in conduct which is inconsistent with just and equitable principles of trade.
- (b) Participants shall assist the SEF in any investigation into potential violations of the SEF Rules or, with respect to the SEF Activity, the CEA. Such assistance must be timely and may include, but not be limited to, producing documents, answering questions from the SEF or its designee, and/or appearing in connection with an investigation.
- (c) If a Participant has actual or constructive notice of a violation of the SEF Rules in connection with the use of the SEF operated by the SEF by a Participant, Authorized Trader, Customer or Client, or Account Manager and the Participant fails to take appropriate action, the Participant may be found to have committed an act detrimental to the interest or welfare of the SEF operated by the SEF.

RULE 905 FRAUDULENT ACTS

No Participant, Authorized Trader, Account Manager, Customer or Client, or any market participant that directly or indirectly effects a transaction on the SEF shall engage in any fraudulent act or engage in any scheme to defraud, deceive, trick or mislead in connection with or related to any SEF Activity. Specifically, no Participant, Authorized Trader, Account Manager, Customer or Client, or any market participant that directly or indirectly effects a transaction on the SEF shall engage in front running, fraudulent trading, money passes, trading ahead of Customers, trading against Customers or accommodation trading.

RULE 906 FICTITIOUS, WASH OR NON-COMPETITIVE TRANSACTIONS PROHIBITED

No Participant or any Authorized Trader of a Participant shall create, place or accept fictitious transactions, wash transactions, or non-competitive transactions except, in the case of non-competitive transactions, as otherwise authorized by the SEF Rules, or execute any such Order with knowledge of its nature as a fictitious transaction, wash transaction, or non-competitive transaction. No person shall place or accept to buy and sell orders in the same Unique Swap Identifier, where the person knows or reasonably should know that the purpose of the orders is to avoid taking a bona fide market position exposed to market risk. Buy and sell Orders for different accounts with common beneficial ownership that are entered with the intent to negate market risk or price competition shall also be deemed to violate the prohibition on wash transactions. Additionally, no Person shall knowingly execute or accommodate the Execution of such Orders by direct or indirect means.

RULE 907 MARKET DISRUPTION AND MARKET MANIPULATION PROHIBITED

- (a) Orders entered into the Trading System for the purpose of upsetting the equilibrium of the market in any Contract or creating a condition in which prices do not or will not reflect fair market values are prohibited, and any Participant or any Authorized Trader of a Participant who makes or assists in entering any such Order with knowledge of the purpose thereof or who, with such knowledge, in any way assists in carrying out any plan or scheme for the entering of any such Order, will be deemed to have engaged in an act detrimental to the SEF.
- (b) Any attempted or completed manipulation of the market in any Swaps is prohibited. A Participant or an Authorized Trader of a Participant shall violate this Rule 907 if such person directly or indirectly, in connection with any Contract in interstate commerce, intentionally or recklessly:
 - (1) Uses or employ, or attempt to use or employ, any manipulative device, scheme, or artifice to defraud;
 - (2) Makes, or attempt to make, any untrue or misleading statement of a material fact or to omit to state a material fact necessary in order to make the statements made not untrue or misleading;
 - (3) Engages, or attempt to engage, in any act, practice, or course of business, which operates or would operate as a fraud or deceit upon any Person; or,
 - (4) Delivers or cause to be delivered, or attempt to deliver or cause to be delivered, for transmission through the mails or interstate commerce, by any means of communication whatsoever, a false or misleading or inaccurate report concerning market information or conditions that affect or tend to affect the price of any Contract in interstate commerce, knowing, or acting in reckless disregard of the fact that such report is false, misleading or inaccurate; provided, however, that no violation of this Rule 907 shall exist where the Participant or an Authorized Trader of a Participant mistakenly transmits, in good faith, false or misleading or inaccurate information to a price reporting service.

RULE 908 MARKET DISRUPTION PROHIBITED

The following are prohibited:

- (a) Violating Bids and Offers. No Participant, or Authorized Trader, shall enter or attempt to enter a Contract on the Trading System at a price that is higher than the lowest available price offered for such Contract or sell a Contract on the Trading System at a price that is lower than the highest available price bid for such Contract.
- (b) Orderly Execution of Transactions during the Closing Period. No Participant, or Authorized Trader, shall engage in any conduct that demonstrates reckless or intentional disregard for the orderly execution of transactions during any closing

period, including, but not limited to, conduct commonly known as “banging” or “marking” the close.

- (c) Spooling. No Participant, or Authorized Trader, shall intentionally engage in any conduct that is, is the character of, or is commonly known to the trade as “spooling,” including, but not limited to:
- (1) Bidding and offering with the intent to cancel the bid or offer before execution;
 - (2) Submitting or cancelling bids or offers to overload the quotation system;
 - (3) Submitting or cancelling bids or offers to delay another Participants’ execution of Transactions;
 - (4) Submitting or cancelling multiple bids or offers to create an appearance of false market depth; and
 - (5) Submitting or cancelling bids or offers with intent to create artificial price movements upwards or downwards.

RULE 909 PROHIBITION OF MISSTATEMENTS

It shall be an offense to make any knowing misstatement of a material fact to the SEF, any SEF

Official, any Board committee or SEF panel, the Compliance Department and/or agents of the SEF.

RULE 910 ACTS DETRIMENTAL TO WELFARE OF THE SEF PROHIBITED

It shall be an offense to engage in any act that is detrimental to the interest or welfare of the SEF.

RULE 911 ADHERENCE TO LAW

No Participant or Authorized Trader of a Participant shall engage in conduct that is a violation of the CEA or CFTC Regulations, the rules of any other Swap Execution Facility, Contract Market, or Derivatives Clearing Organization that has jurisdiction over such Participant, with respect to SEF Activity, the laws, rules or regulations of any relevant Governmental Agency.

RULE 912 SUPERVISION

A Participant shall establish, maintain and administer reasonable supervisory procedures to monitor the compliance of Authorized Traders with the SEF Rules and any applicable provisions of the CEA or CFTC and such Participant may be held accountable for the actions of such Authorized Traders.

RULE 913 MISUSE OF THE TRADING SYSTEM

Misuse of the Trading System is strictly prohibited. It shall be deemed an act detrimental to the SEF to permit unauthorized use of the Trading System, to assist any Person in obtaining unauthorized access to the Trading System, to trade on the Trading System without a User Agreement or, for Required Transactions, without an established account with a Clearing Member, to alter the equipment associated with the Trading System (except with the SEF's consent), to interfere with the operation of the Trading System, to intercept or interfere with information provided thereby, or in any way to use the Trading System in a manner contrary to the SEF Rules.

RULE 914 WITHHOLDING ORDERS PROHIBITED

- (a) Any Participant entering Orders on the Trading System for any legally distinct Customer shall not withhold or withdraw from the market any Order, or any part of an Order, for the benefit of any Person other than such Customer.
- (b) A Participant must enter immediately into the SEF all Orders from its Customers that are executable immediately. If a Participant cannot immediately enter into the Trading System an Order received from its Customer, the Participant must enter the Order as soon as practicable, and must immediately create an electronic record

RULE 915 PRIORITY OF CUSTOMERS' ORDERS

No Participant shall enter an Order into the Trading System for his own account, an account in which he has a direct or indirect financial interest or an account over which he has discretionary trading authority, including, without limitation, an Order allowing discretion as to time and price, when such Participant is in possession of any un-submitted Customer Order based on the same Contract and with the same fixing date or expiration date and that the Trading System is capable of accepting.

RULE 916 HANDLING OF CUSTOMER ORDERS

- (a) No Participant in possession of a Customer Order shall knowingly trade ahead of a Customer Order or take, directly or indirectly, the opposite side of such Order for its own account, an account in which it has a direct or indirect financial interest, or an account over which it has discretionary trading authority.
- (b) No Participant in possession of a Customer Order shall engage in accommodation trading or improper cross-trading.
- (c) Exceptions. The restriction in this Rule 916 shall not apply to the following:
 - (1) Transactions executed pursuant to SEF Rule 602 (Block Trades); or
 - (2) Transactions executed pursuant to SEF Rule 918 (15 Second Rule).

RULE 917 DISCLOSING ORDERS PROHIBITED

No Person shall disclose another Customer's Order to buy or sell except to a designated SEF Official or the CFTC, and no Person shall solicit or induce another Person to disclose Order information. No Person shall take action or direct another to take action based on non-public Order information, however acquired. The mere statement of opinions or indications of the price at which a market may open or resume trading does not constitute a violation of this rule.

RULE 918 15 SECOND RULE

For Required Transactions, a Participant that is a broker, dealer or Account Manager which seeks to execute against a Customer or Client's Order or execute two Customers or Clients against each other through the SEF Order Book, following some form of pre-arrangement or pre-negotiation of such orders, must expose one side of the potential transaction to other Participants for at least a 15 seconds before the second side of the potential transaction, whether for the Participant's own account or for the account of a second Customer or Client, is submitted for execution. If the Order is not executed by another Participant after 15 seconds, the Participant displaying the one side of the transaction may execute the other side of the transaction against its own, or against another Client or Customer's Order.

RULE 919 PRE-ARRANGED AND NONCOMPETITIVE TRADES PROHIBITED

- (a) No Person shall pre-arrange any purchase or sale or noncompetitively execute any transaction, except in accordance with Section (b).
- (b) The foregoing restriction shall not apply to Transactions executed pursuant to SEF Rule 602 (Block Trades), and, for the avoidance of doubt, does not prohibit communications necessary to effect any RFQ Transaction pursuant to SEF Rule 703.

RULE 922 RESPONSIBILITY FOR CUSTOMER ORDERS

- (a) A Participant shall exercise due diligence in the handling and execution of Customer Orders. Failure to act with due diligence shall constitute negligence. In the case of a dispute as to whether a Participant has exercised due diligence, the appropriate arbitration or disciplinary committee is authorized to determine whether the Participant was negligent and, if so, whether an adjustment is due to the Customer.
- (b) A Participant is prohibited from directly or indirectly guaranteeing the execution of an Order or any of its terms such as the quantity or price. A Participant may only report an execution that has been effected through the Trading System or has been executed under Chapter 7. This Rule 922(b) shall not be construed to prevent a Participant from assuming or sharing in the losses resulting from an error or the mishandling of an Order provided such action is done in accordance with the SEF Rules as well as Applicable Law.

- (c) A Participant may not be held responsible for executing a Customer Order or failing to execute a Customer Order unless such Participant was negligent. A Participant may not compel an adjustment from another Participant in the absence of a bona-fide dispute regarding negligence. Participants shall document all adjustments and shall make and retain a record which contains the date the adjustment was received, the name of the Participant making the adjustment, the account to which the adjustment was credited, the amount of the adjustment, the Order number and the reason for the adjustment. Such records must be provided to the Compliance Department upon request.

RULE 923 DISCRETIONARY ORDERS

No Participant shall submit a discretionary order to the Trading System for any account of another Person, without the prior specific written consent of such other Person to the exercise of such discretion.

RULE 924 POSITION LIMITS

- (a) The SEF shall have the authority to establish position limits for any Swap as it may determine necessary and appropriate, in accordance with CFTC Regulations. Where the CFTC has established a position limit for any Swap, the SEF's position limit for that Swap shall not be higher than such limit established by the CFTC. Such limits will apply only with respect to trading on the SEF operated by the SEF.
- (b) Except as otherwise provided by these SEF Rules, no Person, including a Participant, may hold or control a position in excess of such position limits, and a Participant may not maintain a position in excess of such position limits for a Client or Customer if such Participant knows, or with reasonable care should know, that such position will cause such Client or Customer to exceed the applicable position limits.
- (c) Position limits shall apply to (i) all positions in accounts for which any Person, by power of attorney or otherwise, directly or indirectly holds positions or controls trading, and (ii) positions held by two or more Persons acting pursuant to an express or implied agreement or understanding, as if the positions were held by, or the trading of the positions were done by, a single Person.

RULE 925 EXEMPTIONS FROM POSITION LIMITS

ANY PERSON SEEKING AN EXEMPTION FROM THE POSITION LIMITS REFERRED TO IN RULE 924 MUST FILE AN APPLICATION WITH THE SEF. THE SEF SHALL NOTIFY THE APPLICANT WHETHER THE EXEMPTION HAS BEEN APPROVED AND WHETHER THE SEF HAS IMPOSED ANY LIMITATIONS OR CONDITIONS ON THE EXEMPTION. THE DECISION OF THE SEF SHALL BE FINAL.

RULE 926 POSITION ACCOUNTABILITY

- (a) The SEF may establish a position accountability level for any Swap. Any Person, including a Participant, who owns or controls Swaps in excess of the applicable position accountability level shall provide to the SEF at its request any information regarding the nature of the position, trading strategy or hedging activities, if applicable, and if ordered by the SEF, shall liquidate any or all of the positions, or not increase the size of any such position.
- (b) For purposes of this Rule, all positions in accounts for which a Person, by power of attorney or otherwise, directly or indirectly controls trading shall be included with the positions held by such Person. The provisions of this Rule shall apply to positions held by two or more Persons acting pursuant to an express or implied agreement or understanding, as if the positions were held by a single Person.

RULE 927 TRADING SYSTEM ACCESS RESTRICTIONS

All individuals entering Customer Orders in other than a clerical capacity must have appropriate industry registration. Customer Orders may be entered only from the premises of an entity registered to conduct Customer business.

RULE 928 PRE-EXECUTION CREDIT CHECKS

Pre-execution credit checks will be performed for: (i) Required Transactions, (ii) Permitted Transactions that are intended to be cleared and (iii) Permitted Transactions executed on the Order Book. Clearing Members have the ability to set credit limits for the cleared Swaps that their clients enter into on the Trading System . If a credit check fails, a trade is not permitted.

RULE 929 RISK CONTROLS FOR TRADING

- (a) The SEF reserves the right to modify, adjust, or cancel any Transaction, including Block Trades, that it determines in its sole discretion to be unlawful, off market, the result of error, or otherwise incompatible with these SEF Rules, the User Agreement, or the efficient and secure operation of the SEF, including, but not limited to, excessive electronic traffic sent by any Participant, to the SEF.
- (b) The SEF reserves the right to modify, adjust, or cancel any Transaction, including Block Trades, when such action is necessary to mitigate market disrupting events caused by the improper or erroneous use of the Trading System or by system defects.
- (c) Notwithstanding any other provisions of this Rule, the SEF may modify or adjust trade prices or cancel any trade if the SEF determines that allowing the trade to stand as executed may have a material, adverse effect on the integrity of the market.
- (d) The SEF shall have the right to take any action to reduce the potential of market disruption, including but not limited to, market restrictions that pause or halt trading in

market conditions prescribed by the SEF if such action is in the best interest of the swap markets.

RULE 930 LIMITATION OF LIABILITY

- (a) EXCEPT IN INSTANCES WHERE THERE HAS BEEN A FINDING OF FRAUD OR WILLFUL OR WANTON MISCONDUCT, IN WHICH CASE THE PARTY FOUND TO HAVE ENGAGED IN SUCH CONDUCT CANNOT AVAIL ITSELF OF THE PROTECTIONS OF THIS RULE, THE SEF (INCLUDING ITS AFFILIATES), AND THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, LICENSORS AND SERVICE PROVIDERS AND VENDORS (EACH, A “DISCLAIMING PARTY” AND COLLECTIVELY, “DISCLAIMING PARTIES”) SHALL NOT BE LIABLE TO ANY PERSON, INCLUDING WITHOUT LIMITATION ANY CUSTOMER, FOR ANY LOSS, DAMAGE OR COST (INCLUDING BUT NOT LIMITED TO ATTORNEYS’ FEES AND COURT COSTS), WHETHER DIRECT, INDIRECT, SPECIAL, INCIDENTAL, CONSEQUENTIAL, LOST PROFITS OR OTHERWISE OF ANY KIND, REGARDLESS OF WHETHER ANY OF THEM HAS BEEN ADVISED OR IS OTHERWISE AWARE OF THE POSSIBILITY OF SUCH DAMAGES, ARISING OUT OF THE USE OR PERFORMANCE OF THE TRADING SYSTEM, ANY COMPONENT(S) THEREOF, OR ANY FAULT, FAILURE, MALFUNCTION OR OTHER ALLEGED DEFECT IN THE TRADING SYSTEM, INCLUDING ANY INABILITY TO ENTER OR CANCEL ORDERS IN THE TRADING SYSTEM, OR ANY FAULT IN DELIVERY, DELAY, OMISSION, SUSPENSION, INACCURACY OR TERMINATION, OR ANY OTHER CAUSE IN CONNECTION WITH THE FURNISHING, PERFORMANCE, MAINTENANCE, USE OF OR INABILITY TO USE ALL OR ANY PART OF THE TRADING SYSTEM, INCLUDING BUT NOT LIMITED TO ANY FAILURE OR DELAY IN TRANSMISSION OF ORDERS OR TRADES OR LOSS OF ORDERS OR TRADES RESULTING FROM (A) MALFUNCTION OF THE TRADING SYSTEM, (B) DISRUPTION OF COMMON CARRIER LINES, (C) LOSS OF POWER, (D) ACTS OR FAILURES TO ACT OF ANY THIRD PARTY, (E) NATURAL DISASTERS OR (F) ANY AND ALL OTHER CAUSES. THE FOREGOING SHALL APPLY REGARDLESS OF WHETHER A CLAIM ARISES IN CONTRACT, TORT, NEGLIGENCE, STRICT LIABILITY OR OTHERWISE. THE FOREGOING LIMITATIONS ARE CUMULATIVE AND SHALL NOT LIMIT OR RESTRICT THE APPLICABILITY OF ANY OTHER LIMITATION OR RULE, TRADING PROCEDURE OR NOTICE OF TRADING SYSTEM.
- (b) THERE ARE NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS PROVIDED BY ANY DISCLAIMING PARTY RELATING TO THE TRADING SYSTEM OR ANY FACILITY SERVICE OR FACILITIES USED TO SUPPORT THE TRADING SYSTEM, INCLUDING, BUT NOT LIMITED TO, WARRANTIES OF MERCHANTABILITY AND WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE OR USE.
- (c) IF ANY OF THE FOREGOING LIMITS ON THE LIABILITY OF A DISCLAIMING PARTY SHOULD BE DEEMED TO BE INVALID,

INEFFECTIVE, OR UNENFORCEABLE OR IN THE EVENT THE FACILITY ELECTS TO ASSUME RESPONSIBILITY FOR DIRECT, OUT OF POCKET LOSSES DIRECTLY CAUSED BY THE GROSS NEGLIGENCE OF A DISCLAIMING PARTY AND ANY PARTICIPANT OR THIRD PARTY SUSTAINS A LOSS, DAMAGE OR COST RESULTING FROM USE OF THE TRADING SYSTEM , THE ENTIRE LIABILITY OF ALL DISCLAIMING PARTIES SHALL NOT EXCEED \$10,000 FOR ALL LOSSES SUFFERED FROM ALL CAUSES ON A SINGLE CALENDAR DAY; \$25,000 FOR ALL LOSSES SUFFERED FROM ALL CAUSES IN A SINGLE CALENDAR MONTH; AND \$500,000 FOR ALL LOSSES SUFFERED FROM ALL CAUSES IN A SINGLE CALENDAR YEAR. IF THE NUMBER OF ALLOWED CLAIMS ARISING OUT OF ANY FAILURE OR MALFUNCTIONS ON A SINGLE DAY OR SINGLE MONTH CANNOT BE FULLY SATISFIED BECAUSE OF THE ABOVE DOLLAR LIMITATIONS, ALL SUCH CLAIMS SHALL BE LIMITED TO A PRO RATA SHARE OF THE MAXIMUM AMOUNT FOR THE RESPECTIVE PERIOD.

- (d) NOTWITHSTANDING ANY OF THE FOREGOING, THIS RULE SHALL IN NO WAY LIMIT THE APPLICABILITY OF ANY PROVISION OF THE ACT OR COMMISSION REGULATIONS.

Chapter 10

DISCIPLINARY RULES

RULE 1001 GENERAL

- (a) All Participants and Authorized Traders of Participants shall be subject to the SEF's jurisdiction. All Participants are subject to this Chapter 10 if they, or with respect to a Participant, any other Person using its Legal Entity Identifier, are alleged to have violated, to have aided and abetted a violation, to be violating, or to be about to violate, any SEF Rule or any provision of Applicable Law for which the SEF possesses disciplinary jurisdiction.
- (b) The Compliance Department has the authority to: (i) initiate and conduct inquiries and investigations; (ii) prepare investigative reports and make recommendations concerning initiating disciplinary proceedings; and (iii) prosecute alleged violations within the SEF's disciplinary jurisdiction.
- (c) Each Participant and Authorized Trader of a Participant: (i) is obligated to appear and testify and respond in writing to interrogatories within the time period required by the Compliance Department in connection with: (A) any Obligation; (B) any inquiry or investigation; or (C) any preparation by and presentation during a Disciplinary Action; (ii) is obligated to produce all books, records, papers, documents or other tangible evidence in its, his or her possession, custody or control within the time period required by the Compliance Department in connection with: (A) any Obligation; (B) any inquiry or investigation; or (C) any preparation by and presentation during a Disciplinary Action; and (iii) may not impede or delay any Disciplinary Action.
- (d) The SEF, through the Compliance Department, will promptly prosecute possible rule violations within the SEF's disciplinary jurisdiction.
- (e) The SEF, through the Regulatory Services Provider, if any, and the Disciplinary Panel, will conduct inquiries, investigations, disciplinary proceedings, summary impositions of fines, summary suspensions or other summary actions in accordance with this Chapter 10.
- (f) No SEF Official or Officer will interfere with or attempt to influence the process or resolution of any inquiry, investigation, or disciplinary proceeding. No Director will interfere with or attempt to influence the process or resolution of any Disciplinary Action except to the extent provided under the SEF Rules.
- (g) Any Participant or Authorized Trader of a Participant may be represented by counsel during any Disciplinary Action pursuant to this Chapter 10.
- (h) Participant Liability – Individual and Joint Liability/Controlling Person Liability.
 - (1) The SEF may hold a Participant liable for, and impose sanctions against such Participant, for such Participant's own acts and omissions that constitute a violation as well as for the acts and omissions of each (A) Authorized Trader

authorized by such Participant, (B) other Person using a Legal Entity Identifier of such Participant or (C) other agent or representative of such Participant, in each case, that constitute a violation as if such violation were that of the Participant.

- (2) The SEF may hold an Authorized Trader liable for, and impose sanctions against such Authorized Trader for such Authorized Trader's own acts and omissions that constitute a violation as well as or for the acts and omissions of any other agent or representative of such Authorized Trader that constitute a violation as if such violation were that of the Authorized Trader.

(i) *Ex Parte* Communications.

- (1) A Person subject to a disciplinary proceeding (and any counsel or representative of such Person) and the Compliance Department (and any counsel or representative of the Compliance Department) shall not knowingly make or cause to be made an *ex parte* communication relevant to the merits of a disciplinary proceeding to any member of the Disciplinary Panel hearing such proceeding.
- (2) Members of a Disciplinary Panel shall not knowingly make or cause to be made an *ex parte* communication relevant to the merits of a disciplinary proceeding to any Person subject to such proceeding (and any counsel or representative of such Person) and the Compliance Department (and any counsel or representative of the Compliance Department).
- (3) Any Person who receives, makes or learns of any communication that is prohibited by this rule shall promptly give notice of such communication and any response thereto to the Compliance Department and all parties to the proceeding to which the communication relates.
- (4) A Person shall not be deemed to have violated this rule if the Person refuses an attempted communication concerning the merits of a proceeding as soon as it becomes apparent the communication concerns the merits.

RULE 1002 INVESTIGATIONS AND INVESTIGATION REPORTS

(a) Procedures.

- (1) The SEF's Compliance Department shall initiate an investigation upon the receipt of a request from the CFTC or upon the discovery or receipt of information that, in the judgment of the Compliance Department, indicates a possible basis for finding that a violation has occurred or will occur.
- (2) Absent mitigating circumstances, a Compliance Department investigation must be completed no later than twelve (12) months after the date that such investigation is opened. If a Compliance Department investigation will take longer than twelve (12) months to complete, the Compliance Department must explain the reasons in writing to the Chief Compliance Officer.

(b) Investigation Reports.

- (1) If the Compliance Department determines that a reasonable basis exists for finding a violation of the SEF Rules or Applicable Law, the Compliance Department must submit a written report to the Review Panel, which shall include: a summary of the complaint, if any; a description of the Participant's disciplinary history (including warning letter); the relevant facts; the Compliance Department's analysis and conclusions; and a recommendation as to whether Disciplinary Action should be pursued.
- (2) If the Compliance Department determines that no reasonable basis exists for finding a violation of the SEF Rules or Applicable Law, the Compliance Department must nonetheless submit a written report to the Chief Compliance Officer, which shall include: the reason the investigation was initiated; a summary of the complaint, if any; the relevant facts; Compliance Department's analysis and conclusions; and if applicable, any recommendation that a disciplinary committee issue a warning letter. If the Compliance Department recommends that a warning letter be issued to a Participant or Authorized Trader, the investigation report shall include a copy of the letter as well as the Participant or Authorized Trader's disciplinary history at the SEF, including copies of warning letters.

(c) Warning Letters.

- (1) After conducting an investigation pursuant to Rule 1002(a), the Compliance Department may recommend to the Chief Compliance Officer that the SEF issue a warning letter to a Participant or Authorized Trader. Upon such recommendation, the Chief Compliance Officer may issue a warning letter to any Participant or Authorized Trader. A warning letter is not a penalty or an indication that a finding of a violation has been made.

RULE 1003 DISCIPLINARY PANELS

(a) Disciplinary Panel Composition.

- (1) The SEF shall have a Review Panel and a Hearing Panel (collectively, the "Disciplinary Panel").
 - (2) All information, records, materials and documents provided to the Disciplinary Panels and all deliberations, testimony, information, records, materials and documents related thereto shall be treated as non-public and confidential and shall not be disclosed, except as necessary to further an investigation or as required by law.
- (b) Review Panel. The Review Panel is responsible for determining whether a reasonable basis exists for finding a violation of the SEF Rules, and for authorizing the issuance of notices of charges against Persons alleged to have committed violations if the Review Panel believes that the matter should be adjudicated.

- (c) Hearing Panel. The Hearing Panel is responsible for adjudicating disciplinary cases pursuant to a notice of charges authorized by a Review Panel. No member of a Hearing Panel may have a financial, personal, or other direct interest in the matter under consideration.

RULE 1004 REVIEW OF INVESTIGATORY REPORT

- (a) Within thirty (30) days of receiving a completed investigation report pursuant to Rule 1002, a Review Panel must take one of the following actions:
 - (1) If the Review Panel determines that additional investigation or evidence is needed, it must promptly direct the Compliance Department to conduct further investigation.
 - (2) If the Review Panel determines that no reasonable basis exists for finding a violation or that prosecution is otherwise unwarranted, it may direct that no further action be taken. Such determination must be in writing, and must include a written statement setting forth the facts and analysis supporting the decision.
 - (3) If the Review Panel determines that a reasonable basis exists for finding a violation and adjudication is warranted, it must direct that the person or entity alleged to have committed the violation be served with a notice of charges and must proceed in accordance with the rules of this section.

RULE 1005 NOTICE OF CHARGES

- (a) If the Review Panel directs that a respondent be served with a notice of charges pursuant to Rule 1004(a)(3), the Compliance Department shall prepare and serve a notice of charges.
- (b) A notice of charges will state the acts, conduct, or practices in which the respondent is alleged to have engaged; state the rule, or rules, alleged to have been violated (or about to be violated); advise the respondent that he is entitled, upon request, to a hearing; prescribe the period within which a hearing on the charges may be requested, which shall not be less than twenty (20) days; advise the respondent that he has the right to be represented by legal counsel or any other representative of its choosing in all succeeding stages of the disciplinary process; advise the respondent that any failure to request a hearing within the period stated, except for good cause, will be deemed to constitute a waiver of the right to a hearing; and advise the respondent that any allegation in the notice of charges that is not expressly denied will be deemed to be admitted.
- (c) Any notice of charges or other documents to be served pursuant to this Chapter 9 may be served upon the respondent and service shall be deemed complete either personally or by leaving the same at his or her place of business; by deposit in the United States mail, postage prepaid, via registered or certified mail addressed to the respondent at the

address as it appears on the books and records of the SEF; or via electronic mail to the electronic mail address as it appears on the books and records of the SEF.

- (d) Upon being served with a notice of charges, a respondent will have the right to be represented by legal counsel or any other representative of its choosing in all succeeding stages of the disciplinary process.

RULE 1006 ANSWER TO NOTICE OF CHARGES

- (a) In General. If the respondent determines to answer a notice of charges, the respondent must, in writing:

- (1) specify the allegations that the respondent denies or admits;
- (2) specify the allegations that the respondent does not have sufficient information to either deny or admit;
- (3) specify any specific facts that contradict the notice of charges;
- (4) specify any affirmative defenses to the notice of charges; and
- (5) sign and serve the answer on the Chief Compliance Officer.

- (b) Failure to Respond.

- (1) Any failure by the respondent to timely serve an answer to a notice of charges will be deemed to be an admission to the allegations in such notice. Any failure by the respondent to answer one or more allegations in a notice of charges will be deemed to be an admission of that allegation or those allegations. Any allegation in a notice of charges that the respondent fails to expressly deny will be deemed to be admitted. A general denial by the respondent, without more, will not satisfy the requirements of paragraph (a) above.
- (2) If a respondent admits to allegations through such a failure to respond, the Hearing Panel shall impose appropriate sanctions.
- (3) Before imposing sanctions pursuant to Rule 1006(b)(2), the Hearing Panel will notify the respondent in writing of any sanction to be imposed and advise the respondent that it may request a hearing on such sanction within a specified period of time. If a respondent fails to request a hearing within twenty (20) days after being served with such notice, the respondent will be deemed to have accepted the sanction.

- (c) Denial of Charges and Right to Hearing.

- (1) If a respondent requests a hearing on a charge that is denied pursuant to Rule 1006(a), or on a sanction set by the Hearing Panel pursuant to Rule 1006(b)(3), the respondent shall be entitled to a hearing in accordance with Rule 1009.

- (2) Except for good cause shown, the hearing will be concerned only with those charges denied and/or sanctions set by the Hearing Panel under Rule 1006(b)(3) for which a hearing has been requested.

RULE 1007 SETTLEMENTS

- (a) A respondent or potential respondent may at any time propose in writing an offer of settlement related to anticipated or instituted disciplinary proceedings.
- (b) Any offer of settlement should contain proposed findings and sanctions and be signed by the respondent or potential respondent and submitted to the Disciplinary Panel presiding over the matter.
- (c) A respondent or potential respondent may offer to settle disciplinary proceedings without admitting or denying the findings contained in the order of the disciplinary proceedings but must accept the jurisdiction of the SEF over it and over the subject matter of the proceedings and consent to the entry of the findings and sanctions imposed.
- (d) If a respondent or potential respondent submits an offer of settlement in accordance with paragraph (a) above, the Compliance Department will forward the offer to the Hearing Panel with a recommendation on whether to accept or reject the offer. If the Compliance Department and Hearing Panel agree to accept the offer of settlement, then the offer of settlement shall be accepted. If applicable, the Hearing Panel's decision must include a statement that the respondent has accepted the sanctions imposed without either admitting or denying the rule violations.
- (e) Upon accepting any offer of settlement, the Hearing Panel shall 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 must include full customer restitution where customer harm is demonstrated.
- (f) If an offer of settlement is accepted by the Hearing Panel, the respondent's submission of the offer will be deemed to constitute a waiver of the right to notice, opportunity for a hearing and review and appeal under the SEF Rules.
- (g) If the offer of settlement is not accepted or is withdrawn by the respondent or potential respondent, the matter will proceed as if the offer had not been made and the offer and all documents relating to it will not become part of the record. Neither a respondent or potential respondent nor the Hearing Panel may use an unaccepted offer of settlement as an admission or in any other manner at a hearing of, or appeal from, disciplinary proceedings.

RULE 1008 RESPONDENT REVIEW OF EVIDENCE

- (a) Prior to the commencement of a hearing, each respondent will be given the opportunity to review all books, records, documents, papers, transcripts of testimony and other

tangible evidence in the possession or under the control of the SEF that the Compliance Department will use to support the allegations and proposed sanctions in the notice of charges or which the chair of the Hearing Panel deems relevant to the disciplinary proceedings. Notwithstanding the foregoing, no respondent will have the right to review, and the SEF will have no obligation to disclose, any information protected by attorney-client privilege.

- (b) If any books, records, documents, papers, transcripts of testimony, or other tangible evidence contain information that could adversely affect the competitive position of the Person providing the information or if such information might compromise other investigations being conducted by the Compliance Department, the Compliance Department may redact, edit or code such information before furnishing it to the respondent.
- (c) Notwithstanding anything in paragraph (b) above to the contrary, the Compliance Department:
 - (1) will not redact, edit or code competitive or investigative information contained in documents in a manner that would impair the respondent's ability to defend against the allegations or proposed sanctions in the notices of charges; and
 - (2) will provide the respondent with access to the information and portions of the documents that the Compliance Department intends to rely on to support the allegations or proposed sanctions in the notice of charges.
- (d) For purposes of this Rule 1008, information that could adversely affect competitive positions include positions in Contracts currently held, trading strategies employed in establishing or liquidating positions, the identity of any Participant, and the personal finances of the Person providing the information.

RULE 1009 HEARINGS

Hearings shall be conducted pursuant to the procedures below, or pursuant to the procedures of a Regulatory Services Provider, if any.

(a) Hearing Procedures

- (1) A hearing shall be fair, shall be conducted before members of the disciplinary panel, and shall be promptly convened after reasonable notice to the respondent.
- (2) If the respondent has requested a hearing, a copy of the hearing shall be made and shall become a part of the record of the proceeding. The record shall not be required to be transcribed unless:
 - i. The transcript is requested by CFTC staff or the respondent; or
 - ii. The decision is reviewed by the CFTC.

In all other instances, a summary record of a hearing will be prepared.

- (3) After reasonable notice to each respondent, the Hearing Panel will promptly convene a hearing to conduct the disciplinary proceedings with respect to such respondent. Parties to a disciplinary proceeding include each respondent and the Compliance Department.
- (4) The chair of the Hearing Panel may continue, adjourn or otherwise conduct the hearing, as he or she may deem appropriate. The chair of the Hearing Panel will determine all procedural and evidentiary matters, including the admissibility and relevance of any evidence proffered. In determining procedural and evidentiary matters, the chair of the Hearing Panel will not be bound by any evidentiary or procedural rules or law. Once admitted during the hearing, the Hearing Panel may consider, and attach the weight it believes appropriate to, evidence or other materials.
- (5) Except for procedural and evidentiary matters decided by the chair of the Hearing Panel pursuant to paragraph (3), unless each respondent otherwise consents, the entire Hearing Panel must be present during the entire hearing and any related deliberations.

(b) Conducting Hearings.

- (1) At a hearing conducted in connection with any disciplinary proceedings, the Compliance Department will present its case supporting the allegations and proposed sanctions in the notice of charges to the Hearing Panel. If a respondent has timely filed an answer to the notice of charges in accordance with Rule 1006, the respondent is entitled to attend and participate in the hearing.
- (2) At a hearing conducted in connection with any disciplinary proceedings, the Hearing Panel or the Compliance Department and each respondent may:
 - i. present evidence and facts determined relevant and admissible by the chair of the Hearing Panel;
 - ii. call and examine witnesses; and
 - iii. cross-examine witnesses called by other parties.
- (3) If the respondent fails to file an answer, has filed a general denial, or if any or all of the allegations in the notice of charges are not expressly denied in the respondent's answer, the chair of the Hearing Panel may limit evidence concerning any allegations not expressly denied in determining the sanctions to impose. If a respondent fails to file an answer but appears at the hearing, the respondent may not participate in the hearing (by calling or cross-examining witnesses, testifying in defense, presenting evidence concerning the notice of charges, or otherwise) unless the Hearing Panel determines that the respondent had a compelling reason for failing to timely file an answer. If the Hearing Panel determines that the respondent had a compelling reason for failing to

timely file an answer, the Hearing Panel will adjourn the hearing and direct the respondent to promptly file a written answer in accordance with Rule 1006.

- (4) Any Person entitled, or required or called upon, to attend a hearing before a Hearing Panel pursuant to paragraph (b)(2) above will be given reasonable notice, confirmed in writing, specifying the date, time and place of the hearing, and the caption of the disciplinary proceedings. All Participants (that are individuals) and Authorized Traders that are called as witnesses are required to appear at the hearing and, where applicable, produce evidence. The Compliance Department will make reasonable efforts to secure the presence of all other Persons called as witnesses whose testimony would be relevant.
 - (5) If during any disciplinary proceeding, the Hearing Panel determines that a reasonable basis exists to believe that the respondent violated or is about to violate a Rule of the SEF or a provision of Applicable Law other than the violations alleged in the notice of charges, the Hearing Panel may consider those apparent violations after providing the respondent with an opportunity to answer the additional allegations in accordance with Rule 1006. In connection with considering apparent violations pursuant to this paragraph (b)(5), the Hearing Panel may request that the Compliance Department provide the Hearing Panel with any additional information related to the violations at issue.
 - (6) The SEF will arrange for an audio recording of every hearing conducted in connection with disciplinary proceedings to be created, which shall become a part of the record. At the direction of the CFTC or the request of the respondent, the SEF will arrange for the recording to be accurately transcribed. If the respondent requests a copy of all or portions of the recording of a hearing, the chair of the Hearing Panel may within his or her sole discretion require the respondent to pay the costs for transcribing the recording of the hearing.
- (c) The Hearing Panel may summarily impose sanctions on any Participant or Authorized Trader that impedes or delays the progress of a hearing.
 - (d) No interlocutory appeals of rulings of any Hearing Panel or chair of the Hearing Panel are permitted.

RULE 1010 DECISION OF HEARING PANEL

The decision of the Hearing Panel shall be made pursuant to the procedures below, or pursuant to the procedures of a Regulatory Services Provider, if any.

- (a) As promptly as reasonable following a hearing, the Hearing Panel will issue a written order rendering its decision based on the weight of the evidence contained in the record of the disciplinary proceedings. A decision by a majority of the Hearing Panel will constitute the decision of the Hearing Panel.
- (b) The SEF will serve a copy of the order of the disciplinary proceedings on the respondent and the Compliance Department. The order will include:

- (1) the notice of charges or summary of the allegations;
- (2) the answer, if any, or a summary of the answer;
- (3) a brief summary of the evidence introduced at the hearing or, where appropriate, incorporation by reference of the Investigation Report;
- (4) findings of fact and conclusions concerning each allegation, including a complete explanation of the evidentiary and other basis for such findings and conclusions with respect to each allegation;
- (5) each specific Rule of the SEF and provision of Applicable Law that the respondent is found to have violated; and
- (6) the imposition of sanctions, if any, including the basis for such sanctions and the effective date of each sanction.

RULE 1011 SANCTIONS

- (a) After notice and opportunity for hearing in accordance with the SEF Rules, the SEF will impose sanctions if any Participant, Authorized Trader or other Person using the Participant's Legal Entity Identifier is found to have violated or to have attempted to violate a Rule of the SEF or provision of Applicable Law for which the SEF possesses disciplinary jurisdiction. All sanctions, including sanctions imposed pursuant to an accepted settlement offer, must take into account the respondent's disciplinary history. In the event of demonstrated customer harm, any sanction must also include full customer restitution, except where the amount of restitution or to whom it should be provided cannot be reasonably determined. The SEF may impose one or more of the following sanctions or remedies: (1) censure; (2) limitation on Trading Privileges, ability to otherwise access the Trading System , and/or other activities, functions or operations; (3) suspension of Trading Privileges and/or ability to otherwise access the Trading System ; (4) fine (subject to paragraph (b) below); (5) restitution or disgorgement; (6) termination of Trading Privileges and/or ability to otherwise access the Trading System ; or (7) any other sanction or remedy deemed to be appropriate.
- (b) The SEF may impose a fine for each violation of a Rule of the SEF or a provision of Applicable Law. If a fine or other amount is not paid within 30 days of the date that it becomes payable, then interest will accrue on the sum from the date that it became payable at the quoted prime rate plus three (3) percent. The SEF has sole discretion to select the bank on whose quotations to base the prime rate. Participant will be responsible for paying any fine or other amount imposed on, but not paid by, any of its Authorized Traders.

RULE 1012 NO RIGHT TO APPEAL

All decisions of a Disciplinary Panel, including summary impositions of fines and other summary actions are final and are not subject to appeal under the SEF Rules.

**RULE 1013 SUMMARY FINES FOR VIOLATIONS OF THE SEF RULES
REGARDING TIMELY SUBMISSION OF RECORDS**

- (a) The Chief Compliance Officer or Compliance Department may summarily impose a fine for violations of rules relating to the timely submission of accurate records required for clearing or verifying each day's transactions.
- (b) The Chief Compliance Officer or Compliance Department will give notice of any summary fine imposed pursuant to this Rule 1013, which shall include:
 - (1) the violations of the SEF Rules for which the fine is being imposed;
 - (2) the date of the violation for which the fine is being imposed; and,
 - (3) the amount of the fine.
- (c) In lieu of a summary fine, the Chief Compliance Officer may issue a warning letter for first-time violations or violators pursuant to Rule 1002(c), provided that no more than one warning letter may be issued per rolling 12-month period for the same violation by the same Person.
- (d) Any Person subject to a summary fine may challenge such summary fine by denying the charges and filing a request for a hearing pursuant to Rule 1006(c).

**RULE 1014 EMERGENCY SUMMARY SUSPENSIONS AND OTHER
SUMMARY ACTIONS**

- (a) Notwithstanding anything in the SEF Rules to the contrary, the Chief Compliance Officer may, after consultation with the Compliance Department, if practicable, summarily suspend, revoke, limit, condition, restrict or qualify a Participant's Trading Privileges and/or ability to otherwise access the Trading System ; provided, however, that the Chief Compliance Officer may only summarily suspend a Participant's Trading Privileges or the trading privileges of any Participant's Authorized Traders if the Chief Compliance Officer reasonably believes that:
 - (1) such Person is subject to statutory disqualification from registration as provided in CEA Section 8a(2) or (3);
 - (2) such Person has failed to pay applicable fees, costs, charges, fines or arbitration awards; or
 - (3) immediate action is necessary to protect the public or the best interests of the SEF.
- (b) Whenever practicable, the SEF shall provide prior written notice to the party against whom any action in accordance with paragraph (a) shall be taken. If prior notice is not practicable, the SEF will give notice at the earliest possible opportunity to the respondent against whom the action is brought.

- (c) Any action taken in accordance with paragraph (a) will become final upon the expiration of 20 days after the notice of action is served on the respondent.
- (d) At the request of the SEF, a respondent against whom a summary action is brought pursuant to this Rule 1014 must provide books and records over which the respondent has access or control and must furnish information to, or appear or testify before, the SEF in connection with the enforcement of any Rule of the SEF.

RULE 1015 RIGHTS AND RESPONSIBILITIES AFTER SUSPENSION OR TERMINATION

- (a) When a Participant's Trading Privileges and/or ability to otherwise access the Trading System are suspended for a period of 12 months or less, none of its rights (including the right to hold oneself out to the public as a Participant, enter Orders into the Trading System and receive Participant rates for fees, costs, and charges and deposit margin at Participant levels) will apply during the period of the suspension, except for the right of the Participant in question to assert claims against others as provided in the SEF Rules. Any such suspension will not affect the rights of creditors under the SEF Rules or relieve the Participant in question of its, his or her obligations under the SEF Rules to perform any Contracts entered into before the suspension, or for any the SEF fees, costs, or charges incurred during the suspension. The SEF may discipline a suspended Participant under this Chapter 10 for any violation of a Rule of the SEF or provision of Applicable Law committed by the Participant before, during or after the suspension.
- (b) When a Participant's Trading Privileges and/or ability to otherwise access the Trading System are terminated, all of its related rights will terminate, except for the right of the Participant in question to assert claims against others, as provided in the SEF Rules. Any such termination will not affect the rights of creditors under the SEF Rules. A terminated Participant may only seek to be reinstated by applying for Trading Privileges pursuant to Rule 302.
- (c) The SEF will not consider the application of a terminated Participant if such Participant, as the case may be, continues to fail to appear at disciplinary proceedings without good cause or continues to impede the progress of disciplinary proceedings.
- (d) A suspended or terminated Participant remains subject to the SEF Rules and the jurisdiction of the SEF for acts and omissions prior to the suspension or termination, and must cooperate in any inquiry, investigation, disciplinary proceeding, summary suspension or other summary action as if the suspended or terminated Participant still had Trading Privileges or ability to otherwise access the Trading System .

RULE 1016 NOTICE TO THE RESPONDENT, THE REGULATORY SERVICES PROVIDER AND THE PUBLIC

The SEF will provide written notice of disciplinary proceedings to the parties, the Regulatory Services Provider, if any, and the CFTC to the extent such notice is required by the Regulatory Services Provider and/or the CFTC.

Chapter 11
ALTERNATIVE DISPUTE RESOLUTION

RULE 1101 DISPUTES SUBJECT TO ARBITRATION

(a) Mandatory Arbitration of Disputes.

- (1) It is contrary to the objectives and policy of the SEF for Participants or Authorized Traders to litigate SEF-related disputes. Participants or Authorized Traders must arbitrate all disputes between or among themselves, or against the SEF, that relate to or arise out of any transaction on or subject to the SEF Rules that are based upon facts and circumstances that occurred at a time when the parties were Participants, other than disputes between a Participant and Clearing Member relating to a Contract that fails to clear.
- (2) Notwithstanding the foregoing, this Rule 1101 does not require an employee of a Participant to submit to arbitration any claim that includes allegations of a violation of federal, state or local employment discrimination, sexual harassment, wage payment or benefits laws.

(b) Claims Against a Clearing House.

Claims against a Clearing House must be pursued pursuant to the rules of the Clearing House.

(c) Permissive Arbitrations.

The following may be submitted for arbitration through the National Futures Association Arbitration Program:

- (1) claims of a Customer or Client that is not a Participant against a Participant or Authorized Traders that relate to or arise out of any Transaction on or subject to the SEF Rules, including any disputes brought under Rule 922(a);
- (2) claims between a Participant and Clearing Member relating to a Contract that fails to clear; and
- (3) at the discretion of the Chief Compliance Officer, any claim involving the interests of the SEF, its Participants, their business relations or trading in general not otherwise arbitrable under these rules, provided the parties have consented to such arbitration.

(d) Waiver of Any Objection to Jurisdiction.

Any Person who is not a Participant who submits a claim or grievance to arbitration or any Person who appeals any arbitration decision, or who takes any steps therein, shall be conclusively presumed to have voluntarily recognized and agreed to the jurisdiction of the SEF and any Regulatory Services Provider or other Registered Entity with

whom the SEF has contract pursuant to Rule 1103 to hear and determine the claim or appeal.

RULE 1102 INITIATING AN ARBITRATION CLAIM

- (a) A claimant may initiate an arbitration proceeding against a respondent by serving a Notice of Arbitration on the respondent and the Compliance Department, together with proof of service, within two years from the date the cause of action accrued.
- (b) The Notice of Arbitration served on the Compliance Department shall be accompanied by the claimant’s non-refundable check for arbitration filings fees, which shall be as follows:

<u>Amount of Relief Requested</u>	<u>Filing Fee</u>
up to \$5,000	\$100
over \$5,000 and up to \$25,000	\$250
over \$25,000 and up to \$100,000	\$500
over \$100,000	\$1,500

- (c) The Notice of Arbitration shall set forth the name and address of the claimant(s) and respondent(s), the nature of the allegations against the respondent(s), the relief requested and the factual and legal basis for granting such relief.
- (d) Any documents regarding a SEF Arbitration may be served, and service shall be deemed completed upon (i) hand delivery, (ii) deposit in the United States mail, postage paid, via registered mail or certified mail return receipt requested; (iii) deposit in nationally recognized overnight mail carrier; or (iv) sending of such documents by electronic mail with a confirmation copy promptly sent by United States mail. Service made on the claimant and respondent shall be made to the address provided by the claimant and respondent to the SEF for notices from the SEF. Service to the Compliance Department shall be made at the address of the SEF to the attention of the Compliance Department.

RULE 1103 AGREEMENT WITH REGULATORY SERVICES PROVIDER

The SEF may, at any time, choose to contract with a Regulatory Services Provider, or other Registered Entity, for the provision of regulatory services which includes, without limitation, assistance with the resolution of disputes pursuant to the SEF Rules. Any act or requirement that is required to be performed by the SEF under the SEF Rules, with respect to arbitration proceedings may be performed by a Regulatory Services Provider. The SEF shall retain ultimate decision-making authority with respect to any functions that are contracted to a Regulatory Service Provider.

Chapter 12
MISCELLANEOUS

RULE 1201 MARKET DATA

- (a) Subject to each Participant's or Customer's or rights in its own data, all Participants, Customer of Participants and Clearing Members acknowledge and agree that the SEF shall have a proprietary interest in all market data and information entered into and/or created on the SEF and/or displayed on the SEF's systems ("**SEF Market Data**") including without limitation:
- (1) price, quantity, structure, date and time of entry of each and every bid and offer submitted on the SEF;
 - (2) price, quantity, structure, date and time of trade execution of each and every Trade executed on the SEF;
 - (3) the end of day price for each instrument traded on the SEF;
 - (4) any information that can be derived from (a), (b) or (c) above; and
 - (5) the dissemination or transmission of SEF Market Data to Participants, Customers Clearing Members and/or any publisher of market data with whom the SEF has a written agreement, provided that SEF Market Data is anonymized and aggregated.
- (b) Except as permitted by the SEF Rules, Participants, Customer, and Clearing Members shall not sell, distribute, re-transmit, transfer, license or otherwise provide SEF Market Data to any third-party. The SEF will not use SEF Market Data to replicate or reverse engineer the trading strategy of a Participant, Customer or Sponsored Person.
- (c) Except in respect of its Participant data, Participant shall not (a) provide to any third party access to or the ability to use the SEF, SEF Market Data, or any content or data that may be accessible , in whole or in part, on the SEF, (b) store, copy, modify, reverse engineer, reverse assemble or reverse compile the Trading System , SEF Market Data, or any content or data that may be accessible, in whole or in part, on the SEF; (c) distribute, rent, sell, retransmit, redistribute, release or license to any third party other than a Participant the Trading System , the SEF Market Data, or any content or data that may be accessible , in whole or in part, on the SEF, and (d) use the SEF, the SEF Market Data, or any content or data that may be accessible, in whole or in part, on the SEF in constructing or calculating the value of any index or index products. For the avoidance of any doubt this section shall not prohibit Participant and/or Clearing Member from (i) providing the Trading System , SEF Market Data, any content or data that may be accessible, in whole or in part, on the SEF to an employee of a Participant and/or Clearing Member engaged in risk management or supervisory activities with the authority to establish, monitor, or

modify credit controls for orders transmitted entered, or (ii) use SEF Market Data for internal business and regulatory reporting purposes.

- (d) The SEF acknowledges and agrees that a Participant shall be permitted, and the SEF hereby grants Participant a non-exclusive, revocable, non-transferable and royalty-free license (without warranties of any kind, express or implied), to use for the benefit of the Participant the SEF Market Data, and in particular to use the SEF Market Data to create pricing data for Participant's internal business purposes and Participant shall retain all ownership and proprietary interest with respect to such pricing data. Subject to the foregoing license, and subject to a Participant's rights in its Participant Data as between the SEF and the Participant, the SEF retains all ownership and proprietary interest with respect to the SEF Market Data.

RULE 1202. INFORMATION SHARING

- (b) The SEF may enter into information-sharing agreements or other arrangements or procedures to coordinate surveillance with other markets on which financial instruments related to the Contracts trade. As part of any information-sharing agreements or other arrangements or procedures adopted pursuant to this Rule, the SEF may:
 - (1) provide market surveillance reports to the CFTC, any Government Agency with jurisdiction over the SEF or, as necessary for the SEF to comply with its SRO obligations, to other markets;
 - (2) share information and documents concerning current and former Participants with the CFTC, any Government Agency with jurisdiction over the SEF or, as necessary for the SEF to comply with its SRO obligations, to other markets;
 - (3) share information and documents concerning ongoing and completed investigations with the CFTC, any Government Agency with jurisdiction over the SEF or, as necessary for the SEF to comply with its SRO obligations to other markets; and/or
 - (4) require its current or former Participants to provide information and documents to the SEF at the request of the CFTC, any Government Agency with jurisdiction over the SEF or, as necessary for the SEF to comply with its SRO obligations, other markets.
- (c) The SEF may enter into any information sharing arrangement with any Person or body (including, without limitation, the CFTC, the NFA, any Self-Regulatory Organization, any exchange, market, or clearing organization, or foreign regulatory authority) if the SEF considers such arrangement to be in furtherance of the SEF's purpose or duties under the SEF Rules or any law or regulation.
- (d) The SEF may disclose to any Person or entity information concerning or associated with a Participant or other Person that the SEF believes 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.

RULE 1203. SEF EMPLOYEES

- (a) SEF employees, officers, agents, independent contractors and consultants are prohibited from disclosing material, non-public information obtained as a result of their employment or relationship with the SEF. SEF employees, officers, agents, independent contractors and consultants are prohibited from providing non-public information obtained as a result of their employment or relationship with the SEF if such employee, officer, agent, independent contractor or consultant expects or should have reasonably expected that such disclosed information may assist a Person trading in an instrument traded on the SEF or other trading venue.
- (b) Except as otherwise provided, an employee or officer of the SEF shall not, directly or indirectly, buy or sell any instruments traded on the SEF, or any other trading venue that trades Swaps or other CFTC-jurisdictional contracts. This rule does not prohibit an employee or officer of the SEF that has received the prior written approval of the SEF's Chief Compliance Officer from participating in a pooled investment vehicle or other investment vehicle that is directed by a third-party advisor over which the SEF officer or employee has no direct or indirect control.
- (c) Except as permitted in writing by the Chief Executive Officer, no Participant or Authorized Traders shall, directly or indirectly, give or permit to be given anything of value, including gifts and gratuities, in excess of one hundred dollars (\$100) per individual per year to a SEF Official or employee.

RULE 1204. NO ENDORSEMENT OF OPINIONS, RESEARCH OR RECOMMENDATIONS

Any opinions, research or recommendations appearing on the Trading System are not the SEF's opinions, research or recommendations, and the SEF does not endorse them or any content provided by third parties.

RULE 1205. NOT A PARTY

The SEF is not directly or indirectly a party to or participant in any trade or Swap executed on or pursuant to the rules of the SEF.

RULE 1206. NO ADVICE

The SEF is not providing and shall not provide any financial, legal, tax, advisory, consultative or business services to Participant, or advice on structuring transactions or drafting or negotiating transaction documentation. Participant should seek its own legal, tax, financial and other advice when structuring, negotiating and/or documenting transactions.

RULE 1207. EXTENSION OR WAIVER OF RULES

If necessary and expedient, the SEF may, in its sole discretion, waive, or extend the time period for performing, any act or acts designated by the SEF Rules, but only to the extent such waiver or extension is not inconsistent with the CEA or the CFTC Regulations.

RULE 1208. EFFECT OF AMENDMENT, REPEAL OR NEW RULE

- (a) These SEF Rules may be modified or amended by the SEF by posting such amendments to the SEF website, and any such amendment shall be applicable to and binding and shall be effective when posted.
- (b) If an amendment or repeal of a SEF Rule or adoption of a new SEF Rule does not materially change the terms or conditions of a Contract and does not affect the value of open Contracts as determined by the Board in its sole discretion, then the effective date of any amendment or repeal of a SEF Rule or adoption of a new SEF Rule relating to Contracts is binding on all Contracts entered into before and after the effective date of such amendment, repeal or adoption.
- (c) If an amendment or repeal of a SEF Rule or adoption of a new SEF Rule materially changes the terms or conditions of a Contract or affects the value of open Contracts as determined by the Board in its sole discretion, then the amendment, repeal or new SEF Rule is binding only on Contracts listed for trading after the effective date of such amendment, repeal or adoption, and Contracts listed as of the effective date of such amendment, repeal or adoption with no open positions then in existence, unless otherwise specifically provided by the Board.

RULE 1209. GOVERNING LAW, JURISDICTION AND DISPUTE RESOLUTION

- (a) The law of the State of New York governs the SEF Rules; *provided, however*, that if Participant provides an opinion of a counsel (i) stating that the Participant cannot be subject to the law of the State of New York and must be subject to the law of the jurisdiction of the location where the Participant is organized (the “Local Law”) and (ii) enumerating specific Rules that must be subject to the Local Law, then FTSEF will specify the application of the Local Law to the enumerated Rules; *provided, further*, that in no event shall Local Law supersede any provision of the CEA.
- (b) Any dispute between the SEF and a Participant arising from or in connection with the SEF Rules will be settled by arbitration pursuant to Chapter 11. All Participants unconditionally and irrevocably waive any and all right to trial by jury in connection with any such dispute.

