



**TRADITION SEF, Inc.**

January 3, 2014

**VIA E-MAIL** ([submissions@cftc.gov](mailto:submissions@cftc.gov))

Ms. Melissa Jurgens  
Secretary  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, D.C. 20581

**RE: CFTC Regulation 40.6(a) Certification. Notification of Amendments to Tradition SEF, Inc. Rulebook and Form SEF Exhibits Q and V.  
Tradition Submission No. 14-0001 - Confidential Treatment Requested.**

Dear Ms. Jurgens:

Pursuant to Section 5c(c) of the Commodity Exchange Act, as amended (the “Act”), and Commodity Futures Trading Commission (“CFTC” or the “Commission”) Regulation 40.6, Tradition SEF, Inc. (“Tradition”) hereby notifies the Commission of amendments to its Rulebook, to be effective and implemented by Tradition as of January 18, 2014, which is the day after the tenth business day of the Commission’s review period. Pursuant to CFTC Regulation 40.6(d), Tradition hereby notifies the Commission that it will send a Participant Notice to its participants informing them of the changes to the rulebook.

We have identified below the rule changes and our continued compliance with applicable provisions of the Act, including the SEF core principles (“Core Principles”) as set forth in Section 5h of the Commodity Exchange Act and Part 37 of the Commission’s regulations thereunder.

- The definition of “emergency” has been revised in accordance with the CFTC’s November 15 Guidance.<sup>1</sup> The modified definition complies with Core Principle 8 (Emergency Authority) and Rule 37.800, which requires a SEF to adopt rules to provide for the exercise of emergency authority. Tradition’s rules provide for the exercise of emergency authority; the modified definition helps make clear when such authority may be exercised.
- Rule 302(c), Participant Criteria, has been deleted because the particular type of Participant on-boarding process that this rule was intended to address has concluded;

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<sup>1</sup> Division of Market Oversight Guidance on Application of Certain Commission Regulations to Swap Execution Facilities, 4 (Nov. 15, 2013) [hereinafter “November 15 Guidance”].

therefore, the rule is no longer necessary. The rule amendment complies with the Core Principles and, in particular, with the Access Requirements described in Rule 37.202.

- Rule 306, Limitations on Access to a Platform, has been modified to replace “sole discretion” with language acceptable to the CFTC in accordance with the CFTC’s November 14 Guidance.<sup>2</sup> The rule amendment complies with Core Principle 2 (Compliance with Rules) and Rule 37.202(c), which requires a SEF to establish and impartially enforce rules governing limitations on access.
- Rule 312, Application of Rules and Jurisdiction, has been amended to note that Clearing Firms are subject to Tradition’s jurisdiction, in accordance with the CFTC’s November 15 Guidance.<sup>3</sup> As the Division of Market Oversight noted in the November 15 Guidance, the consent to jurisdiction requirement is in conformity with Core Principle 7 (Financial Integrity of Transactions) and, specifically, Rule 37.700, which requires a SEF to establish and enforce rules and procedures for ensuring the financial integrity of swaps, including the clearance and settlement of the swaps.
- Rule 314(a), Withdrawal of a Participant, has been amended to specify the procedures (an email from the Authorized Representative to Tradition’s CCO) to which a Participant must adhere to withdraw its status as a Participant. Such amendment is in compliance with the Core Principles, including Core Principle 2 (Compliance with Rules) and specifically the access requirements in Rule 37.202.
- Rule 411, Confirmations, has been amended to delete paragraph (e), which referenced No-Action Letter 13-58, as such relief has expired. The rule amendment conforms to Core Principle 1 (Compliance with Core Principles) and Core Principle 2 (Compliance with Rules).
- Rule 515, Supervision, has been amended to more clearly describe the responsibilities of Participants and Customers who supervise controlled persons. This rule amendment, which serves to add greater clarity around Tradition’s rule enforcement regime and disciplinary procedures, is in compliance with Core Principle 2 (Compliance with Rules) and related rules.
- Rule 601(e)(2), General Disciplinary Rules, has been amended to describe that a Customer is liable for the acts and omissions of its agents or representatives that such Customer controls. The rule amendment adheres to the requirements of Core Principle 2 (Compliance with Rules) and Rule 37.206.
- Rule 703(c), Cleared Swaps Not Accepted for Clearing, has been deleted to remove the requirement of an Early Termination Amount. This rule change makes clear the responsibilities of Participants in accordance with Core Principle 2 (Compliance with Rules) and Core Principle 7 (Financial Integrity of Swaps).

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<sup>2</sup> Division of Clearing and Risk, Division of Market Oversight and Division of Swap Dealer and Intermediary Oversight Guidance on Application of Certain Commission Regulations to Swap Execution Facilities, 4 (Nov. 14, 2013) [hereinafter “November 14 Guidance”].

<sup>3</sup> November 15 Guidance at 3.



**TRADITION SEF, Inc.**

- Rule 802(c), Market Data, has been amended to apply Tradition's information sharing rules to Customers. The rule amendment conforms to Core Principle 1 (Compliance with Core Principles) and Core Principle 2 (Compliance with Rules).

Tradition has amended Exhibits Q and V of Form SEF in compliance with Core Principle 1 (Compliance with Core Principles), Core Principle 7 (Financial Integrity of Transactions) and Core Principle 14 (System Safeguards); such amendments are subject to a request for confidential treatment and have been provided under separate cover.

Tradition hereby certifies that the rule amendments comply with the Commodity Exchange Act and the Commission's regulations thereunder. No substantive opposing views were expressed that were not incorporated into the rule amendments. Tradition hereby certifies that it has posted a notice of pending certification with the Commission and a copy of the submission on its website (*see, e.g.*, <http://www.traditionsef.com/news/>), concurrent with the filing of this submission with the Commission.

Should you require additional information related to this submission, please contact the undersigned at 212-791-3497 or [eric.earnhardt@tradition-na.com](mailto:eric.earnhardt@tradition-na.com). Please reference Tradition Submission No. 14-0001 in any related correspondence.

Sincerely,

Eric Earnhardt  
Chief Compliance Officer

Attachments: Exhibit A (Exhibit B has been redacted)

**Exhibit A**  
**Redlined Rulebook**

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# Tradition SEF Inc.

## RULEBOOK

[~~November 19, 2013~~]  
January 3, 2014

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## CHAPTER 1 DEFINITIONS

### RULE 101 Definitions

When used in this Rulebook the following terms shall have the respective meanings as follows:

**“Act”** means, the Commodity Exchange Act.

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

**“Appeal Panel”** means a panel comprised of a chair and two individuals appointed by the Board to consider appeals of decisions of a Disciplinary Panel in accordance with Chapter 6.

**“Applicable Law”** means, with respect to any Person, any statute, law, regulation, rule or ordinance of any governmental or self-regulatory authority applicable to such Person, including the Act and CFTC Regulations.

**“Authorized Representative”** means an individual who is employed and authorized by a Participant to represent the Participant in SEF matters pursuant to Rule 309.

**“Authorized Broker”** means an individual who is employed by or is an agent of a Broker Firm Participant and who has been authorized by such Broker Firm Participant to access one or more Platforms pursuant to Rule 308 and to enter Orders or execute Swaps on a Platform on behalf of the Customers of the Broker Firm Participant.

**“Authorized Trader”** means an individual who is employed by or is an agent of a Participant or a Customer and who has been authorized to access one or more Platforms pursuant to Rule 308 and to enter Orders or execute Swaps on behalf of such Participant or Customer, as applicable.

**“Authorized Jurisdiction”** means such jurisdictions as may be acceptable to Tradition SEF and are published on the Tradition SEF website and in a Participant Notice from time to time.

**“Block Trade”** means a privately negotiated transaction in a Swap that meets the requirements of Rule 509.

**“Board”** means the Board of Tradition SEF.

**“Broker Firm Participant”** means a Person that (i) is a Participant (but not a General Participant), (ii) is registered as a Futures Commission Merchant or Introducing Broker or in another appropriate capacity, or is exempt from such registration, and (iii) enters Orders or executes Swaps on a Platform or subject to the Rules on an agency basis on behalf of Customers, or other Participants or their Customers, but may not engage in SEF Activity for the Broker Firm Participant's Proprietary Account.

**“Business Day”** means a day on which Tradition SEF is open for trading.

**“Chief Executive Officer”** means the individual appointed by the Board as Tradition SEF's chief executive officer.

**“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.

**“Chief Compliance Officer”** means the individual appointed by the Board in accordance with the Act and CFTC Regulations and Tradition SEF Bylaws as Tradition SEF's chief compliance officer.

**“Cleared Swap”** means a Swap that is to be submitted for clearing to a Clearing House, either on a mandatory or voluntary basis.

**“Clearing Firm”** means an entity meeting the requirements of, and approved for, Clearing Membership at the Clearing House that is authorized pursuant to the rules of such Clearing House

to clear any or all of the Swaps. For the avoidance of doubt, a Clearing Firm also may register with Tradition SEF as a Participant.

**“Clearing House”** means any DCO with which Tradition SEF has entered into a clearing access agreement that provides clearing and settlement services in relation to Swaps.

**“Confirmation”** means the written record of all of the terms of a Swap.

**“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.

**“Customer”** means a Person that is (i) an Eligible Contract Participant, and (ii) is a customer, as defined in CFTC Regulation 1.3(k), of a Participant that is authorized by the customer to transmit Orders on its behalf or is authorized by a Participant to directly transmit Orders to Tradition SEF through the Participant’s Trading Privileges.

**“DCM”** means a “designated contract market” as set forth under Section 5 of the Act.

**“Derivatives Clearing Organization”** or **“DCO”** means a “derivatives clearing organization” registered with the CFTC or a Clearing House operating pursuant to a CFTC no-action letter or exemption from registration with the CFTC.

**“Director”** means any member of the Board.

**“Disciplinary Panel”** means the panel appointed by the Board at the recommendation of the Chief Compliance Officer to act in an adjudicative role and fulfil various adjudicative responsibilities and duties described in Chapter 6.

**“Eligible Contract Participant”** means an eligible contract participant as defined in Section 1a(18) of the Act and CFTC Regulation 1.3(m).

**“Emergency”** means the occurrences or circumstances which, in the reasonable opinion of the Board, require immediate action, and which threaten, or may threaten, the fair and orderly trading in, or the settlement or integrity of, any Swap, including, without limitation, the following:

- (a) any circumstance that may materially affect the performance of a Swap, including failure of the clearing system;
- (b) any action taken by any United States or foreign regulatory, self-regulatory, judicial, arbitral, or governmental (whether national, state or municipal) or quasi-governmental authority, or any agency, department, instrumentality, or sub-division thereof; or other Person exercising, or entitled to exercise any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power; or any other registered entity, board of trade, market or facility;
- (c) any actual, attempted or threatened manipulative activity or undue concentration of positions in a Swap;
- (d) any circumstance that may have a severe, adverse effect upon the functions or facilities of Tradition SEF, including, but not limited to, acts of God, fire, flood or other natural disasters, bomb threats, acts of terrorism or war, severely inclement weather, or failure or malfunction of all or a portion of the Platform, or other system breakdowns or interruptions such as power, computer, communication or transportation systems or the Internet;
- (e) the bankruptcy or insolvency of any Clearing Firm or the imposition of any injunction or other restraint by any government agency, Clearing House, court or arbitrator upon a Clearing Firm which may affect the ability of a Clearing Firm to trade in or perform on a Swap;
- (f) any circumstance in which it appears to the Board that a Clearing Firm or any other Person:

- (1) has failed to perform on a Swap;
  - (2) is insolvent; or
  - (3) is in a financial or operational condition or is conducting business in a manner such that the if the Clearing Firm or Person were permitted to continue to conduct business it may jeopardize the safety of Customer funds, Participants, other Clearing Firms, Tradition SEF or the Clearing House; or
- (g) any other unusual, unforeseeable or adverse circumstance that may have a severe, adverse effect upon the functioning of Tradition SEF, as determined by Tradition SEF.

**“Emergency Rules”** has the meaning set forth in Rule 208(a).

**“Execution Agreement”** means the documentation between Swaps market participants substantially in the form of an ISDA Master Agreement or similar agreement between counterparties that governs the terms of Uncleared Swaps.

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

**“General Participant”** means a Person that is a Participant (but not a Broker Firm Participant): (i) that engages in SEF Activity for its Proprietary Account and/or; (ii) that enters Orders or executes Swaps on a Platform or subject to the Rules on an agency basis on behalf of its Customers, or other Participants or their Customers, provided such Person is registered as (A) an FCM or Introducing Broker, or (B) a Commodity Pool Operator (“CPO”) or Commodity Trading Advisor (“CTA”) and in such CPO or CTA capacity submits Orders on behalf of pools it operates or Customer accounts for which it has discretionary authority, respectively, or is exempt from such registration; and /or (iii) acts as a principal counterparty to a Customer with respect to a Swap.

**“Government Agency”** means any governmental entity (including the United States, a State, or a foreign government).

**“Independent Software Vendor” or “ISV”** means a Person that makes available to Participants (and/or its Customers where such Customers have been authorized to do so by the Participants) a system or platform offering smart order routing, front-end trading applications, aggregation, or a combination of the foregoing, but that does not provide Participants or Customers the ability to effect Swaps on such systems or platforms

**“Interested Person”** has the meaning attributed to such term in Rule 209(a).

**“Introducing Broker”** has the meaning set forth in Section 1a(31) of the Act.

**“Insolvency Event”** means, in relation to any Participant: (a) that an order is made by a court of competent jurisdiction, or a resolution is passed, for the liquidation, bankruptcy or administration of such Participant or a notice of appointment of a bankruptcy trustee or administrator of such Participant is filed with a court of competent jurisdiction; (b) the appointment of a manager, receiver, administrative receiver, administrator, trustee or other similar officer of such Participant or in respect of any part or any of its assets; (c) such Participant convenes a meeting of its creditors generally or makes or proposes any arrangement or composition with, or any assignment for the benefit of, its creditors generally (otherwise than in the course of a reorganization or restructuring previously approved in writing by Tradition SEF); (d) such Participant is unable to pay its debts as they become due or admits in writing its inability to pay its debts as they are due or is insolvent; (e) any action occurs in respect of any Participant in any jurisdiction which is analogous to any of those set out in sub-paragraphs (a), (b), (c), or (d) immediately above.

**“ISDA”** means the International Swaps and Derivatives Association, Inc

**“Major Swap Participant”** means a “major swap participant” as defined in Section 1a(33) of the Act and Commission Regulation 1.3(hhh).

**“Market Operations Department” or “MOD”** means the Tradition SEF Market Operations Department, which provides technical support and control over the operations of the Platform.

**“Market Regulation Department”** means all SEF Officials and/or agents of Tradition SEF (including the Regulatory Services Provider) that assist Tradition SEF in the surveillance of trading on the Platform and enforcement of the Rules and other Obligations.

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

**“Nominating Committee”** means the committee of the Board constituted in accordance with Rule 206.

**“Non-Clearing Firm”** means a Participant who is not a Clearing Firm but has a guaranteed clearing arrangement in place with a Clearing Firm.

**“Obligation”** means each Rule of Tradition SEF, order or procedure issued by Tradition SEF, including Participant Notices and applicable Platform Supplements, and other requirement implemented by Tradition SEF under the Rules, including each term of a Swap, as well as any contractual obligations between a Clearing Firm, Participant, Customer, and Tradition SEF, including the Participant Documentation.

**“Officer”** means any officer of Tradition SEF.

**“Order”** means either a firm bid or a firm offer for a Swap pursuant to these Rules, and includes any modification to, or cancellation of such a bid or offer.

**“Order Book”** means the portion of Tradition SEF’s trading system environment in which multiple market participants have the ability to enter multiple Orders, observe and receive Orders entered by other market participants, and transact on such Orders.

**“Order Types”** means the Order types made available by Tradition SEF for execution on a Platform.

**“Participant”** means an Eligible Contract Participant (other than an ISV) that satisfies the Participant criteria described in Rule 302 and has entered into and has in effect the applicable Participant Documentation, and that has been granted Trading Privileges by Tradition SEF, and includes General Participants and Broker Firm Participants unless the context requires otherwise.

**“Participant Committee”** means the committee of the Board constituted in accordance with Rule 206.

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

**“Participant Notice”** means a communication sent by or on behalf of Tradition SEF to all Participants as described in Rule 310.

**“Permitted Transaction”** means Swaps that are not Required Transactions.

**“Person”** means a natural person or an entity.

**“Platform”** means any Tradition SEF trading platform that is used for trading Swaps, including any licensed software that is a part thereof from time to time, and any successor electronic trading system thereto.

**“Platform Supplement”** means the documentation published by Tradition SEF from time to time that sets forth the specific protocols and requirements for trading on a Platform.

**“Proprietary Account”** has the meaning ascribed to it by CFTC Regulation § 1.3(y).

**“Public Director”** means a Director with the qualifications set forth in Rule 201(e).

**“Public Individual”** means an individual that is determined by the Board or Chief Compliance Officer, as applicable, to have no “material relationship” with Tradition SEF, as such term is used in Rule 201(e).

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

**“Regulatory Services Agreement”** means the agreement(s) between Tradition SEF and the Regulatory Services Provider whereby market surveillance and trade practice surveillance functions are delegated to the Regulatory Services Provider.

**“Regulatory Services Provider”** means the NFA or other such organization, if any, which provides regulatory services to Tradition SEF pursuant to a Services Agreement.

**“Reporting Counterparty”** means the Participant that is designated as such pursuant to Rule 512.

**“Request For Quote” or “RFQ”** means the transmission of an interest to trade by a Participant which must be directed to a minimum number of responding Participants as defined by the CFTC from time to time.

**“Required Swap Creation Data”** has the meaning given that term in CFTC Regulation § 45.1.

**“Required Transaction”** means all Swaps that the CFTC has identified as required to be traded on a SEF or DCM in accordance with Section 2(h)(8) of the Act.

**“RFQ System”** means a trading system or platform operated by Tradition SEF in which a market participant transmits a Request for Quote.

**“Rule” or “Rules”** means the Participant Documentation, Rulebook, the Appendices hereto, Platform Supplements, Tradition SEF Bylaws, and the published interpretations, orders, resolutions, advisories, notices, statements of policy, decisions, manuals, and directives of Tradition SEF.

**“SDR”** means a swap data repository, registered with the CFTC in accordance with Part 49 of the CFTC.

**“SEF”** means “swap execution facility” as defined in Section 1a(50) of the Act.

**“SEF Activity”** means business for which a Participant, Customer, or Clearing Firm is subject to the Rules, which is purportedly conducted subject to the Rules, or which should have been conducted subject to the Rules.

**“SEF Execution Specialist”** means a Tradition SEF employee responsible for assisting Participants and Customers to transmit Orders or Request For Quotes to a Platform and to RFQ Recipients.

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

**“SEF Proceeding” and “SEF Proceedings”** have the meanings attributed to such terms in Rule 209(a).

**“Self-Regulatory Organization”** shall, unless otherwise provided, have the meaning attributed to such term in CFTC Regulation § 1.3(ee) and, in addition, shall include a SEF, Derivatives Clearing Organization, and registered futures association.

**“Supervised Persons”** means, with respect to a Participant, any directors, officers, employees or agents of such Participant.

**“Swap”** means any instrument that is a swap as defined in Section 1a(47) of the Act and CFTC Regulation § 1.3(xxx), and as used in these Rules, refers solely to transactions in Swaps (including Orders) that are made on or to be made on Tradition SEF or pursuant to these Rules.

**“Swap Dealer”** means a “swap dealer” as defined in Section 1a(49) of the Act and CFTC Regulation 1.3(qqqq).

**“Trading Day”** means a day on which the Platform is open for business as indicated in the relevant Platform Supplement.

**“Trading Hours”** means, for any Trading Day, the hours as may be published by Tradition SEF in a Participant Notices from time to time.

**“Trading Privileges”** means the right granted by Tradition SEF to: (i) a General Participant to directly transmit Orders for certain or all Swaps through the Platform for each of its Proprietary Accounts, and (ii) any Participant if registered or exempt in any applicable capacity and authorized to act on behalf of Customers in accordance with Applicable Law, for the accounts of such Customers.

**“Tradition SEF”** means Tradition SEF Inc., a Delaware corporation.

**“Tradition SEF Bylaws”** means the Bylaws of Tradition SEF, Inc., as the same may be amended from time to time.

**“Trad-X Platform”** means the Trad-X market operated by Tradition SEF.

**“Tradition Holdings”** means Tradition Service Holding S.A., or any successor thereto.

**“Uncleared Swap”** means any Swap other than a Cleared Swap.

**“User Agreement”** means any user agreement that must be entered into by any user of the Platform.

**“User ID”** means the unique identification number assigned by Tradition SEF to an Authorized Trader or Authorized Broker.

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

#### **RULE 102 Rules of Construction**

The following rules of construction shall apply to the Rules:

- (a) The headings are for convenience only and do not affect the construction of the Tradition Rules.
- (b) All references to time are to local time in New York, NY, USA except where expressly provided otherwise.
- (c) Unless the context otherwise requires, words denoting the singular shall include the plural and vice versa.
- (d) Where the context permits or requires, any pronoun shall include the corresponding masculine, feminine and neuter forms.
- (e) References to statutes, statutory instruments, rules of a regulatory authority or provisions thereof shall be construed as references to any of the foregoing as they may be amended, extended varied or replaced from time to time.
- (f) Appendices to these Rules form part of, and are subject to, these Rules.

**CHAPTER 2**  
**SEF OWNERSHIP AND GOVERNANCE**

**RULE 201      Board**

- (a) *Responsibility.* The Board shall have the responsibilities set forth in the Tradition SEF Bylaws, these Rules, the Act and CFTC Regulations. The Board has the power and authority to call for review, and to affirm, modify, suspend or overrule, any and all decisions and actions of standing committees or special committees of the Board or any panel of the Officers related to the day to day business operations of Tradition SEF. The Board shall, subject to applicable provisions in the Tradition SEF Bylaws make and amend the Rules. The Board has also delegated such authority to make and amend the Rules to the Chief Executive Officer.
- (b) *Composition.* At all times, at least 35% of the Directors, and no fewer than two, shall be Public Directors. Each Director (including Public Directors) shall be appointed in accordance with the Tradition SEF Bylaws, and shall serve until his or her successor is duly appointed, or until his or her earlier resignation or removal, with or without cause. The Board shall be nominated by the Nominating Committee and appointed by the shareholder(s) of Tradition SEF in accordance with the Tradition SEF Bylaws.
- (c) The Board may act only by the decision of an absolute majority in number of the Directors by vote at a meeting, by unanimous written consent without a meeting, or as otherwise set forth in the Tradition SEF Bylaws.
- (d) Each Director is entitled to indemnification pursuant to the Tradition SEF Certificate of Incorporation with respect to matters relating to Tradition SEF or otherwise relating to Tradition Holdings.
- (e) To qualify as a Public Director, an individual must be found, by action of the Board, to have no material relationship with Tradition SEF. The Board must make such finding upon the nomination or appointment of the Director and as often as necessary in light of all circumstances relevant to such Director, but in no case less frequently than annually. A "material relationship" is one that could reasonably be expected to affect the independent judgment or decision-making of the Director. In making the finding specified in this Rule, the Board need not consider previous service as a Director of Tradition SEF to constitute a "material relationship." A Director shall be considered to have a "material relationship" with Tradition SEF if any of the following circumstances exist or have existed within the past year.
  - (1) Such Director is an Officer or an employee of Tradition SEF, or an officer or an employee of an Affiliate of Tradition SEF;
  - (2) Such Director is a Participant or Owner of Tradition SEF;
  - (3) Such Director is a director, officer, or employee of a Participant or Owner of Tradition SEF;
  - (4) Such Director is an officer of another entity, which entity has a compensation committee (or similar body) on which any Officer of Tradition SEF serves;
  - (5) Such Director, or an entity with which the Director is a partner, an officer, an employee, or a director, receives more than \$100,000 in combined annual payments for legal, accounting, or consulting services from Tradition SEF or its Affiliate, any member of Tradition SEF, or any Affiliate of such member. Compensation for services as a Director of Tradition SEF or as a director of an Affiliate thereof does not count toward the \$100,000 payment limit, nor does deferred compensation for services rendered prior to becoming a Director, so long as such compensation is in no way contingent, conditioned, or revocable; or,



- (6) Notwithstanding Rule 201(e)(5), in the case of a Public Director that is a member of the Regulatory Oversight Committee or Participant Committee, such Public Director accepts, directly or indirectly, any consulting, advisory, or other compensatory fee from Tradition SEF or its Affiliate or any member of Tradition SEF or the member's Affiliate, other than deferred compensation for service rendered prior to becoming a member of the Regulatory Oversight Committee or Participant Committee, provided that such compensation is in no way contingent, conditioned, or revocable. This Rule 201(e)(6) does not apply to compensation received in the Public Director's capacity as a member of the Regulatory Oversight Committee or Participant Committee.

Any of the relationships set forth in Rule 201(e)(1) through Rule 201(e)(6) apply to the "immediate family" of such Director, i.e., spouse, parents, children, and siblings, in each case, whether by blood, marriage, or adoption, or any person residing in the home of the director or that of his or her "immediate family."

- (f) A Public Director of Tradition SEF may also serve as a Public Director of an Affiliate of Tradition SEF if he or she otherwise meets the requirements set forth in Rule 201(e)(1) through Rule 201(e)(6).

**RULE 202      Officers**

- (a) The Board shall appoint such Officers as it may deem necessary or appropriate from time to time, in accordance with the Tradition SEF Bylaws.
- (b) Any Officer may also be a director, officer, partner or employee of Tradition SEF or any of its Affiliates.
- (c) The Officers shall have such powers and duties in the management of Tradition SEF as the Board may prescribe from time to time.
- (d) Each Officer is entitled to indemnification pursuant to the Tradition SEF Bylaws with respect to matters relating to Tradition SEF or otherwise relating to Tradition Holdings.

**RULE 203      Qualifications of Directors, Disciplinary Panel Members, Appeal Panel Members, Committee Members and Officers**

- (a) A Director or Officer must meet the qualifications set forth from time to time in the Tradition SEF Bylaws.
- (b) An individual may not serve as a Director or an Officer, or serve on a committee established by the Board, a Disciplinary Panel or an Appeal Panel, or hold a 10% or more ownership interest in Tradition SEF, if the individual:
- (1) within the prior five (5) 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 five (5) 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 SEF or designated 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;
  - (6) has been convicted of a felony listed in section 8a(2)(D)(ii) through (iv) of the Act; or
  - (7) 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.
- (c) Any Director, Officer, member of a committee established by the Board, any member of a Disciplinary Panel, or Appeal Panel, any individual nominated to serve in any such role, or any individual authorized by the Market Regulation Department to take summary action shall immediately notify the Chief Executive Officer if such individual meets one or more of the criteria in Rule 203(b).
- (d) For purposes of Rule 203(b), the terms “disciplinary offense,” “final decision,” and “settlement agreement” have the meanings set forth in CFTC Regulation § 1.63(a).

**RULE 204 Standing Committees**

- (a) The Board shall initially have three standing committees: the Nominating Committee, the Participant Committee, and the Regulatory Oversight Committee. The Board may from time to time constitute and appoint in accordance with the Tradition SEF Bylaws, such additional standing committees of the Board as it may from time to time deem necessary or advisable.
- (b) Each member of such standing committees must be a Director, one of whom the Board shall designate as the chairperson of each standing committee.
- (c) Each standing committee shall assist in the supervision, management and control of the affairs of Tradition SEF within its particular area of responsibility, subject to the authority of the Board.
- (d) Subject to the authority of the Board, each standing committee shall determine the manner and form in which its proceedings shall be conducted. Each standing committee may act only by the decision of an absolute majority in number of the members of such committee, by vote at a meeting or by unanimous written consent without a meeting. The Board has the authority to overrule the decisions of a standing committee.

**RULE 205 Nominating Committee**

- (a) The Nominating Committee of the Board shall consist of three Directors appointed from time to time by the Board, two of which shall be Public Directors. At least 51% of the members of the Nominating Committee shall be Public Directors. The Nominating Committee shall be chaired by a Public Director.
- (b) The Nominating Committee shall have the authority to:
  - (1) Identify individuals qualified to serve on the Board, consistent with the criteria that the Board requires and any composition requirement that the Commission promulgates; and
  - (2) Administer a process for the nomination of individuals to the Board.

- (c) The Nominating Committee reports to the Board.

**RULE 206 Participant Committee**

- (a) The Participant Committee shall consist of three Directors appointed from time to time by the Board, two of which shall be Public Directors. At least 35% of the members of the Participant Committee shall be Public Directors.
- (b) The Participant Committee shall:
  - (1) Determine the standards and requirements for initial and continuing Participant eligibility;
  - (2) Review appeals of staff denials of Participant applications; and
  - (3) Approve rules that would result in different categories or classes of Participants receiving different levels of access to Tradition SEF.
- (c) In reviewing appeals of staff denials of Participant applications, the Participant Committee shall not uphold any staff denial if the relevant application meets the standards and requirements set forth by the Participant Committee.
- (d) The Participant Committee shall not, and shall not permit Tradition SEF to, restrict access or impose burdens on access in a discriminatory manner, within each category or class of Participants or between similarly-situated categories or classes of Participants.
- (e) The Participant Committee reports to the Board.
- (f) The Participant Committee's functions may be delegated to another committee that meets the 35% Public Director composition requirement.

**RULE 207 Regulatory Oversight Committee**

- (a) The Regulatory Oversight Committee shall be composed entirely of Public Directors. The Regulatory Oversight Committee shall consist of two Public Directors appointed from time to time by the Board.
- (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 Public Director, 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 Public Director. A member of the Regulatory Oversight Committee may serve for multiple terms.
- (c) The Regulatory Oversight Committee shall oversee Tradition SEF's regulatory program on behalf of the Board. It shall make such recommendations to the Board as will, in its judgment; best promote the interests of Tradition SEF. The Regulatory Oversight Committee shall also have such other powers and perform such other duties as set forth in the Rules and as the Board may delegate to it from time to time.
- (d) The Board shall delegate sufficient authority, dedicate sufficient resources, and allow sufficient time for the Regulatory Oversight Committee to fulfill its mandate.
- (e) The Regulatory Oversight Committee shall prepare an annual report describing the self-regulatory program, expenses, staffing, investigations and disciplinary actions and performance of the disciplinary committees, panels and the Chief Compliance Officer.
- (f) Without limiting the generality of the foregoing, the Regulatory Oversight Committee shall have authority to:
  - (1) Monitor the regulatory program of Tradition SEF for sufficiency, effectiveness, and independence;
  - (2) Oversee all facets of the regulatory program, including:

- (i) Trade practice and market surveillance; audits, examinations, and other regulatory responsibilities with respect to Participants (including compliance with, if applicable, financial integrity, financial reporting, sales practice, recordkeeping, and other requirements); and the conduct of investigations;
- (ii) Reviewing the size and allocation of the regulatory budget and resources, and the number, hiring, termination, and compensation of regulatory personnel;
- (iii) Supervising the Chief Compliance Officer of Tradition SEF, who will report directly to the Chief Executive Officer;
- (iv) Recommending changes that would ensure fair, vigorous, and effective regulation; and
- (v) Reviewing all regulatory proposals prior to implementation and advising the Board as to whether and how such changes may impact regulation.

(g) The Regulatory Oversight Committee reports to the Board.

**RULE 208      Emergency Rules**

- (a) During an Emergency, the Board acting in its reasonable discretion may implement temporary emergency procedures and rules (“Emergency Rules”), subject to the applicable provisions of the Act and CFTC Regulations. Emergency Rules may require or authorize Tradition SEF, the Board, any committee of the Board, the Chief Executive Officer, or any other Officer to take actions necessary or appropriate to respond to the Emergency, including, but not limited to, the following actions:
  - (1) suspending or curtailing trading or limiting trading to liquidation (in whole or in part) in co-ordination with the relevant DCO;
  - (2) extending, limiting or changing the Trading Hours;
  - (3) temporarily modifying or suspending any provision of the Rules or Obligations;
  - (4) imposing or modifying price limits;
  - (5) imposing or modifying position limits; in accordance with the position limits described in Rule 532; and/or
  - (6) taking such other actions as may be required or directed by the CFTC.
- (b) Before any Emergency Rule may be adopted and enforced, a required vote of the Board 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 determines that Emergency Rules must be implemented with respect to an Emergency before a meeting of the Board can reasonably be convened, then the Chief Executive Officer shall have the authority, without Board 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 must convene a meeting, including by teleconference, of the Board as soon as practicable, but in any event no later than 2 business days following the declaration of the Emergency.
- (c) Whenever Tradition SEF, the Board, any committee of the Board, or the Chief Executive Officer takes actions necessary or appropriate to respond to an Emergency a duly authorized representative of Tradition SEF, where possible, will send an announcement in a Participant Notices. When the Board, any committee of the Board or the Chief Executive Officer determines that the Emergency has been reduced

sufficiently to allow Tradition SEF to resume normal functioning, any such actions responding to an Emergency will be terminated.

- (d) Tradition 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, Tradition SEF will notify the CFTC as soon as possible or reasonably practicable after implementing, modifying or terminating an Emergency Rule.
- (e) Upon taking any action in response to an Emergency, Tradition SEF will document the decision-making process related to such action. Such documentation will be kept for at least five years following the date on which the Emergency ceases to exist or to affect Tradition SEF, and all such documentation will be provided to the CFTC upon request.

**RULE 209 Conflicts of Interest**

- (a) A Director, Officer, Disciplinary Panel member or other Person authorized to exercise Tradition SEF's authority concerning any inquiry, investigation, disciplinary proceeding or any appeal from a disciplinary proceeding, summary suspension, or other summary actions (any such action, an "SEF Proceeding" and, collectively, "SEF Proceedings"), or Emergency actions taken pursuant to Rule 208 (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 209(d).
- (b) For purposes of Rule 209(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 SEF or non-SEF positions (as referenced in Section 1.69 of the CFTC Regulations), other than a direct or indirect equity or other interest in Tradition Holdings, that could reasonably be expected to be affected by the action. A direct and substantial financial interest includes positions in Swaps 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 209(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 209(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.

**RULE 210 Restrictions on Use of Material Non-Public Information**

No Director, member of any committee or panel established by the Board, Officer of Tradition SEF, Employee of Tradition SEF or consultant to Tradition SEF shall:

- (a) trade for such person's own account, or for or on behalf of any other account, in any commodity interest on the basis of any material, non-public information obtained through the performance of such person's official duties;
- (b) use or disclose for any purpose other than the performance of his or her official duties any material, non-public information obtained as a result of such person's official duties, provided, however, that such person may disclose confidential information if required by law or a court order to be revealed to the United States Department of Justice or the CFTC; or
- (c) trade, directly or indirectly, in any Swap traded on Tradition SEF, in any related commodity interest, or in any commodity interest traded on any DCM or SEF or cleared by any Clearing House if such person has access to material non-public information obtained through the performance of such person's official duties concerning such Swap or commodity interest.

For the purposes of this Rule 210, the terms "material information" and "non-public information" shall each have the meaning set forth in CFTC Regulation § 1.59(a).

**RULE 211 Maintenance of Books and Records by Tradition SEF**

- (a) Tradition SEF shall keep, or cause to be kept, complete and accurate books and records of all activities relating to the business of Tradition SEF, including, without limitation, all books and records required to be maintained pursuant to the Act and CFTC Regulations.
- (b) Tradition SEF shall retain all such books and records for at least five (5) years, and shall make such books and records readily accessible for inspection by the CFTC and the United States Department of Justice during the first two (2) years of such five-year period.

**RULE 212      Recording of Communications**

Tradition SEF or the Regulatory Services Provider may record conversations and retain copies of electronic communications between SEF Officials, on one hand, and any Person accessing any Platform, including without limitation, Participants, Customers, Authorized Traders, Authorized Brokers, Clearing Firms and their respective employees and agents, on the other hand. Any such recordings may be retained by Tradition SEF or the Regulatory Services Provider in such manner and for such periods of time as required by law or regulation. Tradition SEF or Regulatory Services Provider will retain such recording in compliance with CFTC Regulations.

**RULE 213      Information-Sharing Agreements**

- (a) As required by Applicable Law, Tradition SEF may enter into information-sharing agreements or other arrangements or procedures to coordinate surveillance with other markets on which instruments related to the Swaps trade. As part of any information-sharing agreements or other arrangements or procedures adopted pursuant to this Rule, Tradition SEF may:
  - (1) provide market surveillance reports to other markets;
  - (2) share information and documents concerning current and former Participants with other markets;
  - (3) share information and documents concerning ongoing and completed investigations with other markets; and/or
  - (4) require its current or former Participants to provide information and documents to Tradition SEF at the request of other markets with which Tradition SEF has an information-sharing agreement or other arrangements or procedures.
- (b) Tradition SEF may enter into any arrangement with any Person or body (including, without limitation, the CFTC, the NFA, any Self-Regulatory Organization, any SEF, market, or clearing organization, or foreign regulatory authority) if Tradition SEF considers such arrangement to be required under the Rules or applicable law.
- (c) Tradition SEF may disclose to any Person or entity information concerning or associated with a Participant or other Person that Tradition 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 214      Services Agreement with a Regulatory Services Provider**

- (a) Tradition SEF may contract with a Regulatory Services Provider to provide certain regulatory services to Tradition SEF pursuant to a Services Agreement. In accordance with a Services Agreement, the Regulatory Services Provider may perform certain surveillance, investigative, and regulatory functions under the Rules and Tradition SEF may provide information to the Regulatory Services Provider in connection with the performance by the Regulatory Services Provider of those functions.
- (b) Tradition SEF shall retain exclusive decision-making authority with respect to any functions that are contracted to a Regulatory Services Provider.

## CHAPTER 3 TRADING PRIVILEGES AND PARTICIPANTS

### **RULE 301      Scope**

This Chapter 3 applies to all Participants and Customers trading on a Platform. Additional Participant and Customer requirements specific to a particular Platform may be set forth in the applicable Platform Supplement for such Platform.

### **RULE 302      Participant Criteria**

- (a) To be eligible for admission as a Participant, an applicant must demonstrate to the satisfaction of Tradition SEF that it:
  - (1) is an Eligible Contract Participant;
  - (2) meets the criteria for a Participant set forth in the Rulebook and Platform Supplement for the specific Platforms it seeks to access;
  - (3) is of good reputation and business integrity;
  - (4) is validly organized, in good standing, and authorized by its governing body and, if relevant, documents of organization, to trade Swaps;
  - (5) is not subject to an Insolvency Event;
  - (6) is not prohibited from using the services of Tradition SEF for any reason whatsoever;
  - (7) has and maintains all necessary regulatory approvals and/or licenses to operate as a Participant in relation to Swap Activity under Applicable Law and not be subject to any trading ban, prohibition or suspension issued by the CFTC or the NFA, or statutory disqualification under Section 8a(2) of the Act;
  - (8) It is not subject to any economic or trade sanctions programs administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury ("OFAC") or other relevant U.S. or non-U.S. authority, and is not listed on OFAC's List of Specially Designated Nationals and Blocked Persons.
  - (9) satisfies any other criteria that Tradition SEF may require from a Participant from time to time;
  - (10) has successfully completed the Participant application process to the satisfaction of Tradition SEF.
- (b) Once admitted, the Participant shall continue to comply with all applicable eligibility criteria in Rule 302(a).
- ~~(c) — To the extent a Participant is a participant on a Platform that is or was an Exempt Board of Trade subject to the CFTC's jurisdiction and meets the Participant criteria set forth in Rule 302(a), then such Participant may be deemed a Participant on Tradition SEF in the sole discretion of Tradition SEF.~~
- (c) If a General Participant enters into Cleared Swaps for its Proprietary Account, it must be a Clearing Firm eligible to clear such Cleared Swaps or have a clearing arrangement with a Clearing Firm eligible to clear such Cleared Swaps.

### **RULE 303      Participant Application Process**

- (a) Any Person who desires to become a Participant shall:
  - (1) enter into the Participant Documentation;
  - (2) enter into a User Agreement for specific Platforms it seeks to access;



- (3) agree to abide by the Rules, including any Platform Supplement for a Platform to which the Participant has access, and Applicable Law and to consent to the jurisdiction of Tradition SEF;
  - (4) provide such information and documentation as may be reasonably requested by Tradition SEF, and follow the procedures established by Tradition SEF for admission; and
  - (5) if organized or located outside of the United States, enter into a written agreement acceptable to Tradition SEF appointing a third party as its U.S. agent for service of process and provide Tradition SEF with a copy of the agreement.
- (b) In considering an application from a potential Participant, Tradition SEF may require additional information from the applicant, or conduct an investigation to verify information submitted by the applicant, or both.
  - (c) If Tradition SEF admits 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.
  - (d) Tradition 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 Rules; or,
    - (3) for such other cause as Tradition SEF may reasonably determine.
  - (e) If Tradition SEF decides to decline or condition an application for admission as a Participant, or terminate a Person's status as a Participant, Tradition SEF shall promptly notify such Person (the "Affected Person") thereof in a writing sent to the address provided by the applicant in the Tradition SEF application form or maintained in Tradition SEF registry of Participants. Such Affected Person may, within twenty (20) Trading Days, request in writing that Participant Committee reconsider the determination.
  - (f) Within twenty-eight (28) calendar days of receiving the request for reconsideration, the Participant Committee shall either confirm, reverse or modify the denial, conditioning or termination of the Affected Person as a Participant, and shall promptly notify the Affected Person accordingly in writing. The Participant Committee may, within its discretion, schedule a hearing (in-person or by teleconference); request additional information from the Affected Person; or, establish any other process that it believes is necessary and appropriate to consider the request for reconsideration.
  - (g) The Participant Committee's decision is the final action of Tradition SEF and is not subject to appeal within Tradition SEF.
  - (h) A Participant may not transfer or assign its status as a Participant without the prior written consent of Tradition SEF (not to be unreasonably withheld or delayed), and any purported transfer or assignment without Tradition SEF's prior consent is not binding on Tradition SEF.
  - (i) All rights and privileges of a Participant terminate upon, and all obligations of a Participant shall survive, dissolution of the Participant.

**RULE 304 Additional Criteria for Participants Trading For Customers**

- (a) Each Participant that will enter into Swaps for or on behalf of Customers, or otherwise permit Customers to access the Platform, must satisfy the following criteria, in addition to those set forth in Rule 302.

- (1) The Participant must, if acting in an agency capacity on behalf of a Customer, be registered with the CFTC as (A) an FCM or Introducing Broker, or (B) a Commodity Pool Operator or Commodity Trading Advisor and in such CPO or CTA capacity submits Orders on behalf of pools it operates or Customer accounts for which it has discretionary authority, respectively, or be exempt from such registration.
- (2) The Participant must obtain representations and/or ensure that each of its Customers is an Eligible Contract Participant at all relevant times.
- (3) It must obtain representations and/or ensure that each Customer that enters into Cleared Swaps is a Clearing Firm eligible to clear such Cleared Swaps or has a guaranteed clearing arrangement with a Clearing Firm eligible to clear such Cleared Swaps.
- (4) It must obtain representations and/or ensure that the Customer has and maintains all necessary regulatory approvals and/or licenses to access a Platform and enter into Swaps under Applicable Law and is not subject to any trading ban, prohibition or suspension issued by the CFTC or the NFA, or statutory disqualification under Section 8a(2) of the Act.
- (5) If it is subject to the U.S. Bank Secrecy Act, the USA PATRIOT Act and the regulations thereunder, or similar legislation in any jurisdiction, it has implemented a written anti-money laundering program that has been approved in writing by its senior management and is reasonably designed to promote and monitor its compliance with the applicable requirements of such laws.
- (6) It will screen Customers for compliance with economic or trade sanctions programs administered by OFAC or other relevant U.S. or non-U.S. authority, including screening Customer names against OFAC's List of Specially Designated Nationals and Blocked Persons.
- (7) It must identify all of its Customers to Tradition SEF in the manner, at the times and in such detail as is specified by Tradition SEF.
- (8) It must obtain representations and/or ensure that each Customer is trading on Tradition SEF or subject to the Rules only for its own account (or the account of a Person managed by the Customer).
- (9) If its Customer is a "special entity" as defined in the Act or is otherwise subject to law or regulation affecting the Customer's ability to enter into Swaps or the liabilities or responsibilities of other Persons with respect thereto, the Participant must ensure that the Customer's use of Tradition SEF in accordance with the Rules is in compliance with such law or regulation and any related requirements of its constituent or other documents.
- (10) It must obtain appropriate representations and/or ensure that each Customer is organized and located in an Authorized Jurisdiction if it permits the Customer to have direct access to Tradition SEF through the Trading Privileges of the Participant.
- (11) It satisfies such other criteria as Tradition SEF may specify from time to time, subject to Rule 302 and Applicable Law.

**RULE 305 Trading Privileges**

- (a) A Participant will have Trading Privileges on each Platform for which it has been approved as a Participant by Tradition SEF.
- (b) The Trading Privileges of a Participant may not be transferred, assigned, sold or leased, but a Participant may permit its Customers to have direct access to Tradition SEF through the Participant's Trading Privileges, subject to Rule 304 and 306.

- (c) 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, Tradition SEF, or right to share in the profits, of Tradition SEF.

**RULE 306 Limitations on Access to a Platform**

- (a) Tradition SEF may at any time revoke, suspend, limit, condition, restrict or qualify ~~the~~ a Participant's Trading Privileges ~~and~~ for a Customer's ability to access a Platform through the Trading Privileges of a Participant,

(1) if ~~in the sole discretion of Tradition SEF, such action is in the best interests of Tradition SEF.~~ such Participant or Customer has failed to:

(i) comply with the Rules or Applicable Law;

(ii) demonstrate to the satisfaction of Tradition SEF its ability or willingness to comply with the Rules or Applicable Law; or

(iii) remain in compliance with any of the criteria set forth in Rule 302(a) and Rule 304, as applicable; or

(2) for any such other circumstances as Tradition SEF may reasonably determine to be necessary or appropriate.

- (b) Notwithstanding the foregoing, Tradition SEF will establish and impartially enforce rules governing any decision to revoke, suspend, limit, condition, restrict, qualify or permanently bar a Participant or Customer's access to any or all SEF Platforms, including when such decisions are made as a result of a disciplinary action taken by Tradition SEF or during an Emergency.

- (c) A Clearing Firm may at any time revoke the authorization of any Non-Clearing Firm guaranteed by it with or without prior notice to such Non-Clearing Firm. For purposes of the relationship between the relevant Clearing Firm and Tradition SEF, and the obligations of such Clearing Firm to Tradition SEF, any such revocation shall become effective upon the receipt by Tradition SEF of written notice thereof from the Clearing Firm. Upon such receipt, the Trading Privileges of the Non-Clearing Firm subject thereto shall be automatically terminated, and such Non-Clearing Firm must obtain a guarantee from another Clearing Firm if it does not already have one before its Trading Privileges will be reinstated.

**RULE 307 Dues and Fees**

- (a) Tradition SEF shall set the amounts and times of payment for any dues or fees (including Platform fees, brokerage and/or any transaction surcharges) to be paid by Participants. Tradition SEF shall from time to time send a Participant Notice setting forth the amounts and times of payment for any dues or fees. Each Participant shall pay such dues and fees when due. If a Participant fails to pay when due any such dues or fees levied on such Participant, and such payment obligation remains unsatisfied for thirty days after receipt of the invoice, Tradition SEF may suspend, revoke, limit, condition, restrict or qualify the Participant's Trading Privileges as it deems necessary or appropriate.
- (b) Tradition SEF shall set the amounts and times of payment for any connection, access, usage or maintenance fees to be paid by ISVs. Tradition SEF shall from time to time notify ISVs the amounts and times of payment for any fees. Each ISV shall pay such fees when due. If an ISV fails to pay when due any such fees levied on such ISV, and such payment obligation remains unsatisfied for thirty days after receipt of the invoice, Tradition SEF may suspend, revoke, limit, condition, restrict or qualify the ISV's access as it deems necessary or appropriate.

**RULE 308 Authorized Traders and Authorized Brokers**

- (a) Each General Participant shall designate one or more Authorized Traders for itself and one or more Authorized Traders for each of its Customers. Each Broker Firm Participant shall designate one or more Authorized Brokers or Authorized Traders for each of its Customers. Such designated Authorized Traders and Authorized Brokers will be the sole Persons authorized to enter into Swaps on behalf of the Participant or such Customer, as relates to SEF Activity.
- (b) An Authorized Trader and an Authorized Broker must, and a Participant must ensure that each Authorized Trader and Authorized Broker designated by it, at all times:
  - (1) agree to abide by the Rules and Applicable Law and consent to the jurisdiction of Tradition SEF;
  - (2) effect transactions pursuant to the Rules solely from within the United States or, except as may be expressly permitted by Tradition SEF in writing from time to time, a jurisdiction in which Tradition SEF is permitted by Applicable Law to offer trading on Tradition SEF;
  - (3) ensure that the activity conducted under its User ID complies with the Rules;
  - (4) have the authority, at Tradition SEF's direction, to adjust or withdraw any Order submitted under its User IDs;
  - (5) have and maintain all necessary regulatory approvals and/or licenses to operate as an Authorized Trader or Authorized Broker under Applicable Law and not be subject to any trading ban, prohibition or suspension issued by the CFTC or the NFA, or statutory disqualification under Section 8a(2) of the Act;
  - (6) cooperate promptly and fully with Tradition SEF in any investigation, inquiry, audit, examination or proceeding regarding compliance with the Rules or any Tradition SEF disciplinary or arbitration proceeding which relates to SEF Activity; and
  - (7) agree to such other terms and conditions as may be established by Tradition SEF from time to time.
- (c) To designate an Authorized Trader or Authorized Broker, a General Participant or Broker Firm Participant, as applicable, must follow the procedures established by Tradition SEF. Tradition SEF will promptly notify a General Participant or Broker Firm Participant in writing of the approval of Authorized Traders and Authorized Brokers, or if Tradition SEF declines to approve the nomination of an Authorized Trader or Authorized Broker. Tradition SEF will maintain a list of all designated Authorized Traders for each Customer of a General Participant or Broker Firm Participant and a list of all designated Authorized Brokers for each Broker Firm Participant.
- (d) Each Authorized Trader and Authorized Broker must use a unique User ID to access the Platform. In no event may an individual enter an Order or permit the entry of an Order by an individual using a User ID other than the individual's own unique User ID.
- (e) Tradition SEF may, acting in its reasonable discretion, revoke or suspend the designation of an individual as Authorized Trader or Authorized Broker and shall promptly notify the Participant of such action.
- (f) To request the termination of the designation of an individual as an Authorized Trader or Authorized Broker, the General Participant or Broker Firm Participant, as applicable, must notify Tradition SEF. Tradition SEF, in its sole discretion, may postpone the effective date of the termination of registration if Tradition SEF considers it necessary for the protection of the Participant, a Customer or Authorized Broker, or if Tradition SEF considers it in Tradition SEF's best interest. Based on the information provided to, and other information gathered by, Tradition SEF regarding the request to terminate the

registration of an Authorized Trader or Authorized Broker Tradition SEF will determine whether to.

- (1) Postpone the termination of the designation, and/or
  - (2) Impose any terms or conditions before or after the effective date of termination of the designation.
- (g) Notwithstanding the foregoing, however, upon such General Participant's or Broker Firm Participant's request of termination of registration, Tradition SEF shall immediately suspend access to Tradition SEF by the relevant Authorized Trader or Authorized Broker, and the Participant will have no liability for any Orders entered into by, or purported to be entered into by, or other act or omission of (or purported to be of), the Authorized Trader or Authorized Broker in respect of whom such notification has been made, where such Orders are entered into or such acts or omissions occur after the date and time of such notification, of termination or registering to Tradition SEF and the Participant shall not be required to complete, or novate to any clearing house, such Order(s).
- (h) Upon the termination or suspension of an Authorized Trader or Authorized Broker, the Participant shall take immediate measures appropriate to ensure that such Authorized Trader or Authorized Broker shall not have access to any Platform or utilize its User ID, as applicable, after the effective date of any such revocation or suspension. Tradition SEF will disable the User ID assigned to a Participant, Authorized Trader, Authorized Broker, or Customer of a Participant immediately upon the request of the relevant Participant.

**RULE 309 Authorized Representatives**

- (a) Each Participant shall designate one or more Authorized Representatives who will represent the Participant before Tradition SEF and its committees and receive notices on behalf of the Participant.
- (b) The Authorized Representative shall be empowered by the Participant, to act on its behalf and Tradition SEF shall be entitled to rely on the actions of the Authorized Representative as binding on the Participant, its Customers and their respective Authorized Traders, and its Broker Firm Participants and Authorized Brokers.
- (c) Each Participant must ensure that Tradition SEF has, at all times, current contact and other requested information for each of its Authorized Representatives so that Tradition SEF is able to immediately contact the Authorized Representatives.

**RULE 310 Participant Notices**

Tradition SEF shall publish a notice with respect to each addition to, modification of, or clarification of, the Rules or of any action to implement any Rules on Tradition SEF's website and via an electronic mail distribution to each Authorized Representative 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 "Participant Notices").

**RULE 311 Communications between Tradition SEF and Participants**

- (a) Each Participant must provide Tradition SEF with its current electronic mail address and telephone number and the electronic mail address and telephone number of any of their respective Authorized Representatives, and immediately (and in any event within 24 hours) update this information whenever it changes.
- (b) All communications between Tradition SEF and a Participant or its Authorized Representative will be transmitted by electronic mail.

- (c) Each Participant will be responsible for promptly reviewing and, if necessary, responding to all electronic communications from Tradition SEF to the Participant or its Authorized Representatives.

**RULE 312 Application of Rules and Jurisdiction**

- (a) By becoming a Participant, Customer, Authorized Trader, or Authorized Broker, or by directly or indirectly accessing a Platform, or initiating, executing or authorizing the execution of any Order or RFQ on or subject to the Rules of Tradition SEF~~[-, and without any need for any further action, undertaking or agreement]~~, or by acting as a Clearing Firm with respect to transactions executed on or subject to the Rules of Tradition SEF, a Person agrees, relating to SEF Activity:
- (1) to be bound by, and comply with, the Rules and Applicable Law, in each case to the extent applicable to it,
  - (2) to the extent any provision in the Rules is inconsistent with a provision of any User Agreement, the provision of the Rules shall govern with respect to any Swap,
  - (3) to become subject to the jurisdiction of Tradition SEF with respect to any and all matters arising from, related to, or in connection with, the status, actions or omissions of such Person, and
  - (4) to assist Tradition SEF in complying with its legal and regulatory obligations, cooperate with Tradition SEF and the CFTC in any inquiry, investigation, audit, examination or proceeding, and authorize Tradition SEF to provide information regarding it to the Regulatory Services Provider, the CFTC or any Self-Regulatory Organization.
- (b) Any Participant whose Trading Privileges, and any Customer, Authorized Trader, or Authorized Broker whose ability to access the Platform, are suspended, revoked or terminated shall remain bound by the Rules and Applicable Law, in each case to the extent applicable to it, and subject to the jurisdiction of Tradition SEF and the Clearing House with respect to any and all matters arising from, related to, or in connection with, the status, actions or omissions of such Participant, Customer, Authorized Trader, or Authorized Broker prior to such suspension, revocation or termination.

**RULE 313 Description of Status**

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

**RULE 314 Withdrawal of Participant**

- (a) To withdraw from Tradition SEF, ~~[a]~~an Authorized Representative of the withdrawing Participant must electronically notify Tradition SEF~~[-following the procedures established by Tradition SEF.]~~'s CCO of the Participant's intention to withdraw.
- (b) Upon receipt by Tradition SEF of such Participant's notification of withdrawal as a Participant, Tradition SEF shall immediately suspend all rights and privileges of the Participant (including, without limitation, the Trading Privileges and ability to access the Platform) and the Participant will have no liability for any Orders entered into by, or purported to be entered into by, or other act or omission of (or purported to be of), the Participant or any Customer in respect of whom such notification has been made, where such Orders are entered into or such acts or omissions occur after the date and time of receipt of such notification of withdrawal and the Participant shall not be required to complete, or novate to any clearing house, such Order(s).

- (c) Upon receipt by Tradition SEF of notification of the withdrawal of a Participant, all rights and privileges of such Participant terminate (including, without limitation, the Trading Privileges and ability to access the Platform). The withdrawal of a Participant shall not affect the rights of Tradition SEF under the Rules or relieve the former Participant of its Obligations under the Rules, to perform all contracts involving any Swaps entered into by such, or to pay any SEF fees, costs, or charges incurred, before the withdrawal. Notwithstanding the withdrawal of a Participant, the withdrawn Participant remains subject to the Rules, the Obligations and the jurisdiction of Tradition SEF for acts done and omissions made while a Participant, and must cooperate in any SEF Proceeding under Chapter 6 and other proceedings under Chapter 8 as if the withdrawn Participant were still a Participant.

**RULE 315 Independent Software Vendors**

A person seeking to act as an Independent Software Vendor with respect to any Platform must satisfy Tradition SEF's technological integrity requirements, complete the necessary ISV access documentation, agree to abide by the Rules and Applicable Law, consent to the jurisdiction of Tradition SEF, and not adversely affect Tradition SEF's ability to comply with Applicable Law. Access to Tradition SEF and a Platform by an ISV shall be provided in a fair and non-discriminatory manner. Persons seeking access to Tradition SEF or a Platform through an ISV must themselves be a Participant or Customer authorized by a Participant to have such access.

**CHAPTER 4**  
**OBLIGATIONS OF PARTICIPANTS AND CUSTOMERS**

**RULE 401      Scope**

This Chapter 4 applies to all Participants and Customers trading on a Platform. Additional Participant and Customer requirements specific to a particular Platform may be set forth in the applicable Platform Supplement for such Platform.

**RULE 402      Duties and Responsibilities of Participants**

In connection with its SEF Activity each Participant shall, and, to the extent applicable, shall cause its Authorized Traders or Authorized Brokers, and its Customers and their Authorized Traders to:

- (1) use each Platform only to conduct SEF Activity;
- (2) conduct all SEF Activity in a manner consistent with the Rules and Obligations;
- (3) comply with all Rules and Obligations and act in a manner consistent with each Rule of Tradition SEF and Obligation;
- (4) comply with all NFA Rules, if and to the extent applicable to it, and act in a manner consistent with the NFA Rules, if and to the extent applicable ;
- (5) not knowingly mislead or conceal any material fact or matter in any dealings or filings with Tradition SEF or in response to any disciplinary or arbitration proceeding;
- (6) cooperate promptly and fully with Tradition SEF in any investigation, inquiry, audit, examination or proceeding regarding compliance with the Rules or any disciplinary or arbitration proceeding;
- (7) keep the any User IDs, account numbers and passwords related to the Platform confidential;
- (8) at all times have adequate systems and controls intended to minimize the risk of error in relation to offers or bids submitted to the Platform and to ensure that its conduct on the Platform complies with these Rules;
- (9) subject to any applicable error trade policy, be fully liable for: all trading losses, all Orders, all transactions in Swaps effected by Participant or Customer, all transactions effected on Tradition SEF and for any use of the Platform made by Participant or Customer or their respective Authorized Traders, or their Authorized Brokers, and all trades even if the Orders received via the Platform: (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 Tradition SEF, or (2) were entered by an unknown or unauthorized user;
- (10) employ practices to monitor and enforce compliance with risk limits;
- (11) be responsible for promptly informing Tradition SEF of any material changes to the information provided to Tradition SEF by the Participant pursuant to Rule 302, by a Customer pursuant to Rule 304 or an Authorized Trader or Authorized Broker pursuant to Rule 308; and,
- (12) keep, or cause to be kept, complete and accurate books and records, including, without limitation, all books and records required to be maintained pursuant to the Act, the CFTC Regulations or the Rules and make such books and records available for inspection by a representative of Tradition SEF, the CFTC or the United States Department of Justice.



**RULE 403 Required Disclosures to Tradition SEF**

- (a) Each Participant or ISV shall immediately notify the Market Regulation Department upon becoming aware of any of the following events:
- (1) any material change to the contact information provided to Tradition SEF in relation to SEF Activity;
  - (2) any damage to, or failure or inadequacy of, the systems, facilities or equipment of the Participant or ISV to transmit or handle Orders or otherwise engage in SEF Activity pursuant to the Rules or to timely perform the Participant's financial obligations under or in connection with Swaps in relation to SEF Activity;
  - (3) any refusal of admission to, or withdrawal by the Participant of any application for membership in, any Self-Regulatory Organization, SEF, designated contract market or Derivatives Clearing Organization;
  - (4) any expulsion, suspension or fine in excess of \$25,000 (whether through an adverse determination, voluntary settlement or otherwise) imposed on the Participant by any Self-Regulatory Organization;
  - (5) any denial or withdrawal of any application for any registration or license by or from any Governmental Agency, and any revocation, suspension or conditioning of any registration or license granted by any Governmental Agency in relation to SEF Activity;
  - (6) the commencement of any judicial or administrative proceeding against the Participant or the imposition of any fine, cease and desist order, denial of trading privileges, censure or other sanction or remedy (whether through an adverse determination, voluntary settlement or otherwise) imposed by any Governmental Agency in relation to SEF Activity;
  - (7) any indictment or conviction of, or any confession of guilt or plea of guilty or nolo contendere by, the Participant or (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, futures contract, option, swap, security, securities futures product or other financial instrument, or involving or arising from fraud or moral turpitude; and
  - (8) the Participant becoming the subject of an Insolvency Event.

**RULE 404 Inspections by Tradition SEF**

- (a) Tradition SEF (or the Regulatory Services Provider or other authorized representatives), shall have the right, in connection with determining whether all Rules and Obligations are being, will be, or have been complied with by the Participant, to:
- (1) inspect systems, equipment and software operated by the Participant in connection with SEF Activity, wherever located;
  - (2) access the systems, equipment, software, and the premises on which the systems, equipment, and software are located, and any data stored in any of the systems or equipment, during the regular business hours and the Trading Hours of Tradition SEF, in relation to SEF Activity; and/or
  - (3) copy or reproduce any data to which Tradition SEF has access under this Rule, provided, in each case, that Tradition SEF shall provide as much advanced notice to the Participant as is reasonably possible, and shall endeavor to conduct any such activities in a manner and at such times so as to minimize the business impact upon the Participant.

- (b) Each Participant or Customer shall provide the Regulatory Services Provider with the same access to their books and records and offices as they are required to provide under applicable regulation and Applicable Law.
- (c) The Market Regulation Department may require a Participant or Customer to furnish (periodically or on a particular occasion) information concerning the Participant's SEF Activity. For a Participant or Customer, such information includes but is not limited to, the Participant's open trading positions or Swaps to which the Participant is a party.

**RULE 405 Minimum Financial and Related Reporting Requirements**

- (a) Each Participant that is registered with any Government Agency, including the CFTC and the U.S. Securities and Exchange Commission, or a 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 minimum financial and related reporting and recordkeeping requirements.
- (b) Upon the request of Tradition SEF, a Participant shall provide a copy of any notice or written report that a Participant is required to file with the CFTC pursuant to CFTC Regulation §1.12.

**RULE 406 Confidentiality of Financial and Other Information**

All information and data obtained or received by the Market Regulation Department from inspections of accounting and other records, quarterly balance sheets and declarations or reports on financial condition will be treated as confidential by Tradition SEF; however, this Rule does not supplant Rule 213 and the Rules in Chapter 6, or any other requirement of legal process or law.

**RULE 407 Authority to Impose Restrictions**

Whenever a Participant is subject to the early warning requirements set forth in CFTC Regulation § 1.12, Tradition SEF may impose such conditions or restrictions on the business and operations of such Participant or as Tradition SEF may deem necessary or appropriate for the protection of Customers, other Participants, or Tradition SEF solely as such business and operations relate to SEF Activity.

**RULE 408 CFTC Registration**

No Participant may (a) solicit or accept from any Person an Order for the purchase or sale of a Swap in an agency capacity unless such Participant is registered with or exempt from registration with the CFTC as a Futures Commission Merchant or Introducing Broker; or (b) submit an Order on behalf of pools they operate or Customer accounts for which they have discretionary authority, unless such Participant is registered as a Commodity Pool Operator or Commodity Trading Advisor, respectively, or is exempt from such registration, .

**RULE 409 WITHDRAWN**

**RULE 410 Information Regarding Orders**

- (a) Tradition SEF will make information regarding Orders (including prices bid or offered), trades and any other matters it may deem appropriate available to Participants, Customers, and other Persons at such times and in such manner (whether through the Platform, a ticker, financial information services or otherwise) as it may consider necessary or advisable from time to time and provided that such provision of information is permitted under Applicable Law.
- (b) Each Participant, Customer, or other Person receiving any such information through the Platform may redistribute such information only to such extent and in such manner as may be permitted by Tradition SEF from time to time.

**RULE 411 Confirmations**

- (a) The economic terms specific to a Swap agreed by the Participants on Tradition SEF with respect to an Uncleared Swap shall be reflected by Tradition SEF in a written

communication (the "Trade Communication") sent to the applicable Participants. The Trade Communication, together with the documents and agreements (including, without limitation, ISDA Master Agreements, other master agreements, terms supplements, master confirmation agreements, and incorporated industry definitions) governing such Swap existing at the time of such commitment to which the Participants are party (the "Terms Incorporated by Reference") shall, taken together, for purposes of Commission Regulation 37.6(b) comprise all of the terms of such Swap~~[f]~~ and serve as a confirmation of such Swap (the Trade Communication and Terms Incorporated by Reference, together, the "SEF Confirmation").

- (b) In satisfaction of the obligations imposed on Tradition SEF under Commission Regulation 37.6(b), (i) each Trade Communication is deemed to incorporate the Terms Incorporated by Reference set forth in this Rule 411, and (ii) the Participants hereby agree that the provisions of Rule 411(c) shall govern any conflicting terms.
- (c) In the event of any conflict between (x) the Trade Communication and (y) the Terms Incorporated by Reference, the Trade Communication shall prevail to the extent of any inconsistency.
- (d) Tradition SEF shall transmit a Trade Communication for a Swap that is executed as a block trade in accordance with Rule 509 after such block trade is reported to Tradition SEF.

~~[(e) For purposes of CFTC No-Action Letter Number 13-58, in respect of a Swap in the equity, commodity or FX asset class, that is not intended to be submitted for clearing, to the extent that Tradition SEF is unable to provide a Trade Communication to each counterparty as required by Rule §37.6(b) of the CFTC Regulations, Tradition SEF will provide notice to each counterparty to the Swap that the Swap has not been confirmed by Tradition SEF. By executing Swaps on or subject to these Rules, for purposes of CFTC No-Action Letter Number 13-58 counterparties to Swaps in the equity, commodity and FX asset classes agree to provide Tradition SEF, prior to or promptly after the execution of each Swap, with transaction confirmations containing such information as is necessary to allow Tradition SEF to comply with its reporting and recordkeeping obligations under parts 43 and 45 of the CFTC Regulations. Specifically, such confirmations will contain all required confirmation data and primary economic terms data that together make up Required Swap Creation Data, in accordance with Part 43 of the CFTC Regulations, as well as all required real-time reporting data in accordance with part 43 of the CFTC Regulations.]~~

**CHAPTER 5**  
**CHAPTER 5: TRADING PRACTICES AND BUSINESS CONDUCT**

**RULE 501      Scope**

This Chapter 5 applies to all Swap transactions on a Platform. Additional requirements may be set forth in applicable Platform Supplement for each Platform.

**RULE 502      Procedures**

- (a) With respect to trading on or through the Platform, Tradition SEF may adopt, without limitation, procedures relating to transactions in Swaps and trading on the Platform, including procedures to:
  - (1) determine the daily settlement price of a Swap;
  - (2) disseminate the prices of bids and offers on, and trades in, Swaps;
  - (3) record, and account for, Swaps and SEF Activity;
  - (4) perform market surveillance and regulation on matters affecting Swaps and SEF Activity;
  - (5) establish limits on the number and/or size of Orders that may be submitted by a Participant or Customer through the Platform;
  - (6) establish limits on the number of Swaps that may be held by a Participant or Customer; and
  - (7) establish a limit on the maximum daily price fluctuations for any Swap and provide for any related restriction or suspension of trading in the Swap.
- (b) Tradition SEF may, in its discretion and at any time, amend any procedures adopted pursuant to Rule 502(a), and will publish the amendments in a Participant Notice or in any other manner determined appropriate by Tradition SEF.

**RULE 503      Business Days and Trading Hours**

Except as provided in Rule 212 with respect to Emergencies, Tradition SEF shall determine and publish a Participant Notice listing the Business Days and Holidays of Tradition SEF. The Trading Hours for each Platform shall be as set forth in the applicable Platform Supplement.

**RULE 504      Execution Methods**

- (a) For Required Transactions, other than Block Trades, Tradition SEF may facilitate the execution of Orders through its Order Book and RFQ System.
- (b) For Permitted Transactions, Tradition SEF may facilitate the execution of Orders through an Order Book and any other method of execution permitted by the Act and CFTC Regulations.

**RULE 505      Order Book**

- (a) A Participant or Customer may transmit Orders to the Order Book electronically or through a Broker Firm Participant or through a SEF Execution Specialist.
- (b) Unless otherwise stated in a Platform Supplement, the Order Book uses a Price/Time priority model (also known as the First In, First Out or FIFO method). Under the Price/Time priority model, bid (offer) Orders will be matched with the earliest offer (bid) offer Order to arrive in the Platform at the best price. If there are multiple bid and offer Orders that have the same price, the earliest to arrive in the Platform will be the offer(bid) Order to which the bid (offer) Order is matched.
- (c) All Orders submitted to the Order Book will be processed in accordance with the Order Types made available and defined by Tradition SEF from time to time.

- (d) A Platform also may facilitate the matching of Orders through a series of auction-based Order Book functions made available on the Platforms. Operation characteristics of the auctions may vary by Platform and will be set forth in the applicable Platform Supplement.
- (e) A Swap in the Order Book, whether a Cleared Swap or an Uncleared Swap, is deemed to be executed at the point when the bid and offer Orders are matched.

**RULE 506 Order Types; Submission and Procedures**

Tradition SEF, in its sole discretion, may modify the Order Types available for execution, and alter the associated procedures for such Order Types on any Platforms including but not limited to establishing limits or minimums on the number and size of Orders or minimum quote increments. Orders may be submitted to a Platform using such methods set forth in the applicable Platform Supplement. Order types available on Platforms may include, but are not limited to:

- (a) **Contingent Order** - Is an Order involving the simultaneous execution of two or more transactions or an Order whose execution depends upon the execution and/or price of another financial instrument.
- (b) **Limit Order** – Is an Order to buy or sell at a price and quantity no worse than that pre-determined by the Participant when submitting the Order. After submission, any notional amount on a Limit Order that is not executed pursuant to the request of the Participant or Customer shall remain as executable in the Order Book until withdrawn by the Participant or Customer or the end of the Trading Day, whichever is sooner.
- (c) **Good Till Cancel (GTC)** – Is an Order which will participate in all normal trading sessions until cancelled by the Participant or Customer. The Order is cancelled at the end of the Trading Day on which it was submitted.
- (d) **Market Order** - Is an Order that will execute against any available Orders in the opposite side of the Order Book, on a price-time priority, until the Order is fully executed or all available liquidity exhausted, whichever comes first.
- (e) **Immediate or Cancel (IOC)** - Is an Order that will either be immediately executed or cancelled.
- (f) **Timed Order (GTT)** – Is an Order which will participate in a normal trading session until the time specified is reached, at which time the Order will be cancelled, even if the current (active) trading session has not finished. The Order is cancelled at the end of the Trading Day on which it was submitted.
- (g) **All or None (AON)** – Is a Limit Order where only the entire submitted size is available for execution.
- (h) **Iceberg**– Is a Limit Order that is comprised of a visible portion, which is a conventional Limit Order and a hidden portion, which is submitted as a follow on Limit Order when the initial, visible portion is fully executed.
- (i) **One Cancels Other (OCO)** Is a Limit Order that is linked to one or more other Orders by the Participant with the linked Order being cancelled when any other Order in the same OCO group is fully or partially executed.
- (j) **Fill or Kill** – Is an Order which will be executed in full immediately upon receipt, or cancelled in full. However, full execution of the Order size may be validly achieved through fills with more than one Participant.

**RULE 507 Request for Quote**

- (a) Participants and Customers may initiate and respond to RFQs for both Required Transactions and Permitted Transactions. RFQs are processed independently from the Order Book, except as set forth in paragraph (4) below

- (1) Participants and Customers, and Broker Firm Participants acting on behalf of a Participant or Customer, may submit RFQs to Tradition SEF which will be transmitted to no fewer than the regulatory required minimum number of market participants as set forth by the CFTC from time to time.
  - (2) Responses to an RFQ that are made by Affiliates of the initiator of the RFQ are deemed invalid as a response and shall not be counted toward the regulatory required minimum number of market participants unless the response of the Affiliate is on behalf of a Customer of such Affiliate.
  - (3) Responses to an RFQ shall only be transmitted to the initiator of the RFQ or to the Participant acting on behalf of the initiator of the RFQ who will in turn only transmit responses to the initiator of the RFQ.
  - (4) Upon receipt of the first response to an RFQ, Tradition SEF will communicate such response and any resting Order on the Order Book pertaining to the same instrument to the initiator of the RFQ or to Participant acting on behalf of the initiator of the RFQ.
  - (5) Upon receipt of a satisfactory number of responses and any Order Book resting Bid or Offer the initiator of the RFQ may choose to:
    - (i) Execute on any of the valid responses;
    - (ii) Make a counter offer to received responses but such counter offer must be transmitted to no fewer than the regulatory required minimum number of Participants as set out by the CFTC from time to time; or
    - (iii) Not transact on any of the received responses and withdraw from the RFQ process at that time.
- (b) A Swap in the RFQ process, whether a Cleared Swap or an Uncleared Swap, is deemed to be executed at the time the initiator of the RFQ accepts the response to the RFQ from the responder to the RFQ or the relevant response from the Order Book.

**RULE 508 Work Up Process**

Upon execution of Swap via the Order Book or RFQ, Tradition SEF may make available a work up process. Operational characteristics of the work up process may vary by Platform and will be set forth in the applicable Platform Supplement.

**RULE 509 Block Trades**

- (a) Tradition SEF shall designate the Swaps in which block trades shall be permitted. The minimum quantity thresholds for such Swaps shall be as established by the CFTC from time to time.
- (b) The following shall govern block trades:
  - (1) A block trade must be for a quantity that is at or in excess of the applicable minimum threshold.
  - (2) Spread trades may be executed as block trades, provided that the quantity of one leg of the spread meets the minimum threshold quantity.
  - (3) A Participant, Authorized Trader or Authorized Broker acting for another Person shall not execute any Order by means of a block trade for such Person unless such Person has specified that the Order be executed as a block trade.
  - (4) The price at which a block trade is executed must reflect (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, including without limitation the underlying cash market or related swaps markets,

at the relevant time, and (iv) the circumstances of the markets or the Participants to the block trade.

- (5) One of the Persons or the Participant, Authorized Broker or Authorized Trader acting on behalf of one of the Persons to the block trade must ensure that each block trade is reported to Tradition SEF within the time limit set forth below in subsection (c). The block trade report must include the description, expiration date, quantity, Clearing Firms, and time of execution. For unwind trades, the block trade report must include the originally-issued trade identification convention (i.e., trade ticker convention), price, effective date, expiration date, quantity, Clearing Firms, and time of execution. Tradition SEF shall promptly publish such information separately from the reports of transactions in the regular market.
  - (6) Block trades must be reported to Tradition SEF in accordance with an approved reporting method.
  - (7) Participants, Authorized Traders and Authorized Brokers involved in the execution of block trades must maintain a record of the transaction in accordance with Rule 402.
- (c) The timing for reporting of Block Trades shall be as established in a Participant Notice but in no event shall be more than 15 minutes after the parties have agreed to the terms of such Block Trade.
- (d) All Orders executed in accordance with Rule 509, unless otherwise exempted by Rule, are subject to the following recordation requirements.
- (1) At the time of execution, every Order received from a Customer must be in the form of a written or electronic record and include an electronic timestamp reflecting the date and time such Order was received and must identify the specific account(s) for which the Order was placed.
  - (2) Such record shall also include an electronic timestamp reflecting the date and time such Order was executed or cancelled.

#### **RULE 510 Recordkeeping Requirements for Entering Orders into the Platform**

- (a) General Requirements.
- (1) Each Authorized Trader entering Orders into the Platform shall input for each Order:
    - (i) the User ID assigned him by Tradition SEF,
    - (ii) the price or yield, quantity, product, maturity or expiration month or date, CTI code and account number (except as provided in Section (d)), and, for Options, put or call and strike price.
    - (iii) The Authorized Trader's User ID must be present on each Order entered.
  - (2) With respect to Orders received by an Authorized Trader that are capable of being immediately entered into the Platform, no record other than that set forth above need be made. However, if an Authorized Trader receives an Order that cannot be immediately entered into the Platform, the Authorized Trader must prepare a written Order and include the account designation, date, an electronic timestamp reflecting the time of receipt and other information required pursuant to section (a) above. The Order must be entered into the Platform when it becomes executable.
- (b) Audit Trail Requirements.

Participants that provide connectivity to any Platform are responsible for maintaining, or causing to be maintained, a Order routing/front-end audit trail ("Audit Trail") for all electronic Orders, including Order entry, modification, cancellation and responses to such messages, entered into the Platform through any gateway to the Platform. The Audit Trail

must contain all Order receipt, Order entry, Order modification, and response/receipt times to the highest level of precision achievable by the operating system, in accordance with CFTC requirements for electronic Orders and no more than one second for non-electronic Orders. The times captured must not be able to be modified by the Person entering the Order. The data must also contain all Fix Tag information and fields which should include, but is not limited to the following: A record of all fields relating to Order entry, including transaction date, product, SEF code, expiration month, quantity, Order Type, Order Qualifier, price, buy/sell indicator, stop/trigger price, Order number, unique transaction number, account number, session ID, operator ID, host Order number, trader Order number, Clearing Firm, type of action, action status code, customer type indicator, origin, and timestamps. For executed Orders, the Audit Trail must record the execution time of the Swap along with all fill information.

- (1) Participants must maintain Audit Trail information as required by Applicable Law and must have the ability to produce this data in a standard format upon request of the Market Regulation Department.
  - (2) A Participant whose Customer is itself a Participant may agree with such Customer that it is the Customer's obligation to maintain the Audit Trail for such Customer's Orders. Any such agreement shall be in writing, and a copy of such agreement shall be provided to Tradition SEF.
- (c) In addition to the requirements set forth in paragraphs (a) and (b), each Participant, Customer, Authorized Trader and Authorized Broker that submits an Order to buy or sell a Swap shall include with each such Order the following information (to the extent such information is not provided by the Platform):
- (1) the legal entity identifier of the Participant or Customer placing the Order;
  - (2) a yes/no indication of whether the Participant or Customer is a Swap Dealer with respect to the Swap for which the Order is placed;
  - (3) a yes/no indication of whether the Participant or Customer is a Major Swap Participant with respect to the Swap for which the Order is placed;
  - (4) a yes/no indication of whether the Participant or Customer is a financial entity;
  - (5) a yes/no indication of whether the Participant or Customer is a U.S. person; and
  - (6) if the Swap will be allocated:
    - (i) an indication that the Swap will be allocated; and
    - (ii) the legal entity identifier of the agent;
    - (iii) an indication of whether the Swap is a post-allocation swap; and
    - (iv) if the Swap is a post-allocation swap, the unique swap identifier of the original transaction between the reporting counterparty and the agent.

Post-allocation Swaps shall be respectively effected and reported in accordance with the rules of the Clearing House and Swap Data Repository rule and in accordance with CFTC Regulations.
- (d) Customer Type Indicator (CTI) Codes. Each Participant must identify each transaction executed on the Platform on the record of transactions submitted to Tradition SEF with the correct customer type indicator (CTI) code. The CTI codes are as follows:
- (1) CTI 2- Swaps executed for the Proprietary Account of a Clearing Firm or a Participant that is not an individual.
  - (2) CTI 4- Any transaction not meeting the definition of CTI 2.



#### **RULE 511 Trade Cancellations and Price Adjustments by Tradition SEF**

Tradition SEF may, cancel any trade or adjust trade prices in accordance with the policies (if any) set forth in the applicable Platform Supplement or when such action is necessary to mitigate market disrupting events caused by improper conduct or erroneous trading behaviour, or if allowing the trade to stand as executed would have a material adverse effect on the integrity of the market.

#### **RULE 512 Swap Data Reporting**

- (a) Tradition SEF will report Required Swap Creation Data to a Swap Data Repository for each Swap other than Swaps in the equity asset class and the other commodity asset class. With respect to Swaps in the equity asset class and the other commodity asset class Tradition SEF is relying on the time-limited relief from such reporting set forth in CFTC No-Action Letter No. 13-55, and will commence reporting Required Swap Creation Data to a Swap Data Repository for each such Swap on or before January 2, 2014 in accordance with the terms of CFTC No-Action Letter No. 13-55, unless such reporting relief is extended by the CFTC. Tradition SEF may provide such Required Swap Creation Data to Participants no earlier than the time it transmits such information to a Swap Data Repository and in a form that does not disclose the identities, or otherwise facilitate identification, of the parties to the Swap.
- (b) The Reporting Counterparty for each Swap executed pursuant to the Rules shall be established pursuant to CFTC Regulation 45.8. If both counterparties to a Swap executed pursuant to the Rules are equal in the hierarchy (for example, both are Swap Dealers), the Reporting Counterparty for such Swap shall be determined in accordance with the Dodd-Frank Act—Swap Transaction Reporting Requirements (version July 15, 2013 or such successor version as may be adopted from time to time published by ISDA), or if an ISDA framework exists, reporting will follow the ISDA framework.
- (c) Tradition SEF shall from time to time designate a Swap Data Repository in respect of one or more Swaps and shall notify Participants of such designation.
- (d) Each Participant: (i) authorizes Tradition SEF to send Required Swap Creation Data on its behalf and, if applicable, on behalf of its Customers to the relevant Swap Data Repository and agrees to take all such actions as are deemed necessary or required by such Swap Data Repository to facilitate or confirm such authorization; and (ii) consents to the maintenance of such Required Swap Creation Data by the relevant Swap Data Repository.

#### **RULE 513 Correction or Cancellation of Swap Data**

Participants and Customers that become aware of an error or omission in Required Swap Creation Data for a Swap shall promptly submit corrected data to Tradition SEF and, if the error or omission relates to a Block Trade, the counterparty to such Block Trade.

#### **RULE 514 Adherence to Rules and Applicable Law**

It shall be a violation for any Participant, Customer, Authorized Trader, Authorized Broker or Supervised Person to violate any Rule, Applicable Law or any agreement made with Tradition SEF, or to engage in fraud, dishonourable or dishonest conduct, or in conduct which is inconsistent with just and equitable principles of trade.

#### **RULE 515 Supervision**

- (a) Each Participant ~~and Customer~~ shall establish, maintain and administer reasonable supervisory procedures to monitor the compliance of ~~their respective~~ its Authorized Traders, Authorized Brokers and Supervised Persons with the Rules and any applicable provisions of the Act or CFTC and such Participant ~~or Customer~~ may be held accountable for the actions of such Authorized Traders, Authorized Brokers or Supervised Persons.

(b) Each Customer shall establish, maintain and administer reasonable supervisory procedures to monitor the compliance of any representatives or agents under the control of such Customer with the Rules and any applicable provisions of the Act or CFTC, and such Customer may be held accountable for the actions of such representatives or agents.

**RULE 516 Fraudulent Acts Prohibited**

No Participant, Customer, Authorized Trader, Authorized Broker or Supervised Person 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 or other activity related to the Clearing House.

**RULE 517 Fictitious, Wash, Accommodation or Non-Competitive Transactions Prohibited**

No Participant, Customer, Authorized Trader, Authorized Broker or Supervised Person shall create fictitious transactions, wash transactions, accommodation transactions, or non-competitive transactions (except as otherwise authorized by the Rules), or execute any such Order with knowledge of its nature as a fictitious transaction, wash transaction, accommodation transaction or non-competitive transaction.

**RULE 518 Market Disruption Prohibited**

Orders entered into the Platform for the purpose of market manipulation or market disruption associated with any Swap or creating a condition in which prices do not or will not reflect fair market values are prohibited. If Participant or Customer, or any of their respective Authorized Traders or Supervised Persons, 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, they will be deemed to have engaged in an act detrimental to Tradition SEF.

**RULE 519 Market Manipulation Prohibited**

No Participant, Customer, Authorized Trader, Authorized Broker or Supervised Person shall attempt to manipulate or manipulate the market in any Swap.

**RULE 520 Disruptive Trading Practices Prohibited**

No Participant, Customer, Authorized Trader, Authorized Broker or Supervised Person shall engage in any trading, practice, or conduct that constitutes a “disruptive trading practice,” as such term is defined by the Act or CFTC Regulations.

**RULE 521 Prohibition of Misstatements**

No Participant, Customer, Authorized Trader, Authorized Broker or Supervised Person shall make any knowing misstatement of a material fact to Tradition SEF, any SEF Official, or any Board committee or SEF panel.

**RULE 522 Acts Detrimental to the Reputation of Tradition SEF Prohibited**

No Participant, Customer, Authorized Trader, Authorized Broker or Supervised Person shall engage in any SEF Activity that tends to impair the reputation, integrity or good name of Tradition SEF.

**RULE 523 Misuse of the Platform**

Misuse of a Platform is strictly prohibited. It shall be deemed an act detrimental to Tradition SEF to permit unauthorized use of any Platform, to assist any Person in obtaining unauthorized access to any Platform, to trade on any Platform without an agreement and an established account with a Clearing Firm (for cleared trades), to alter the equipment associated with any Platform (except with Tradition SEF’s consent), to interfere with the operation of any Platform, to intercept or interfere with information provided thereby, or in any way to use any Platform in a manner contrary to the Rules.

**RULE 524      Responsibility for Customer Orders**

- (a) A Participant who inadvertently, through error or omission, fails to execute an Order at the time it should have been executed may, upon discovery of such error or omission, execute such Order at the best obtainable price. Unless the Customer that has placed the Order agrees otherwise, such Order shall be executed as promptly as practicable and shall be reported to the Customer at the price at which actually executed. A Participant may not adjust the price at which an Order was executed. A Participant that agrees to compensate a Customer for such an error shall document all such payments, including the amount of any payment and the reason therefore. Such records must be provided to Tradion SEF upon request.
- (b) A Participant may execute an Order to rectify an error as provided in paragraph (a) without prior instructions from the Customer, but this Rule 524 shall not be construed to contravene any instructions received from a Customer respecting any Order prior to its execution.

**RULE 525      Withholding Customer Orders Prohibited**

No Participant shall withhold or withdraw from the market any Order, or any part of an Order, for the benefit of any Person other than for the Customer for whom the Participant is placing the Order.

**RULE 526      Trading Ahead of Customer Orders Prohibited**

No Participant shall enter an Order into any Platform 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 within the same contract, including, without limitation, an Order allowing discretion as to time and price, when such Participant is in possession of any unsubmitted Customer Order that such Platform is capable of accepting.

**RULE 527      Trading Against Customer Order Prohibited**

- (a) *General Prohibition.* No Participant in possession of a Customer Order shall knowingly 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, save in the event that the an Affiliate is entering an Order on behalf of a Customer
- (b) *Exceptions.* The foregoing restriction shall not apply to the following:
  - (1) Block trades executed pursuant to Rule 509;
  - (2) Swaps executed pursuant to Rule 529;
  - (3) Swaps where the Customer has consented in writing no more than 12 months prior to the transaction to waive the application of Rule 527 as long as the Participant has clearly notified the Customer that the Participant will 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. The Participant must clearly identify, by appropriate Order entry system indicator, all such transactions.

**RULE 528      Disclosing Customer Orders Prohibited**

No Participant shall disclose another Customer's Order to buy or sell except to a designated SEF Official or the CFTC, and no Participant shall solicit or induce another Participant 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 529      Prearranged, Pre-Negotiated and Noncompetitive Transactions Prohibited**

- (a) No Person shall prearrange or pre-negotiate any purchase or sale or noncompetitively execute any Swap, except in accordance with Section (b) below. The foregoing

restriction shall not apply to block trades affected pursuant to Rule 509 or pursuant to the Rules relating to Permitted Transactions.

- (b) Pre-Execution Communications for Swaps Executed on a Platform. Parties may engage in pre-execution communications with regard to transactions executed on the Platform where one party (the first party) wishes to be assured that a contra party (the second party) will take the opposite side of the Order subject to the following restrictions:
- (1) A party may not engage in pre-execution communications with other market participants on behalf of another party unless the party for whose benefit the trade is being made has previously consented to permit such communications.
  - (2) Parties to pre-execution communications shall not:
    - (i) disclose to a nonparty the details of such communications or
    - (ii) enter an Order to take advantage of information conveyed during such communications except in accordance with this rule.
  - (3) For Required Transactions, the first party's Order must be entered into the Platform first and the second party's Order may not be entered into the Platform until a period of 15 seconds, or such shorter time as may be specified in a Platform Supplement, has elapsed from the time of entry of the first Order.

#### **RULE 530 Discretionary Orders**

No Participant shall submit a Discretionary Order to the Platform for any account of another Person without the prior specific written consent of such other Person to the exercise of such discretion, provided, however, that the restriction set forth in this subparagraph shall not apply to a Discretionary Order for a Proprietary Account of the Participant.

#### **RULE 531 Priority of Execution**

Non-discretionary Customer Orders received by a Participant or its Authorized Traders shall be entered into the Platform in the sequence received. Non-discretionary Orders that cannot be immediately entered into the Platform must be entered when the Orders become executable in the sequence in which the Orders were received.

#### **RULE 532 Position Limits And Exemptions**

- (a) Tradition SEF may establish position limits for one or more Swaps tradable on Tradition SEF, and grant exemptions from position limits, in accordance with CFTC Regulations. The position limit for a Swap established by Tradition SEF shall not be at a level higher than any limit set by the CFTC for such Swap. The position limit levels applicable to those Swaps with position limits are set forth in the Position Limit Table set forth by Tradition SEF from time to time in a Participant Notice.
- (b) A Person seeking an exemption from position limits, including position limits established pursuant to a previously approved exemption, must file the required application with the Market Regulation Department and receive approval prior to exceeding such limits. Notwithstanding the foregoing, a Person who establishes an exemption-eligible position in excess of position limits and files the required application with the Market Regulation Department shall not be in violation of this Rule 532 provided the filing occurs within one (1) Business Day after assuming the position. In the event the positions in excess of the limits are not deemed to be exemption-eligible, the applicant and Clearing Firm will be in violation of speculative limits for the period of time in which the excess positions remained open.
- (c) In order to obtain an exemption from position limits, a Person must:
  - (1) Provide a description of the exemption sought, including whether the exemption is for bona fide hedging positions as defined in CFTC Regulation §1.3(z)(1) or any

- other applicable CFTC Regulation, risk management positions or arbitrage/spread positions;
- (2) Provide a complete and accurate explanation of the underlying exposure related to the exemption request;
  - (3) Agree to promptly provide, upon request by the Market Regulation Department, information or documentation regarding the Person's financial condition;
  - (4) Agree to comply with all terms, conditions or limitations imposed by the Market Regulation Department with respect to the exemption;
  - (5) Agree that the Market Regulation Department may modify or revoke the exemption at any time;
  - (6) Agree to initiate and liquidate positions in an orderly manner; and,
  - (7) Agree to promptly submit a supplemental statement to the Market Regulation Department whenever there is a material change to the information provided in the most recent application.
- (d) Nothing in this Rule 532 shall in any way limit:
- (1) the authority of Tradition SEF to take emergency action; or
  - (2) the authority of the Market Regulation Department to review at any time the positions owned or controlled by any Person and to direct that such position be reduced to the position limit provided for in the Position Limit, Position Accountability and Reportable Level Table.
- (e) A Person who exceeds a position limit as a result of maintaining positions in Swaps at more than one Clearing Firm shall be deemed to have waived confidentiality regarding its positions and the identity of the Clearing Firms at which those positions are maintained.
- (f) For the purpose of determining compliance with the position limits established by Tradition SEF pursuant to this Rule 532, positions in Swaps shall be aggregated in accordance with CFTC Regulations.

**RULE 533 Position Accountability**

- (a) Tradition SEF shall establish position accountability levels for Required Transactions available to trade on Tradition SEF unless Tradition SEF has previously established position limits pursuant to Rule 532. A who holds or controls, or a Participant or Clearing Firm that carries for another Person, aggregate positions in excess of those specified in the Position Accountability Table set forth by Tradition SEF from time to time in a Participant Notice, shall:
- (1) Provide, in a timely manner upon request by the Market Regulation Department, information regarding the nature of the position, trading strategy, and hedging information to the extent that such activity took place on Tradition SEF, if applicable.
  - (2) Be deemed to have consented, when so ordered by Tradition SEF, not to further increase the positions which exceed the levels specified in the Position Accountability column in the Position Limit, Position Accountability and Reportable Level Table.
  - (3) Initiate and/or liquidate such positions in an orderly manner, in co-ordination with the relevant DCO.
- (b) For the purpose of determining compliance with the position accountability levels established by Tradition SEF pursuant to this Rule 533, positions in Swaps shall be aggregated in accordance with CFTC Regulations.

**RULE 534 Responsibility of Swap Dealers and Major Swap Participants for Compliance with Trading Requirement**

WITHDRAWN

**RULE 535 Market Operations Department**

- (a) Support. The Market Operations Department provides the Platform support and problem management only to Participants, Authorized Traders and Authorized Brokers. The Market Operations Department provides customer support via a specified telephone number and during specified hours, however, Market Operations Department may not always be available to provide customer support. Persons other than Participants, Authorized Traders and Authorized Brokers must contact their sponsoring Participant to make support requests.
- (b) Market Operations Department Communications. Tradition SEF shall not be liable for any loss resulting from any inability to communicate with the Market Operations Department. The liability of Tradition SEF for the negligent acts of Market Operations Department staff shall be subject to the limitations and conditions set forth in the limitation of liability rule applicable to each Platform.

**RULE 536 Liquidity Provider Programs**

Tradition SEF may from time to time establish one or more programs that provide Participants or Customers with incentives for providing meeting trading volume or liquidity thresholds as may be established by Tradition SEF. All Participants and Customers are eligible to become liquidity providers, provided the Participant or Customer can meet the liquidity provider obligations established by Tradition SEF as set forth in a Participant Notice.

**RULE 537 Limitation of Liability**

- (a) EXCEPT AS PROVIDED BELOW OR AS OTHERWISE SET FORTH IN A USER AGREEMENT, AND EXCEPT IN INSTANCES IN WHICH THE DISCLAIMING PARTY HAS BEEN FINALLY ADJUDICATED BY A COURT OF COMPETENT JURISDICTION TO HAVE ENGAGED IN FRAUD OR WILLFUL MISCONDUCT, IN WHICH CASE THE DISCLAIMING PARTY FOUND TO HAVE ENGAGED IN SUCH CONDUCT CANNOT AVAIL ITSELF OF THE PROTECTIONS IN THIS RULE 537, NEITHER TRADITION SEF, NOR ANY AFFILIATE OF TRADITION SEF, ANY SEF OFFICIAL, THE REGULATORY SERVICES PROVIDER, AND ANY OF THEIR RESPECTIVE MANAGERS, DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, CONSULTANTS, OR SERVICE PROVIDERS (THE "DISCLAIMING PARTY" OR "DISCLAIMING PARTIES") SHALL BE LIABLE TO ANY PERSON FOR ANY LOSSES ARISING FROM:
  - (1) ANY FAILURE, MALFUNCTION, FAULT IN DELIVERY, DELAY, OMISSION, SUSPENSION, INACCURACY, INTERRUPTION, TERMINATION, OR ANY OTHER EVENT, IN CONNECTION WITH THE FURNISHING, PERFORMANCE, OPERATION, MAINTENANCE, USE OF OR INABILITY TO USE ALL OR ANY PART OF ANY PLATFORM AND SERVICES OF TRADITION SEF, OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH PLATFORM AND SERVICES, INCLUDING WITHOUT LIMITATION ELECTRONIC ORDER ENTRY AND DELIVERY, TRADING THROUGH ANY MEANS, ELECTRONIC COMMUNICATION OF MARKET DATA OR INFORMATION, WORKSTATIONS, PRICE REPORTING SYSTEMS AND ANY AND ALL TERMINALS, COMMUNICATIONS NETWORKS, CENTRAL COMPUTERS, SOFTWARE, HARDWARE, AND FIRMWARE RELATING THERETO; OR
  - (2) ANY FAILURE OR MALFUNCTION, FAULT IN DELIVERY, DELAY, OMISSION, SUSPENSION, INACCURACY, INTERRUPTION OR TERMINATION, OR ANY OTHER EVENT, OF ANY PLATFORM OR SERVICE OF TRADITION SEF, OR

SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH PLATFORM OR SERVICES, CAUSED BY ANY THIRD PARTIES INCLUDING, BUT NOT LIMITED TO, INDEPENDENT SOFTWARE VENDORS AND NETWORK PROVIDERS; OR

- (3) ANY ERRORS OR INACCURACIES IN INFORMATION PROVIDED BY TRADITION SEF OR ANY OF TRADITION SEF'S PLATFORMS, SERVICES OR FACILITIES; OR
- (4) ANY UNAUTHORIZED ACCESS TO OR UNAUTHORIZED USE OF ANY OF TRADITION SEF'S SYSTEMS, SERVICES, EQUIPMENT OR FACILITIES BY ANY PERSON.

THE FOREGOING LIMITATION OF LIABILITY SHALL APPLY WHETHER A CLAIM ARISES IN CONTRACT, TORT, NEGLIGENCE, STRICT LIABILITY, NEGLIGENT MISREPRESENTATION, RESTITUTION, BREACH OF STATUTORY DUTY, BREACH OF WARRANTY OR OTHERWISE AND WHETHER THE CLAIM IS BROUGHT DIRECTLY OR AS A THIRD PARTY CLAIM. THE FOREGOING LIMITATION OF LIABILITY SHALL BE SUBJECT TO THE ACT AND THE CFTC REGULATIONS.

- (b) EXCEPT AS OTHERWISE SET FORTH IN A USER AGREEMENT, THERE ARE NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS PROVIDED BY TRADITION SEF OR ANY OTHER DISCLAIMING PARTY RELATING TO ANY PLATFORM OR SERVICES OF TRADITION SEF, OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH PLATFORMS SYSTEMS OR SERVICES. TRADITION SEF HEREBY SPECIFICALLY DISCLAIMS, OVERRIDES AND EXCLUDES, TO THE FULLEST EXTENT PERMITTED BY LAW, ALL IMPLIED WARRANTIES OF MERCHANTABILITY, SATISFACTORY QUALITY, FITNESS FOR A PARTICULAR PURPOSE AND ALL OTHER WARRANTIES, CONDITIONS, OTHER CONTRACTUAL TERMS, REPRESENTATIONS, INDEMNITIES AND GUARANTEES WITH RESPECT TO THE PLATFORMS AND TRADITION SEF SERVICES, WHETHER EXPRESS, IMPLIED OR STATUTORY, ARISING BY LAW, CUSTOM, PRIOR ORAL OR WRITTEN STATEMENTS BY TRADITION SEF OR ANY OTHER DISCLAIMING PARTY OR OTHERWISE (INCLUDING BUT NOT LIMITED TO, AS TO TITLE, SATISFACTORY QUALITY, ACCURACY, COMPLETENESS, UNINTERRUPTED USE, NON-INFRINGEMENT, TIMELINESS, TRUTHFULNESS, SEQUENCE AND ANY IMPLIED WARRANTIES, CONDITIONS AND OTHER CONTRACTUAL TERMS ARISING FROM TRANSACTION USAGE, COURSE OF DEALING OR COURSE OF PERFORMANCE) RELATING TO ANY PLATFORM OR SERVICES OF TRADITION SEF, OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT PLATFORMS OR SERVICES.
- (c) EXCEPT AS OTHERWISE SET FORTH IN A USER AGREEMENT, ANY DISPUTE ARISING OUT OF THE USE OF ANY PLATFORM OR SERVICE OF TRADITION SEF, OR SERVICES, EQUIPMENT, OR FACILITIES USED TO SUPPORT SUCH PLATFORM OR SERVICES IN WHICH THE DISCLAIMING PARTY OR DISCLAIMING PARTIES IS A PARTY SHALL BE ADJUDICATED IN ACCORDANCE WITH RULE 808. ANY OTHER ACTIONS, SUITS OR PROCEEDINGS AGAINST THE DISCLAIMING PARTY OR DISCLAIMING PARTIES MUST BE BROUGHT WITHIN TWO YEARS FROM THE TIME THAT A CAUSE OF ACTION HAS ACCRUED.
- (d) NOTWITHSTANDING THE FOREGOING, TRADITION SEF MAY ASSUME RESPONSIBILITY FOR DIRECT, OUT-OF-POCKET LOSSES DIRECTLY CAUSED BY THE GROSS NEGLIGENCE OF A DISCLAIMING PARTY. EXCEPT AS OTHERWISE SET FORTH IN A USER AGREEMENT, TRADITION SEF'S TOTAL COMBINED AGGREGATE LIABILITIES SHALL NOT IN ALL CIRCUMSTANCES EXCEED \$100,000 FOR ALL LOSSES SUFFERED FROM ALL CAUSES ON A SINGLE CALENDAR DAY; \$200,000 FOR ALL LOSSES SUFFERED FROM ALL CAUSES IN A SINGLE CALENDAR MONTH; AND \$2,000,000 FOR ALL LOSSES

SUFFERED FROM ALL CAUSES IN A SINGLE CALENDAR YEAR. IF THE NUMBER OF ALLOWED CLAIMS ARISING OUT OF ANY FAILURES 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.

- (e) EXCEPT AS OTHERWISE SET FORTH IN A USER AGREEMENT, UNDER NO CIRCUMSTANCES SHALL TRADITION SEF BE LIABLE TO A PARTICIPANT OR ANY OTHER PERSON FOR ANY INDIRECT, SPECIAL, INCIDENTAL, CONSEQUENTIAL, EXEMPLARY LOSS OR PUNITIVE DAMAGES OF ANY KIND, REGARDLESS OF WHETHER SUCH LIABILITY IS BASED ON BREACH OF CONTRACT, TORT, STRICT LIABILITY, BREACH OF WARRANTIES OR OTHERWISE, INCLUDING, WITHOUT LIMITATION, ANY LOSS OF REVENUE, LOSS OF ACTUAL OR ANTICIPATED PROFITS, LOSS OF CONTRACTS, LOSS OF THE USE OF MONEY, LOSS OF ANTICIPATED SAVINGS, LOSS OF BUSINESS, LOSS OF OPPORTUNITY, LOSS OF MARKET SHARE, LOSS OF GOODWILL, LOSS OF REPUTATION OR LOSS OF, DAMAGE TO OR CORRUPTION OF DATA, HOWEVER SUFFERED OR INCURRED, REGARDLESS OF WHETHER TRADITION SEF HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES OR WHETHER SUCH DAMAGES OTHERWISE COULD HAVE BEEN FORESEEN OR PREVENTED.



**CHAPTER 6  
DISCIPLINARY RULES**

**RULE 601      General**

- (a) All Participants, Customers, Authorized Traders, Authorized Brokers, Supervised Persons and other Persons within Tradition SEF's jurisdiction are subject to this Chapter 6 if they are alleged to have violated, to have aided and abetted a violation, to be violating, or to be about to violate, any Rule of Tradition SEF or any provision of Applicable Law for which Tradition SEF possesses disciplinary jurisdiction.
- (b) Tradition SEF, through the Market Regulation Department and the Disciplinary Panel, will conduct inquiries, investigations, disciplinary proceedings and appeals from disciplinary proceedings, summary impositions of fines, summary suspensions or other summary actions in accordance with this Chapter 6.
- (c) No SEF Official, Director, or Officer will interfere with or attempt to influence the process or resolution of any inquiry, investigation, disciplinary proceeding, appeal from a disciplinary proceeding, summary imposition of fines, summary suspension or other summary action (collectively "Disciplinary Action"), except to the extent provided under the Rules with respect to a proceeding in which the Director is a member of the relevant Appeal Panel.
- (d) Any respondent may be represented by counsel during any Disciplinary Action pursuant to this Chapter 6.
- (e) Participant Liability – Individual and Joint Liability/Controlling Person Liability
  - (1) Tradition 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 or Supervised Person of such Participant, (B) Customer of such Participant, and such Customer's Authorized Traders, (C) other Person using a User ID of such Participant, (D) in the case of a Participant that is a Broker Firm Participant, the Authorized Brokers of such Broker Firm Participant and its Customers and their Authorized Traders, or (E) other agent or representative of such Participant, in each case, that constitute a violation as if such violation were that of the Participant.
  - (2) Tradition SEF may hold a Customer liable for, and impose sanctions against such Customer, for such Customer's own acts and omissions that constitute a violation as well as for the acts and omissions of each (A) Authorized Trader of such Customer, (B) ~~Broker Firm Participant of such Customer, and such Broker Firm Participant's Authorized Brokers, (C)~~ other Person using a User ID of such Customer, or (~~D~~C) other agent or representative of such Customer that is controlled by such Customer, in each case, that constitute a violation as if such violation were that of the Customer.
- (f) Ex Parte Communications.
  - (1) A Person subject to a disciplinary proceeding or an appeal from a disciplinary proceeding (and any counsel or representative of such Person) and the Market Regulation Department (and any counsel or representative of the Market Regulation Department) shall not knowingly make or cause to be made an *ex parte* communication relevant to the merits of a disciplinary proceeding or an appeal from a disciplinary proceeding to any member of the Disciplinary Panel or the Appeal Panel hearing such proceeding.
  - (2) Members of a Disciplinary Panel or Appeal Panel shall not knowingly make or cause to be made an *ex parte* communication relevant to the merits of a disciplinary proceeding or an appeal from a disciplinary proceeding to any Person

subject to such proceeding (and any counsel or representative of such Person) and the Market Regulation Department (and any counsel or representative of the Market Regulation 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 Market Regulation 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 602      Inquiries and Investigation**

- (a) The Market Regulation Department may investigate any matter within Tradition SEF's jurisdiction. The Market Regulation Department will commence an investigation upon the receipt of a request from Commission staff or upon the discovery or receipt of information by Tradition SEF that, in the judgment of the Market Regulation Department indicates a possible basis for finding that a violation has occurred or will occur. The Market Regulation Department will determine the nature and scope of its inquiries and investigations in its sole discretion and will function independently of any commercial interests of Tradition SEF.
- (b) The Market Regulation Department has the authority to:
  - (1) initiate and conduct inquiries and investigations;
  - (2) prepare investigative reports and make recommendations concerning initiating disciplinary proceedings;
  - (3) prosecute alleged violations within Tradition SEF's disciplinary jurisdiction; and,
  - (4) represent Tradition SEF on appeal from any disciplinary proceeding, summary imposition of fines, summary suspension or other summary action.
- (c) Each Person subject to the jurisdiction of Tradition SEF:
  - (1) is obligated to appear and testify and respond in writing to interrogatories within the time period required by the Market Regulation Department in connection with:
    - (i) any Tradition Rule;
    - (ii) any inquiry or investigation; or
    - (iii) any preparation by and presentation during a Disciplinary Action;
  - (2) is obligated to produce books, records, papers, documents or other tangible evidence in its, his or her possession, custody or control within the time period required by the Market Regulation Department in connection with:
    - (i) any Tradition Rule;
    - (ii) any inquiry or investigation; or
    - (iii) any preparation by and presentation during a Disciplinary Action; and
  - (3) may not impede or delay any Disciplinary Action.

**RULE 603      Reports of Investigations**

- (a) The Market Regulation Department will maintain a log of all investigations and their disposition. The Market Regulation Department will prepare a written report of each investigation, regardless of whether the evidence gathered during any inquiry or investigation forms a reasonable basis to believe that a violation within Tradition SEF's

jurisdiction has occurred or is about to occur or whether the evidence gathered results in closing the matter without further action or through summary action.

- (b) Any written report of investigation (“Investigative Report”) will include the reasons for initiating the investigation (including a summary of the complaint, if any), all relevant facts and evidence gathered, Market Regulation Department staff’s analysis and conclusions, the Person’s disciplinary history at Tradition SEF, and the recommendation of the Market Regulation Department. For each potential respondent, the Market Regulation Department will recommend either:
  - (1) closing the investigation without further action;
  - (2) settlement;
  - (3) summary action;
  - (4) the preparation and service of a notice of charges for instituting a disciplinary proceeding; or,
  - (5) resolving the investigation through an informal disposition, including the issuance of a warning letter. An informal disposition (including the issuance of a warning letter) will not constitute a finding of a violation or a sanction, however, the investigative report must include a copy of any warning letter and no more than one warning letter for the same potential violation may be issued to the same Person during a rolling 12-month period.
- (c) The Investigative Report will be provided to the Chief Compliance Officer for a determination as to whether the Investigative Report is complete. The Chief Compliance Officer will then provide the completed Investigative Report to the Review Panel of the Disciplinary Panel.

**RULE 604 Opportunity to Respond**

- (a) After completing its investigation report, the Market Regulation Department may, upon approval of the Chief Compliance Officer, notify each potential respondent that the Market Regulation Department has recommended formal disciplinary charges against the potential respondent.
- (b) The Market Regulation Department may allow a potential respondent to propose a settlement of the matter or to submit a written statement explaining why a disciplinary proceeding should not be instituted or one or more of the potential charges should not be brought. The potential respondent shall submit such written statement within the time limit established by the Market Regulation Department.

**RULE 605 Review of Investigative Reports**

- (a) Review of Investigative Reports by the Chief Compliance Officer:
  - (1) Within 30 days of the receipt of a completed Investigative Report, the Chief Compliance Officer will review the completed Investigation Report to determine whether a reasonable basis exists to believe that a violation within Tradition SEF’s jurisdiction has occurred or is about to occur.
  - (2) If the Chief Compliance Officer determines that additional investigation or evidence is needed to decide whether a reasonable basis exists to believe that a violation within Tradition SEF’s jurisdiction has occurred or is about to occur, the Chief Compliance Officer will direct the Market Regulation Department to conduct further investigation.
  - (3) Upon receiving the completed Investigative Report or after receiving additional information upon the completion of an investigation, the Chief Compliance Officer will determine for each potential respondent whether to authorize:

- (i) the informal disposition of the investigation (by issuing a warning letter or otherwise) because disciplinary proceedings are unwarranted in which case the Chief Compliance Officer shall provide a written explanation to the Regulatory Services Provider; or
  - (ii) the closing of the investigation without any action because no reasonable basis exists to believe that a violation within Tradition SEF's jurisdiction has occurred or is about to occur in which case the Chief Compliance Officer shall provide a written explanation to the Regulatory Services Provider; or,
  - (iii) the commencement of disciplinary proceedings because a reasonable basis exists to believe that a violation within Tradition SEF's jurisdiction has occurred or is about to occur.
- (b) Review of Investigative Reports by the Review Panel of the Disciplinary Panel.
- (1) After receiving a completed Investigation Report pursuant to Rule 603, a Review Panel must promptly review the report and, within 30 days of such receipt, must take one of the following actions:
    - (i) If the Review Panel determines that additional investigation or evidence is needed, it must promptly direct the Market Regulation Department to conduct further investigation.
    - (ii) 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 and the Chief Compliance Officer shall provide the written statement to the Regulatory Services Provider.
    - (iii) 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 proceed in accordance with the rules of Chapter 6.
  - (2) A failure of the Disciplinary Panel to act within the time prescribed in Rule 605(b) shall not prevent the Chief Compliance Officer from acting pursuant to Rule 605(a). The Chief Compliance Officer shall inform the Regulatory Oversight Committee of any such failure of the Disciplinary Panel to act.
  - (3) Any conflict between the actions of the Chief Compliance Officer pursuant to Rule 605(a) and the Disciplinary Panel pursuant to Rule 605(b) shall be resolved by the Regulatory Oversight Committee.

**RULE 606 Notice of Charges**

- (a) If the Chief Compliance Officer or Review Panel authorizes disciplinary proceedings pursuant to Rule 605(a)(3)(iii) or 603(b)(1)(iii), the Market Regulation Department will prepare, and serve in accordance with Rule 608, a notice of charges.
- (b) A notice of charges will:
  - (1) state the acts, practices or conduct that the respondent is alleged to have engaged in;
  - (2) state the Rule or provision of Applicable Law alleged to have been violated or about to be violated;
  - (3) state the proposed sanctions;
  - (4) advise the respondent of its right to a hearing;

- (5) 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;
- (6) state the period of time within which the respondent can request a hearing on the notice of charges, which will not be less than 30 days after service of the notice of charges;
- (7) 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
- (8) advise the respondent that any allegation in the notice of charges that is not expressly denied will be deemed to be admitted.

**RULE 607 Answer to Notice of Charges**

- (a) If the respondent determines to answer a notice of charges, the respondent must file answers within 30 days after being served with such notice, or within such other time period determined by the Chief Compliance Officer.
- (b) 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.
- (c) 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 (b) above.

**RULE 608 Service of Notice of Charges**

- (a) Any notice of charges or other documents to be served pursuant to this Chapter 6 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 Tradition SEF.
- (b) Any notice of charges or other documents contemplated to be served pursuant to this Chapter 6 may be served upon the respondent and service shall be deemed complete via electronic mail to the electronic mail address as it appears on the books and records of Tradition SEF.

**RULE 609 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 Market Regulation Department.

- (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 Tradition 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 Market Regulation Department will forward the offer to the Chief Compliance Officer with a recommendation on whether to accept or reject the offer. Any preliminary determination by the Chief Compliance Officer to accept the offer shall be submitted for review by the Disciplinary Panel. If the Disciplinary Panel agrees, then the Chief Compliance Officer shall conditionally accept an offer of settlement, and that the settlement will become final upon the expiration of 20 days after an order of the disciplinary proceedings consistent with the terms of the offer of settlement is served on the respondent.
- (e) If an offer of settlement is accepted by the Disciplinary Panel, the panel accepting the offer must 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. If an offer of settlement is accepted without the agreement of the Market Regulation Department or Chief Compliance Officer, the decision must adequately support the Hearing Panel's acceptance of the settlement. If applicable, the decision must also include a statement that the respondent has accepted the sanctions imposed without either admitting or denying the rule violations.
- (f) If an offer of settlement is accepted and the related order of disciplinary proceedings becomes final, 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 Rules.
- (g) If the offer of settlement of a respondent or potential respondent is not accepted by agreement between the Chief Compliance Officer and the Disciplinary Panel, fails to become final 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 Market Regulation Department 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 610      Disciplinary Panel**

- (a) The Disciplinary Panel shall function as a Review Panel and Hearing Panel.
  - (1) The Review Panel shall review completed Investigative Reports in order to determine whether a reasonable basis exists for finding a violation of Tradition SEF's rules and for authorizing the issuance of notices of charges against persons.
  - (2) The Hearing Panel shall conduct hearings in connection with any disciplinary proceedings (except for summary impositions of fines pursuant to Rule 617), to make findings, render decisions, and impose sanctions pursuant to this Chapter 6.
- (b) The Board shall appoint individuals at the recommendation of the Chief Compliance Officer to serve for a term of one-year, subject to reappointment by the Board, as participants on the Disciplinary Panel. In appointing individuals to the Disciplinary Panel, the Board must preclude any group or class of participants from dominating or exercising disproportionate influence on the Disciplinary Panel. The term of an individual that has been selected as a member of a Disciplinary Panel will not expire until the related proceedings are completed.

- (c) The chair of any Review Panel or Hearing Panel shall be a Public Individual.
- (d) The Chief Compliance Officer shall select a separate Review Panel and Hearing Panel prior to the commencement of each investigative or disciplinary matter by randomly selecting at least one Public Individual and the remaining individuals from the industry participant pools so that any group or class of industry participants is precluded from dominating or exercising disproportionate influence on the Disciplinary Panel being formed.
- (e) If an individual selected is an Interested Person or if a member of the Disciplinary Panel later becomes an Interested Person, a replacement for such individual shall be randomly selected by the Chief Compliance Officer.
- (f) Within 10 days of being notified of the appointment of the Disciplinary Panel, a respondent may seek to disqualify any individual named to the Disciplinary Panel for the reasons identified in Rule 209 or for any other reasonable grounds, including that such individual has a financial interest in the matter, by serving written notice on the Chief Compliance Officer. By not timely filing a request for disqualification, the respondent will be deemed to have waived any objection to the composition of a Disciplinary Panel. The Chief Compliance Officer of Tradition SEF will decide the merits of any request for disqualification within his or her sole discretion. Any such decision will be final and not subject to appeal.
- (g) No person shall serve on a Disciplinary Panel unless that person has agreed in writing that he or she will not publish, divulge, or make known in any manner, any facts or information regarding the business of any person or any other information which may come to his attention in his official capacity as a member of the Disciplinary Panel, except when reporting to the Board or to a committee concerned with such information or to the Market Regulation Department, when requested by the CFTC or other governmental agency or when compelled to testify in any judicial or administrative proceeding.
- (h) All information, records, materials and documents provided to the Disciplinary Panel 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 SEF investigation or as required by law.

**RULE 611 Convening Hearings of Disciplinary Proceedings**

- (a) A hearing will be conducted privately and confidentially. Notwithstanding the confidentiality of hearings, the Hearing Panel may appoint an expert to attend any hearing and assist in deliberations if such expert agrees to be subject to an appropriate confidentiality agreement.
- (b) 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 Market Regulation Department.
- (c) 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. The General Counsel of Tradition SEF, or its designee, will provide guidance to the chair of the Hearing Panel on the conduct of the hearing.
- (d) Except for procedural and evidentiary matters decided by the chair of the Hearing Panel pursuant to paragraph (c) above and Rule 612, unless each respondent otherwise

consents, the entire Hearing Panel must be present during the entire hearing and any related deliberations.

**RULE 612 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 Tradition SEF that the Market Regulation 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 Tradition 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 Market Regulation Department, the Market Regulation 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 Market Regulation 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 Market Regulation Department intends to rely on to support the allegations or proposed sanctions in the notice of charges.
- (d) For purposes of this Rule 612, information that could adversely affect competitive positions include positions in Swaps currently held, trading strategies employed in establishing or liquidating positions, the identity of any Participant or Authorized Trader and the personal finances of the Person providing the information.

**RULE 613 Conducting Hearings of Disciplinary Proceedings**

- (a) At a hearing conducted in connection with any disciplinary proceedings, the Market Regulation 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 607, the respondent is entitled to attend and participate in the hearing.
- (b) At a hearing conducted in connection with any disciplinary proceedings, the Hearing Panel or the Market Regulation Department and each respondent may:
  - (1) present evidence and facts determined relevant and admissible by the chair of the Hearing Panel;
  - (2) call and examine witnesses; and
  - (3) cross-examine witnesses called by other parties.
- (c) 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 607.

- (d) 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), Authorized Traders and other Supervised Persons that are called as witnesses are required to appear at the hearing and, where applicable, produce evidence. Tradition SEF will make reasonable efforts to secure the presence of all other Persons called as witnesses whose testimony would be relevant.
- (e) If during any disciplinary proceedings the Hearing Panel determines that a reasonable basis exists to believe that the respondent violated or is about to violate a Rule of Tradition 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 607. In connection with considering apparent violations pursuant to this paragraph (e), the Hearing Panel may request that the Market Regulation Department provide the Hearing Panel with any additional information related to the violations at issue.
- (f) The Hearing Panel may summarily impose sanctions on any Participant, Authorized Trader or other Supervised Person that impedes or delays the progress of a hearing.
- (g) Tradition SEF will arrange for any hearing conducted in connection with disciplinary proceedings to be recorded verbatim, or substantially verbatim, in a manner capable of accurate transcription. 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.
- (h) No interlocutory appeals of rulings of any Hearing Panel or chair of the Hearing Panel are permitted.

**RULE 614 Decision of Hearing Panel**

- (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) Tradition SEF will serve a copy of the order of the disciplinary proceedings on the respondent and the Market Regulation 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 Tradition SEF and provision of Applicable Law that the respondent is found to have violated;
  - (6) the imposition of sanctions, if any, including the basis for such sanctions and the effective date of each sanction; and,

- (7) notice of the respondent's right to appeal pursuant to Rule 616.
- (c) Unless a timely notice of appeal is filed pursuant to Rule 616, the order of the disciplinary proceedings will become final upon the expiration of 20 days after the order is served on the respondent and provided to the Market Regulation Department.

**RULE 615 Sanctions**

- (a) After notice and opportunity for hearing in accordance with the Rules, Tradition SEF will impose sanctions if any Participant, Authorized Trader, other Supervised Person or other Person using any of the Participant's User IDs is found to have violated or to have attempted to violate a Rule of Tradition SEF or provision of Applicable Law for which Tradition SEF possesses disciplinary jurisdiction. All sanctions must take into account the respondent's disciplinary history. In the event of demonstrated customer harm, any sanction must also include full customer restitution. Tradition SEF may impose one or more of the following sanctions or remedies, commensurate with the violation committed:
  - (1) censure;
  - (2) limitation on Trading Privileges, ability to otherwise access the Platform, and/or other activities, functions or operations;
  - (3) suspension of Trading Privileges and/or ability to otherwise access the Platform;
  - (4) fine (subject to paragraph (b) below);
  - (5) restitution or disgorgement;
  - (6) termination of Trading Privileges and/or ability to otherwise access the Platform; or
  - (7) any other sanction or remedy deemed to be appropriate.
- (b) Tradition SEF may impose a fine of up to \$50,000 for each violation of a Rule of Tradition 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 percent. Tradition 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 or Supervised Persons.

**RULE 616 Appeal from Hearing Panel Decision, Summary Impositions of Fines and Other Summary Actions**

- (a) A respondent found by the Hearing Panel to have violated (or, in the case of a Participant, whose Authorized Trader, Supervised Person or other Person using its User ID was found to have violated) a Rule of Tradition SEF or a provision of Applicable Law or who is subject to any summary fine imposed pursuant to Rule 617 or any summary action imposed pursuant to Rule 618 may appeal the decision within 20 days of receiving the order of the disciplinary proceedings or the notice of summary action, as the case may be, by filing a notice of appeal with the Chief Compliance Officer. While an appeal is pending, the effect of the order of disciplinary proceedings or the summary action (including any sanctions, remedies or costs imposed thereby) shall be suspended, except as provided in Rule 601(f) with respect to any denial or limit on Trading Privileges or ability to otherwise access the Platform.
- (b) The notice of appeal must state in writing the grounds for appeal, including the findings of fact, conclusions or sanctions to which the respondent objects. A respondent may appeal the order of disciplinary proceedings or any summary decision on the grounds that:
  - (1) the order or decision was arbitrary, capricious, an abuse of discretion, or not in accordance with the Rules;

- (2) the order or decision exceeded the authority or jurisdiction of the Hearing Panel, the Chief Compliance Officer or Tradition SEF;
  - (3) the order or decision failed to observe required procedures;
  - (4) the order or decision was unsupported by the facts or evidence; or
  - (5) the imposed sanctions, remedies or costs are inappropriate or unsupported by the record.
- (c) The Chief Compliance Officer will forward copies of any notice of appeal received by it to all parties to the disciplinary proceeding or summary action, as the case may be, except the appellant. On or before the 20th day after filing a notice of appeal, the appellant must file with the Chief Compliance Officer and serve on the Market Regulation Department a brief supporting the notice of appeal and documents supporting the brief. On or before the 20th day after the date on which the appellant serves supporting brief, the appellee must file and serve its brief in opposition with the Market Regulation Department. On or before the 10th day after the date on which the appellee serves its brief in opposition, the appellant must file and serve a brief in reply with the Market Regulation Department.
- (d) In connection with any appeal, the Market Regulation Department will furnish to the Chief Compliance Officer and to the respondent/appellant a transcript of the hearing, any exhibits introduced at the hearing, the notice of appeal and briefs filed to support and oppose the appeal.
- (e) Within 30 days after the last submission filed pursuant to paragraph (c) above, the Board will appoint an Appeal Panel to consider and determine the appeal. The Board shall appoint individuals at the recommendation of the Chief Compliance Officer to serve on the Appeal Panel for a term of one year, subject to reappointment by the Board, as potential participants on Appeal Panels. The Chief Compliance Officer's recommendation shall include Public Individuals. The term of an individual that has been selected as a member of an Appeal Panel will not expire until the related proceedings are completed.
- (f) The chair of the Appeal Panel shall be a Public Individual.
- (g) Within 10 days of being notified of the appointment of the Appeal Panel, an appellant may seek to disqualify any individual named to the Appeal Panel for the reasons identified in Rule 209 or for any other reasonable grounds, by serving written notice on the Chief Compliance Officer. By not timely filing a request for disqualification, the appellant will be deemed to have waived any objection to the composition of an Appeal Panel. The Chief Compliance Officer of Tradition SEF will decide the merits of any request for disqualification within his or her sole discretion.
- (h) The Appeal Panel will hold a hearing to allow parties to present oral arguments. Any hearing will be conducted privately and confidentially. Notwithstanding the confidentiality of hearings, the Appeal Panel may appoint an expert to attend any hearing and assist in the deliberations if such individuals agree to be subject to appropriate confidentiality agreements. In determining procedural and evidentiary matters, the Appeal Panel will not be bound by evidentiary or procedural rules or law.
- (i) The Appeal Panel will only consider on appeal the record before the Hearing Panel or, in the case of a summary action, the record considered by the Chief Compliance Officer, the notice of appeal, the briefs filed in support and opposition of the appeal, and any oral arguments of the parties. The Appeal Panel may only consider new evidence when the Appeals Panel determines that good cause exists as to why the evidence was not introduced during the disciplinary proceeding or when imposing the summary action.
- (j) After completing its review, the Appeal Panel may affirm, modify or reverse any order of the disciplinary proceedings or summary action under appeal, in whole or in part,

including increasing, decreasing or eliminating any sanction or remedy imposed, imposing any other sanction or remedy authorized by the Rules, remanding the matter to the same or a different Hearing Panel for further disciplinary proceedings, or ordering a new hearing.

- (k) As promptly as reasonably possible following its review, the Appeal Panel will issue a written decision based on the weight of the evidence before the Appeal Panel. The decision of the Appeal Panel will include a statement of findings of fact and conclusions for each finding, sanction, remedy and cost reviewed on appeal, including each specific Rule of Tradition SEF and provision of Applicable Law that the respondent is found to have violated, if any, and the imposition of sanctions, remedies and costs, if any, and the effective date of each sanction, remedy or cost.
- (l) The Appeal Panel's written order will be the final action of Tradition SEF and will not be subject to appeal within Tradition SEF.

**RULE 617 Summary Imposition of Fines**

- (a) The Chief Compliance Officer may summarily impose a fine against a Participant (on behalf of itself or any of its Authorized Traders, other Supervised Persons or other Persons using any of its User IDs) or Authorized Trader for failing:
  - (1) to make timely payments of fees, cost, charges or fines to Tradition SEF;
  - (2) to make timely and accurate submissions to Tradition SEF of notices, reports or other information required by the Rules; and
  - (3) to keep any books and records required by the Rules.
- (b) The Market Regulation Department, acting on behalf of the Chief Compliance Officer, will give notice of any fine imposed pursuant to this Rule 617 to each Participant or Authorized Trader subject thereto. The notice will specify:
  - (1) the violations of the 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.

Within 20 days of serving the notice of fine, the Participant or Authorized Trader, as the case may be, must either pay or cause the payment of the fine or file notice of an appeal pursuant to Rule 616. Unless timely notice of appeal is filed pursuant to Rule 616, the fine will become final upon the expiration of 20 days after the notice of fine is served on the Participant or Authorized Trader, as the case may be.

- (c) Tradition SEF will set the amount of any fines imposed pursuant to this Rule 617, with the maximum fine for each violation not to exceed \$5,000. Summary imposition of fines pursuant to this Rule 617 will not preclude Tradition SEF from bringing any other action against the Participant (or any of its Authorized Traders or other Supervised Persons) or Authorized Trader, as the case may be.

**RULE 618 Summary Suspensions and Other Summary Actions**

- (a) Notwithstanding anything in the Rules to the contrary, the Chief Compliance Officer may, after consultation with the Regulatory Oversight Committee, if practicable, summarily suspend, revoke, limit, condition, restrict or qualify a Participant's Trading Privileges and/or ability to otherwise access the Platform, and may take other summary action against any Participant or any of its Authorized Traders or Supervised Persons in accordance with the Rules; provided, however, that the Chief Compliance Officer must reasonably believe that the business, conduct or activities of the Participant or any of its Authorized Traders or Supervised Person in question is not in the best interests of Tradition SEF or the marketplace, including based on any of the following:
  - (1) statutory disqualification from registration as provided in Act Section 8a(2) or (3);

- (2) nonpayment of fees, costs, charges, fines or arbitration awards; or
  - (3) the reasonable belief that immediate action is necessary to protect the public or the best interests of Tradition SEF.
- (b) Whenever practicable, Tradition 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, Tradition SEF will give notice at the earliest possible opportunity to the respondent against whom the action is brought.
  - (c) Unless timely notice of appeal is filed pursuant to Rule 616, the summary action will become final upon the expiration of 20 days after the notice of action is served on the respondent.
  - (d) At the request of Tradition SEF, a respondent against whom a summary action is brought pursuant to this Rule 618 must provide books and records over which the respondent has access or control and must furnish information to, or appear or testify before, Tradition SEF in connection with the enforcement of any Rule of Tradition SEF.
  - (e) A respondent whose Trading Privileges and/or ability to otherwise access the Platform are suspended, revoked, limited, conditioned, restricted or qualified pursuant to this Rule 618 may apply for reinstatement by filing with the Market Regulation Department a written request stating the applicant's reasons for seeking reinstatement. Tradition SEF will not consider a respondent's request for reinstatement if the respondent (i) owes any fines, fees, charges or costs to Tradition SEF, (ii) continues to fail to appear at disciplinary proceedings without good cause or (iii) continues to impede the progress of disciplinary proceedings.
  - (f) Within a reasonable period after the filing of a request for reinstatement, the Appeals Panel will conduct a hearing to consider the request. At the hearing for reinstatement, the respondent will present its, his or her case supporting the reinstatement and the Market Regulation Department, acting on behalf of the Chief Compliance Officer may, in its discretion, present its case opposing supporting the reinstatement and each may present evidence and facts and call, examine and cross-examine witnesses. At the hearing for reinstatement, Tradition SEF may require any Participant, Authorized Trader or other Supervised Person to appear as witnesses and produce evidence if the Appeals Panel determines that the evidence is relevant.
  - (g) As promptly as reasonably possible after a reinstatement hearing, the Appeals Panel will issue an order reinstating, denying the reinstatement, or placing conditions on the reinstatement of the Trading Privileges and/or ability to otherwise access the Platform of the respondent. The order will include a brief summary of the evidence introduced at the reinstatement hearing; and, if applicable, findings of fact and conclusions not contained in the notice of summary action issued pursuant to Rule 618(b) above. The Appeals Panel's order may not be appealed.

**RULE 619 Rights and Responsibilities after Suspension or Termination**

- (a) When a Participant's or Authorized Trader's Trading Privileges and/or ability to otherwise access the Platform 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 or Authorized Trader, enter Orders into the Platform 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 or Authorized Trader in question to assert claims against others as provided in the Rules. Any such suspension will not affect the rights of creditors under the Rules or relieve the Participant or Authorized Trader in question of its, his or her obligations under the Rules to perform any Swaps entered into before the suspension, or for any SEF fees, costs, or charges incurred during the suspension. Tradition SEF may discipline a suspended Participant or Authorized Trader under this Chapter 6 for any violation of a Rule of Tradition SEF or

provision of Applicable Law committed by the Participant or Authorized Trader before, during or after the suspension.

- (b) When a Participant's or Authorized Trader's Trading Privileges and/or ability to otherwise access the Platform are terminated, all of its related rights will terminate, except for the right of the Participant or Authorized Trader in question to assert claims against others, as provided in the Rules. Any such termination will not affect the rights of creditors under the Rules. A terminated Participant or Authorized Trader may only seek to be reinstated by applying for Trading Privileges pursuant to Rule 302.
- (c) Tradition SEF will not consider the application of a terminated Participant or Authorized Trader if such Participant or Authorized Trader, 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 or Authorized Trader remains subject to the Rules and the jurisdiction of Tradition SEF for acts and omissions prior to the suspension or termination, and must cooperate in any inquiry, investigation, disciplinary proceeding, appeal of disciplinary proceedings, summary suspension or other summary action as if the suspended or terminated Participant or Authorized Trader still had Trading Privileges or ability to otherwise access the Platform.
- (e) In the event of the suspension or revocation of a Participant's Trading Privileges and/or ability to otherwise access the Platform, Tradition SEF shall seek to facilitate the transfer of any Customer accounts held by such Participant to other Participants with Trading Privileges and/or ability to otherwise access the Platform.

**RULE 620 Notice to the Respondent, the Regulatory Services Provider and the Public**

Tradition SEF will provide written notice of disciplinary proceedings to the parties and the Regulatory Services Provider consistent with applicable CFTC Regulations. Whenever Tradition SEF suspends, expels, fines or otherwise disciplines, or denies any Person access to Tradition SEF, Tradition SEF will make the public disclosures required by CFTC Regulations.

## CHAPTER 7 CLEARED SWAPS AND UNCLEARED SWAPS

### **RULE 701      Cleared Swaps**

Subject to Rule 703, a Participant or Customer shall be eligible to trade Cleared Swaps on the SEF only if the Participant or Customer (or their respective Affiliate) is a Clearing Firm of the appropriate Derivatives Clearing Organization where the Cleared Swap is designated for clearing or has a clearing account with a Clearing Firm who has undertaken to provide a guarantee to the Derivatives Clearing Organization to clear such Cleared Swap at the Derivatives Clearing Organization, following the Clearing Firm's acceptance of such Cleared Swap for clearing, within the limits set by the Clearing Firm, in each case executed on a Platform or pursuant to the Rules. A Clearing Firm may not refuse to accept a Cleared Swap for clearing that does not violate the limits set by the Clearing Firm.

### **RULE 702      Clearing Services**

- (a) The clearing services provided by a Derivatives Clearing Organization with respect to any Cleared Swap, and the rights and obligations of purchasers and sellers under Cleared Swaps (including rights and obligations in respect of clearing and settlement, variation payments and performance at maturity), will be governed by the rules of such Derivatives Clearing Organization.
- (b) Tradition SEF shall provide facilities to route each Cleared Swap to the Derivatives Clearing Organization identified by the parties to such Cleared Swap, but Tradition SEF shall be under no obligation to ensure that such Cleared Swap is accepted for clearing.

### **RULE 703      Cleared Swaps Not Accepted for Clearing**

- (a) If a Cleared Swap is submitted to, but Tradition SEF, a Clearing Firm, or a Participant receives a rejection notice from: (1) a Clearing Firm because the Participant or Customer breached its credit limit at the Clearing Firm, or; (2) a Derivatives Clearing Organization because a Clearing Firm breached its credit limit at such Derivatives Clearing Organization, then it shall be void ab initio and Tradition SEF shall notify the relevant Swap Data Repository that the Cleared Swap was rejected by the Clearing Firm or Derivatives Clearing Organization, as applicable
- (b) If a Cleared Swap is rejected by a Derivatives Clearing Organization because of a clerical or operational error or omission resulting in a mismatch of the terms of the trade, then the Swap shall be void ab initio. In such case a new Cleared Swap, with terms and conditions that match the terms of the original Swap, other than any such error and the time of execution, may be submitted for clearing without being executed in the Order Book, by RFQ or as a Block Trade provided:
  - (1) this procedure may not be used for Swaps rejected pursuant to clause (a) above;
  - (2) both Clearing Firms agree to submit the new Cleared Swap;
  - (3) each Clearing Firm obtains the consent of its Customer, if any to submit the new Cleared Swap, and such consent must be sought on a case-by-case basis after the rejection of the original Swap;
  - (4) neither Clearing Firm may require a Customer to agree in advance to consent to the submission of a new Cleared Swap;
  - (5) The new Cleared Swap must be submitted for clearing as quickly as technologically practicable after receipt by Tradition SEF or the Clearing Firm of a notice of rejection from clearing, but in any event, no later than 30 minutes from the issuance of the notice of rejection by the Derivatives Clearing Organization to the Clearing Firms or Tradition SEF;

- (6) Both the original Swap and the new Cleared Swap are subject to pre-execution credit checks that comply with CFTC Regulation 1.73 and/or Regulation 23.609 and the CFTC Staff Guidance on Swaps Straight-Through Processing issued on September 26, 2013 (the "CFTC Staff Guidance");
  - (7) both the original swap and the new Cleared Swap are processed in accordance with the time frames set forth in CFTC Regulation 1.74, 23.610, 39.12(b)(7) and the CFTC Staff Guidance;
  - (8) Tradition SEF reports the Swap transaction data to the relevant SDR as soon as technologically practicable after the original Swap is rejected by the Derivatives Clearing Organization, and the parties to the Cleared Swap provide Tradition SEF with all of the information necessary for it to report the new Cleared Swap data and the cancellation of the original Swap; and
  - (9) If the new Swap is also rejected for clearing, it is void ab initio and the parties may not submit another new Cleared Swap again without executing such Cleared Swap in the Order Book, by RFQ or as a Block Trade.
- ~~[(c) — A party whose interest in a Cleared Swap fails to be accepted for clearing shall be responsible to its counterparty for losses resulting from such failure. To the extent permitted under Applicable Law, the amount of any such loss shall, unless otherwise agreed to in a bilateral agreement by the parties, be equal to the "Early Termination Amount" as determined pursuant to the terms of Section 6(e) of a deemed 2002 ISDA Master Agreement between the parties on the following basis: (i) the date the Cleared Swap was rejected for clearing shall be the "Early Termination Date"; (ii) such "Early Termination Date" shall be deemed to have arisen from an "Additional Termination Event" in respect of which such Cleared Swap is the sole "Affected Transaction"; (iii) the "material terms" (for the purposes of clause (a) of the definition of "Close-out Amount" in such deemed 2002 ISDA Master Agreement) of such Cleared Swap shall, for the avoidance of doubt, include the fact that such Cleared Swap was to be cleared by the relevant Derivatives Clearing Organization; (iv) the "Termination Currency" shall be U.S. dollars; (v) the "Governing Law" shall be New York law; and (vi) the party whose side of the Cleared Swap fails to clear shall be the sole "Affected Party" and the other party shall determine the Early Termination Amount. —]~~
- (c) For the avoidance of doubt, a Swap that is submitted for clearing and is the subject of a rejection notice from the applicable Derivatives Clearing Organization or Clearing Firm pursuant to this Rule will nonetheless otherwise be within the meaning of SEF Activity for purposes of the Rules.

**RULE 704 Credit Checks - Pre-Execution Credit Check**

- (a) Prior to entering any Order for a Cleared Swap, each Participant that is acting for its own account shall ensure that it has sufficient credit with the Clearing Firm to which any resulting Swap will be submitted for clearing at the relevant Derivatives Clearing Organization. In the event that there is insufficient credit, the Participant may not enter such Order.
- (b) Prior to entering or permitting the entry of any Order for a Customer for a Cleared Swap, each Participant shall ensure that its Customer has sufficient credit with the Customer's Clearing Firm to which any resulting Swap will be submitted for clearing at the relevant Derivatives Clearing Organization. In the event that there is insufficient credit, the Participant may not enter or permit the entry of such Order.
- (c) Tradition-SEF will take steps to facilitate pre-execution credit checks by Clearing Firms and will issue notices to Clearing Firms and Participants relating thereto. Consistent with and to the extent required by CFTC Regulations, each Clearing Firm that is a Participant shall establish risk-based limits for its proprietary account. Each Clearing



Firm, whether or not a Participant, shall establish risk-based limits for each Customer account. Except to the extent otherwise permitted by CFTC Regulations:

- (1) such risk-based limits shall be based on position size, order size, margin requirements, or similar factors;
- (2) a Clearing Firm shall use automated means to screen Orders that it has authorized a Participant to execute electronically; and
- (3) a Clearing Firm shall establish and maintain systems of risk controls reasonably designed to ensure compliance with such risk-based limits for all other Orders.

**RULE 705      Uncleared Swaps**

A Participant or Customer may enter into an Uncleared Swap with a counterparty only if such Participant or Customer and the counterparty have an Execution Agreement in place between them.

## CHAPTER 8 MISCELLANEOUS

### **RULE 801      Gifts and Gratuities**

Except as permitted in writing by the Chief Compliance Officer, no Participant 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 an SEF Official.

### **RULE 802      Market Data**

- (a) All Participants, ISVs, Customers, Authorized Brokers, Authorized Traders and all employees, agents, vendors, and other Persons affiliated with the foregoing understand and acknowledge that Tradition SEF has a proprietary interest in:
- (1) the price and quantity data from each and every Swap executed on a Platform, including the time at which the Swap was executed by, or submitted to, such Platform;
  - (2) the price and quantity data for each and every bid and offer submitted for entry into a Platform, including the time at which the bid and offer was entered into such Platform;
  - (3) the yield curves prepared by Tradition SEF;
  - (4) any data and information derived from (1), (2) and (3) and the format and presentation thereof; and
  - (5) the transmissions and dissemination of the data and information to Participants, any publisher of the data or information with which Tradition SEF has a written agreement, and any other Persons.
- (b) No Participant, ISV, Customer, Authorized Broker, Authorized Trader or any of their Affiliates may distribute, sell or retransmit information displayed on any Platform to any third party unless such Participant, ISV, Customer, Authorized Broker, Authorized Trader or Affiliate have executed an agreement with Tradition SEF, governing their use of such data. Such agreement may impose restrictions on the dissemination of Tradition SEF's proprietary data as may be necessary to safeguard the security or operations of the Platforms or to preserve market integrity, fair and orderly trading, or if otherwise in the public interest, and may establish data fees for access to and dissemination of such data.
- (c) Nothing in the Rules shall be deemed to restrict a Participant's or a Customer's right to use and distribute information regarding its Orders and trades, respectively, on Tradition SEF (including price, quantity, and time of execution data), or any other information a Participant or a Customer provides to Tradition SEF

### **RULE 803      Extension or Waiver of Rules**

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

### **RULE 804      Effect of Amendment, Repeal or New Rule**

Tradition SEF may, in compliance with Applicable Law and these Rules, amend or repeal any Rule and/or adopt new Rules. Any such amendment or repeal of a Rule or adoption of a new Rule, shall, upon the effective date of such amendment, repeal or adoption, as applicable, be binding on all Persons subject to the jurisdiction of Tradition SEF (regardless of when any such Person became subject to Tradition SEF's jurisdiction).

**RULE 805      Signatures**

Rather than rely on an original signature, Tradition SEF may elect to rely on a signature that is transmitted, recorded or stored by any electronic, optical or similar means (including but not limited to facsimile, imaging, photocopying, email, or electronic data interchange) as if it were (and the signature shall be considered and have the same effect as) a valid and binding original.

**RULE 806      Governing Law**

The law of the New York governs the Rules regardless of the laws that would otherwise apply under applicable choice-of-law principles.

**RULE 807      Dispute Resolution**

- (a) Except as set forth in paragraphs (b) and (c), any dispute between and among Participants and Customers, and their respective Authorized Traders and Authorized Brokers, that relates to or arises out of any Swap on a Platform or subject to the Rules, shall be brought in the State or Federal courts located in the Borough of Manhattan in the City of New York, and each such Person expressly consents to the jurisdiction of such court, waives any objection to venue therein, and waives any right it may have to a trial by jury.
- (b) Notwithstanding paragraph (a), if the parties to the dispute are members or associates of NFA, the dispute shall be resolved in NFA Member Arbitration Program and conducted pursuant to the Rules and the rules of the National Futures Association Arbitration Program.
- (c) Notwithstanding paragraphs (a) and (b), if the parties to the dispute have separately agreed to another forum, the dispute shall be resolved in such form.

**RULE 808      Disputes with Tradition SEF**

Any dispute between Tradition SEF (including any SEF Official) and any Participants and Customers, and their respective Authorized Traders and Authorized Brokers, or any ISV or Clearing Firm that relates to or arises out of Tradition SEF's operation of any Platform, any Swap on a Platform or subject to the Rules, or the Rules, shall be brought in the State or Federal courts located in the Borough of Manhattan in the City of New York, and each such Person expressly consents to the jurisdiction of such court, waives any objection to venue therein, and waives any right it may have to a trial by jury. In the event that a claimant brings a claim against Tradition SEF or any SEF official, fails to prevail in a dispute against the Tradition SEF (or any SEF Official), such claimant shall pay to Tradition SEF all expenses, including reasonable attorneys' fees, incurred by Tradition SEF in the defense of such proceeding.

**Exhibit B**  
**Amended Form SEF Exhibits O and V**

REDACTED – CONFIDENTIAL TREATMENT REQUESTED.

CONFIDENTIAL TREATMENT REQUESTED



**TRADITION SEF, Inc.**

By Electronic Mail

January 3, 2014

Assistant Secretary of the Commission for FOIA Matters  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, D.C. 20581

Re: Tradition SEF, Inc. – FOIA Confidential Treatment Request

Dear Secretary:

By e-mail dated today, January 3, Tradition SEF, Inc. (the “Submitter”) voluntarily provided the information attached as Exhibit A (the “Confidential Information”) and attached hereto to the Commodity Futures Trading Commission (the “Commission”) and staff of the Division of Market Oversight in connection with a Swap Execution Facility (“SEF”) rule submission made pursuant to Commission Rule 40.6.

Pursuant to Commission Rule 145.9(d), the Submitter requests confidential treatment of the Confidential Information on the grounds that disclosure of the Confidential Information would reveal confidential commercial and financial information of the Submitter.

Pursuant to Commission Rule 145.9(d)(5) the Submitter requests that confidential treatment of the Confidential Information be maintained until further notice from the Submitter. The Submitter requests that the Commission notify it immediately after receiving any request under the Freedom of Information Act (“FOIA”) or any other court order, subpoena or summons for the Confidential Information. The Submitter specifically notes that it does not waive in any manner its rights under Section 8(f) of the Commodity Exchange Act to receive a copy of any subpoena or summons for the Confidential Information prior to the Commission's disclosure of such information pursuant to such subpoena or summons. Finally, the Submitter requests that the Commission notify it in the event that the Commission intends to disclose the Confidential Information to Congress or any federal or state governmental agency or department.

Should you require additional information related to this submission, please contact the undersigned at 212-791-3497 or [eric.earnhardt@tradition-na.com](mailto:eric.earnhardt@tradition-na.com). Please reference Tradition Submission No. 14-0001 in any related correspondence.

Sincerely,

Eric Earnhardt  
Chief Compliance Officer