



*Certainty of Clearing
Standards and Protocols
October 2013*

Capitalized terms in this policy that are not defined herein shall have the meaning assigned to them in the trueEX Rulebook (as amended from time to time).

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CLEARING CERTAINTY

1.1 INTRODUCTION

The Exchange has developed these Clearing Certainty Standards and Protocols (“**Clearing Protocols**”) to address the resolution of Contracts that are not accepted for clearing within the Regulatory Cut-off (as defined below).

These Clearing Protocols describe:

- a) scenarios in which individual Contracts¹ underlying a Transaction may not be accepted for clearing at a Clearing House through which such Contracts are intended to clear;
- b) the Clearing Status (as defined below) that will be displayed on the user interface under the various scenarios, including those scenarios where the Exchange has not received a message accepting or rejecting a Contract for clearing within the Regulatory Cut-off (as defined below);
- c) Exchange processes for timely Participant notification and issue resolution; and
- d) the ultimate disposition of the Contract in the event clearing is ultimately unsuccessful.

In the event of a conflict between the Rulebook and these Clearing Protocols, these Clearing Protocols shall govern.

1.2 REAL-TIME CLEARING STATUS TRACKING

trueEX provides near real-time clearing status messaging and prompt clearing resolution for its Participants in compliance with Applicable Law. As soon as technologically practicable after Participants execute a Transaction on the SEF Trading System, the SEF Trading System will automatically send an electronic message containing the Transaction details to the relevant Clearing House. The Transaction details in the electronic message will include the Clearing Firm that each Participant has identified as its Clearing Firm for that Contract.

Transactions executed on the SEF Trading System must either be accepted or rejected for clearing by the applicable Clearing House and applicable Clearing Firms as quickly after execution as would be technologically practicable if fully automated

¹ trueEX supports Transactions in both single Contracts and trading strategies that aggregate two or more individual Contracts as part of an overall trade strategy. For example, portfolio terminations or portfolio compactions package multiple individual Contracts into a single aggregate Transaction. This document applies to individual Contracts, as well as Contracts that form part of a package of Contracts that are intended to be executed simultaneously as a single Transaction.

systems were used (“**Regulatory Cut-off**”). Clearing Houses indicate their acceptance or rejection of a Contract for clearing by transmitting a response in the form of an electronic message delivered directly to the SEF Trading System (“**Clearing Message**”).

The SEF Trading System displays to the relevant Participant the Clearing Message on the user interface as a clearing status (“**Clearing Status**”). A Clearing Status of “pending” is displayed to the Participant during the period of time between execution of the Contract and receipt of the Clearing Message in relation to such Contract. A Clearing Status of “accepted” means the Clearing House has responded that both the relevant Clearing Firms and Clearing House have agreed to accept the Contract for clearing. A Clearing Status of “rejected” means the Clearing House has responded that either the Clearing House or the relevant Clearing Firm(s) did not accept the Contract for clearing. In the case of a “rejected” Clearing Status, the SEF Trading System will automatically generate an electronic mail addressed to trueEX staff containing the reason underlying the Clearing Message.

trueEX’s approach to clearing certainty distinguishes between the reasons underlying the Clearing Message and whether the Transaction occurred on the DCM Trading System or the SEF Trading System. Contracts for which the SEF Trading System has received a Clearing Message from the relevant Clearing House indicating a rejection due to a clerical or operational error are classified as trueTYPE I Transactions. trueTYPE II Transactions are Contracts for which:

- a) the SEF Trading System has received a Clearing Message from the relevant Clearing House indicating that the Clearing House or one or both of the Clearing Firms clearing the Contract has rejected it for any reason other than a clerical or operational error; or
- b) the DCM Trading System has received a Clearing Message resulting in a “rejected” Clearing Status.

The following contains a description of trueTYPE I Transaction and trueTYPE II Transaction categories and trueEX’s resolution process for each.

1.3 trueTYPE I TRANSACTIONS

If after the expiration of the Regulatory Cut-off, the Clearing Message received by the SEF Trading Facility indicates that a Contract was rejected for clearing because of an error of a clerical or operational nature that has resulted in a mismatch between the terms of the Contract (“**Original Contract**”), trueEX staff will cancel the Original Contract and exercise best efforts to research and correct the error(s) responsible for such Clearing Message as described in the electronic mail to trueEX staff generated by the SEF Trading System. trueEX staff will communicate with relevant Participant as necessary to identify and correct the relevant errors, if possible.

If trueEX staff is able to identify and correct the relevant errors, it will contact the Clearing Firm of each party to the Contract promptly communicating the correction(s) that have been made. The Exchange will send to the relevant Clearing House details of a new Contract that contain details identical to those of the Original Contract after making the relevant correction(s) ("**New Contract**") as soon as technologically practicable, but no later than 30 minutes after the SEF Trading System receives the Clearing Message from the Clearing House rejecting the Original Contract. The Exchange will send the Clearing House details of the New Contract only if all of the following conditions have all been satisfied:

- i. both of the relevant Clearing Firms have agreed in writing to submit the New Contract to the relevant Clearing House;
- ii. each relevant Clearing Firm has obtain the consent of the applicable Participant or Customer, as the case may be, to submit the New Contract to the relevant Clearing House; and
- iii. both the Original Contract and the New Contract satisfy the pre-execution credit checks required by Applicable Law.

If any of the conditions set forth in this section 1.3 are not satisfied or the Exchange is not able to submit the New Contract to the relevant Clearing House within 30 minutes after the SEF Trading System received the Clearing Status of the Original Trade, then the New Contract shall not be submitted for clearing and will not be binding on any of the parties, and the Original Contract shall be void ab initio.

Solely for purposes of measuring the Regulatory Cut-off with respect to the New Contract, the New Contract shall be deemed executed upon the submission by trueEX staff of the New Contract to the relevant Clearing House for clearing in accordance with these Clearing Protocols. If the New Contract is not accepted for clearing within the Regulatory Cut-off, the Original Contract and the New Contract shall both be void ab initio.

1.3.1 SDR REPORTING FOR trueTYPE I TRANSACTIONS

The Exchange will report the following swap transaction data of the Original Contract to the relevant swap data repository ("**SDR**") as soon as technologically practicable after the Original Contract is rejected by the relevant Clearing House:

- a) the cancellation for the Original Contract pursuant to Part 43 of the CFTC Regulations; and
- b) the termination of the Original Contract pursuant to Part 45 of the CFTC Regulations, including an indication that the Original Contract is void ab initio.

If a New Contract is executed, the Exchange will report swap transaction data of the New Contract pursuant to Parts 43 and 45, including a reference to the Original Contract indicating that the Original Contract has been reported pursuant to Applicable Law. The Exchange will enable the relevant SDR to publicly disseminate the relevant details of the New Contract in a manner consistent with Applicable Law.

1.4 trueTYPE II TRANSACTIONS

If after the expiration of the Regulatory Cut-off the Clearing Message indicates that a Contract that was executed (a) on the SEF Trading System was rejected for clearing for any reason other than that of a clerical or operational error, or the Clearing House has separately notified that it has rejected a Contract for any reason other than that of a clerical or operational error, or (b) on the DCM Trading System was rejected for clearing, the Exchange will cancel the Contract. Promptly after trueEX staff receives the automatically generated electronic mail containing the reasons underlying the Clearing Message, trueEX staff will notify both Participants that are counterparties to the Transaction that the Contract was cancelled because it was not accepted for clearing, and report the cancellation of such Contract to the relevant SDR in accordance with Applicable Law.

1.5 LIABILITY FOR CANCELLED CONTRACTS

Notwithstanding anything to the contrary in the Rulebook, no Participant or Customer, as the case may be, who is a party to a Contract that is not accepted for clearing shall be entitled to submit a claim that relates to the cancellation of a Contract under these Clearing Protocols pursuant to Rule 704. trueEX shall not be liable for any cost, loss, damage, expense or fee related to a Contract is cancelled pursuant to these Clearing Protocols.

trueEX will take appropriate steps as it deems necessary in its sole discretion to suspend either the Participant, Customer or Clearing Firm from the Platform depending on the severity of the risk concerns that results in a Contract that is canceled pursuant to these Clearing Protocols.