



MarketAxess SEF Corporation  
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December 11, 2013

Submitted Via Email

Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
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RE: Self-Certification of Rules Pursuant to CFTC Rule 40.6(a)

To Whom it May Concern:


Pursuant to Section 5c(c) of the Commodity Exchange Act ("CEA") and Commodity Futures Trading Commission ("CFTC") Rule 40.6(a), the MarketAxess SEF Corporation ("MarketAxess SEF") hereby notifies the CFTC that it has updated its Rulebook to reflect recent developments and to provide clarity. The amended Rulebook will be effective on December 27, 2013. Please find enclosed two versions of the Rulebook, a clean version and a version marked to show the changes made.

The enclosed MarketAxess SEF Core Principles Chart demonstrates how MarketAxess SEF complies with applicable provisions of the CEA and the CFTC's regulations thereunder.

No substantive opposing views were expressed to the MarketAxess SEF Corporation by its governing board or committee members.

MarketAxess SEF Corporation hereby certifies that any changes made to the Rulebook comply with the CEA and CFTC regulations thereunder.

MarketAxess SEF Corporation hereby certifies that it has posted a copy of this filing and a notice of the pending certification on its website concurrently with filing this notice with the CFTC.

By:   
Ron Steinfeld  
Chief Compliance Officer  
MarketAxess SEF Corporation  
December 11, 2013

cc: Division of Market Oversight (Email: [dmosubmissions@cftc.gov](mailto:dmosubmissions@cftc.gov))

Nancy Markowitz  
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# MarketAxess SEF RULEBOOK

Effective as of December 27, 2013

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## CHAPTER 1: DEFINITIONS

### Rule 101. Definitions

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

**"Affected Person"** has the meaning set forth in Rule 302(e).

**"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 under Chapter 7.

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

**"Authorized Contacts"** has the meaning set forth in Rule 537(a)(2).

**"Authorized Representative"** means a natural person who is employed and authorized by a Participant to represent the Participant in MarketAxess SEF matters pursuant to Rule 307.

**"Authorized Trader"** means a natural person who is either employed by or an agent of a Participant Firm and who is authorized to utilize the MarketAxess SEF.

**"Available to trade"** has the meaning set forth in CFTC Regulation 37.10.

**"Block Trade"** means a transaction in a Swap that is approved for trading on the MarketAxess SEF that (i) meets a notional or principal amount at or above the appropriate minimum block size applicable to such swap, as determined by the CFTC, and (ii) is subject to the MarketAxess SEF Rules.

**"Board"** means the Board of Directors of MarketAxess SEF Corporation, which manages the MarketAxess SEF and is constituted from time to time in accordance with the Certificate of Incorporation and By-laws.

**"Business Day"** means a day on which the MarketAxess SEF is open for trading.

**"By-laws"** means the by-laws of MarketAxess SEF Corporation, as amended from time to time, unless otherwise specified.

**"CEA"** means the Commodity Exchange Act, as amended from time to time.

**"Certificate of Incorporation"** means the certificate of incorporation of MarketAxess SEF Corporation filed with the Secretary of State of Delaware on June 6, 2013, as amended from time to time.

**“Chief Compliance Officer” or “CCO”** means the individual appointed by the Board as the MarketAxess SEF’s chief compliance officer.

**“Chief Executive Officer”** means the individual appointed by the Board as the MarketAxess 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, as amended from time to time.

**“Clearing Firm”** means an entity that meets the requirements of clearing membership at a Clearing House that clears Trades in any or all of the MarketAxess SEF Swaps and is authorized to submit Trades for clearing to the Clearing House.

**“Clearing House”** means each CFTC-registered Derivatives Clearing Organization or Derivatives Clearing Organization that is exempt from such registration that MarketAxess SEF designates from time to time to provide clearing services with respect to any or all of the MarketAxess SEF Swaps.

**“Clearing House Rules”** means the rules, interpretations, orders, resolutions, advisories, notices, statements of policy, decisions, manuals and directives of the relevant Clearing House, and all amendments thereto.

**“Commodity Trading Advisor” or “CTA”** has the meaning set forth in Section 1a(12) of the CEA.

**“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” and “controlled” shall have meanings correlative to the foregoing.

**“CTT”** means Click to Trade as set forth in Rule 538(b).

**“Customer”** means a Person who is an Eligible Contract Participant and includes, but is not limited to, a customer of a Participant Firm.

**“Derivatives Clearing Organization”** has the meaning set forth in Section 1a(15) of the CEA.

**“Designated Contract Market” or “DCM”** means a board of trade designated by the CFTC as a contract market under Section 5 of the CEA.

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

**“Disciplinary Action”** has the meaning set forth in Rule 701(c).

**“Disciplinary Panel”** means the panel appointed by the Board at the recommendation of the Chief Compliance Officer to act in an adjudicative role and fulfill various adjudicative responsibilities and duties described in Chapter 7.

**"Eligible Contract Participant"** or **"ECP"** has the meaning set forth in Section 1a(18) of the CEA.

**"Emergency"** has the meaning set forth in CFTC Regulation 40.1(h).

**"Emergency Rules"** has the meaning set forth in Rule 212(a).

**"FINRA"** means the Financial Industry Regulatory Authority, Inc., or any successor thereto.

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

**"Government Agency"** means any governmental entity (including the United States, a state or a foreign government).

**"Interested Person"** has the meaning set forth in Rule 213(a).

**"Introducing Broker"** or **"IB"** has the meaning set forth in Section 1a(31) of the CEA.

**"Investigative Report"** has the meaning set forth in Rule 703(b).

**"Independent Software Vendor"** or **"ISV"** has the meaning set forth in Rule 537(b)(3).

**"ISDA"** means the International Swaps and Derivatives Association, Inc.

**"Major Swap Participant"** has the meaning set forth in Section 1a(33) of the CEA.

**"MarketAxess Control Center,"** or **"MCC,"** means the MarketAxess SEF Control Center, a technical support center established and maintained by the MarketAxess SEF to provide technical support and control over the operations of the MarketAxess SEF Trading System.

**"MarketAxess Holdings"** means MarketAxess Holdings Inc., or any successor thereto.

**"MarketAxess SEF"** means the SEF operated by MarketAxess SEF Corporation, a Delaware corporation, or any successor thereto.

**"MarketAxess SEF Activity"** means activity which a Participant conducts on the MarketAxess SEF or activity which is otherwise subject to the MarketAxess SEF Rules.

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

**"MarketAxess SEF Proceeding"** has the meaning set forth in Rule 213(a).

**"MarketAxess SEF Rules,"** or **"Rules,"** means all rules adopted by MarketAxess SEF, all Notices to Participants published by the MarketAxess SEF, all Participant Documentation, all interpretations,



orders, resolutions, advisories, statements of policy, decisions, manuals and directives of the MarketAxess SEF, and all amendments thereto.

**"MarketAxess SEF Swap"** means any swap listed for trading by MarketAxess SEF.

**"MarketAxess SEF Trading System"** means the MarketAxess SEF electronic trade execution system that is used for trading MarketAxess SEF Swaps, including any licensed software that is a part thereof from time to time, and any successor electronic trading system thereto, the hardware and any communications links as may be furnished by the MarketAxess SEF from time to time in accordance with this Agreement.

**"MarketAxess SEF User License Agreement"** means the MarketAxess SEF user license agreement that must be entered into by any user of the MarketAxess SEF Trading System.

**"Market Regulation Department"** means all MarketAxess SEF Officials and/or agents (including the Regulatory Services Provider) that assist the MarketAxess SEF in the implementation, surveillance and enforcement of the MarketAxess SEF Rules and other Obligations.

**"Material conflict of interest"** has the meaning set forth in Rule 213(b).

**"NFA"** means the National Futures Association, or any successor thereto.

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

**"Obligation"** means each Rule of the MarketAxess SEF, each order or procedure issued by the MarketAxess SEF, including Notices to Participants, and each other requirement implemented by the MarketAxess SEF under the MarketAxess SEF Rules, including each term of a MarketAxess SEF Swap, as well as any contractual obligations between a Participant and the MarketAxess SEF, including the Participant Documentation.

**"Officer"** has the meaning set forth in Rule 203(a).

**"Option"** means an option to buy or sell a MarketAxess SEF Swap that is subject to the MarketAxess SEF Rules.

**"Order"** means either a bid or an offer for a MarketAxess SEF Swap that is subject to the MarketAxess SEF Rules. For the avoidance of doubt, the term "Order" includes a response to a Request for Quote.

**"Order Book"** means the trading system or platform operated by the MarketAxess SEF in which all market participants in the trading system or platform have the ability to enter multiple bids and offers, observe or receive bids and offers entered by other market participants, and transact on such bids and offers.

**"Participant"** means a Participant Firm, any natural person who is either employed by or an agent of a Participant Firm (including, but not limited to a Supervised Person and/or Authorized Trader), or any natural person who is authorized to access or utilize the MarketAxess SEF Trading System pursuant to

the applicable user ID. For the avoidance of doubt, a natural person may simultaneously be a Participant of more than one Participant Firm.

**"Participant Documentation"** means the agreements (together with any applicable schedules, exhibits or appendices thereto required by the MarketAxess SEF) in form and substance acceptable to the MarketAxess SEF, that are required to be executed and delivered to the MarketAxess SEF for a Person to access the MarketAxess SEF Trading System on or after November 1, 2013, including, but not limited to, the MarketAxess SEF User License Agreement, as amended from time to time by the MarketAxess SEF.

**"Participant Firm"** means an entity that accesses the MarketAxess SEF and is an ECP as defined in Section 1a(18) of the CEA. A Participant Firm may trade for its own Proprietary Account. In certain cases, a Participant Firm may trade for an account on behalf of its Customer. The term **"Participant Firm"** collectively refers to all Participants and Authorized Traders of a Participant Firm authorized to utilize the MarketAxess SEF.

**"Permitted Transaction"** means any transaction involving a MarketAxess SEF Swap that is not a Required Transaction.

**"Person"** means a natural person or an entity.

**"Proprietary Account"** has the meaning set forth in Section 1.3(y) of the CFTC Regulations.

**"Public Director"** means an individual with the qualifications set forth in Rule 202(e).

**"Public Individual"** means an individual that is determined by the Board or the Chief Compliance Officer, as applicable, to have no "material relationship," as such term is used in Rule 202(e), with the MarketAxess SEF.

**"Regulatory Oversight Committee"** means the committee of the Board constituted in accordance with Rule 208.

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

**"Regulatory Services Provider,"** or **"RSP,"** means an organization, if any, that provides regulatory services to the MarketAxess SEF pursuant to a Regulatory Services Agreement.

**"Required Transaction"** means any transaction involving a MarketAxess SEF Swap that is subject to the trade execution requirement of Section 2(h)(8) of the CEA.

**"Request for Quote"** or **"RFQ,"** means a request for a quote to buy or sell a specific instrument.

**"Request for Quote System"** or **"RFQ System"** means a trading system or platform in which a Participant transmits a request for a quote to buy or sell a specific instrument to no less than the minimum number of Participants required by CFTC regulations, to which all such Participants may respond.

"SEC" means the U.S. Securities and Exchange Commission or any successor regulatory body.

"SEF Confirmation" has the meaning set forth in Rule 1007(a).

"Self-Regulatory Action" has the meaning set forth in Rule 213(a).

"Self-Regulatory Organization" shall, unless otherwise provided, have the meaning set forth in CFTC Regulation 1.3(ee) and, in addition, shall include a Derivatives Clearing Organization.

"Supervised Person(s)" means any director(s), officer(s), employee(s) or agent(s) of any Participant, including but not limited to Authorized Traders.

"Swap" has the meaning set forth in Section 1a(47) of the CEA.

"Swap Data Repository" or "SDR" has the meaning set forth in Section 1a(48) of the CEA.

"Swap Dealer" has the meaning set forth in Section 1a(49) of the CEA.

"Swap Execution Facility" or "SEF" has the meaning set forth in Section 1(a)(50) of the CEA.

"Terms Incorporated by Reference" has the meaning set forth in Rule 1007(a).

"Trade" means any purchase or sale of any MarketAxess SEF Swap made on, or pursuant to the Rules of, the MarketAxess SEF.

"Trade Communication" has the meaning set forth in Rule 1007(a).

"Trading Hours" means, for any Business Day, the hours as may be published by the MarketAxess SEF in a Notice to Participants from time to time.

"Trading Privileges" means the right granted to a Participant to transmit Orders for certain or all MarketAxess SEF Swaps through the MarketAxess SEF Trading System.

"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.

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

- (i) Headings are for convenience only and do not affect the construction of the MarketAxess SEF Rules;
- (ii) all references to time are to local time in New York, New York except where expressly provided otherwise;
- (iii) words denoting a singular number include the plural number where the context permits and vice versa;

- (iv) where the context permits or requires, any pronoun shall include the corresponding masculine, feminine and neuter forms; and
- (v) references to statutory provisions include those provisions as amended, and any rules or regulations promulgated thereunder.

## **CHAPTER 2: MARKETAXESS SEF OWNERSHIP AND GOVERNANCE**

### **Rule 201. Ownership**

(a) MarketAxess SEF Corporation is a corporation organized and existing under the laws of the State of Delaware. The Certificate of Incorporation and By-laws of MarketAxess SEF Corporation govern the management and operation of the MarketAxess SEF. MarketAxess Holdings owns all of the issued and outstanding capital stock of MarketAxess SEF Corporation. MarketAxess Holdings is listed on the Nasdaq Stock Market, a national securities exchange registered with the SEC.

### **Rule 202. Board**

(a) The Officers shall manage the day-to-day business operations of the MarketAxess SEF. 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 of any panel of Officers, related to the day-to-day business operations of the MarketAxess SEF.

(b) 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 Certificate of Incorporation or By-laws.

(c) At all times, at least 35%, but no less than two, of the Directors shall be Public Directors. Each Director (including Public Directors) shall be appointed in accordance with the Certificate of Incorporation and By-laws, and shall serve until his or her successor is duly appointed, or until his or her earlier resignation or removal, with or without cause.

(d) Each Director is entitled to indemnification pursuant to the Certificate of Incorporation and By-laws with respect to matters relating to the MarketAxess SEF or otherwise relating to MarketAxess SEF Corporation.

(e) To qualify as a Public Director, an individual must be found, by action of the Board, to have no material relationship with the MarketAxess 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 than annually.

A "material relationship" is one that reasonably could 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 the MarketAxess SEF to constitute a "material relationship." A Director

shall be considered to have a "material relationship" with the MarketAxess 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 the MarketAxess SEF, or an officer or an employee of an Affiliate of the MarketAxess SEF;

(2) Such Director is a Participant or owner of the MarketAxess SEF;

(3) 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 the MarketAxess SEF or its Affiliate, any Participant of the MarketAxess SEF or any Affiliate of such Participant. Compensation for services as a Director of the MarketAxess 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, *provided* that such compensation is in no way contingent, conditioned or revocable; or

(4) Notwithstanding Rule 202(e)(3), in the case of a Public Director that is a member of the Regulatory Oversight Committee, such Public Director accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the MarketAxess SEF or its Affiliate or any Participant of the MarketAxess SEF or the Participant's Affiliate, other than deferred compensation for service rendered prior to becoming a member of the Regulatory Oversight Committee, *provided* that such compensation is in no way contingent, conditioned or revocable. This Rule 202(e)(4) does not apply to compensation received in the public director's capacity as a member of the Regulatory Oversight Committee.

(f) Any of the relationships set forth in Rule 202(e)(1) through Rule 202(e)(4) 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."

(g) A Public Director of the MarketAxess SEF specified in Rule 202 may also serve as a Public Director of an Affiliate of the MarketAxess SEF if he or she otherwise meets the requirements set forth in Rule 202(e)(1) through Rule 202(e)(4).

(h) The compensation of the Public Directors and any other non-executive members of the Board shall not be linked to the business performance of the MarketAxess SEF.

(i) The Board shall review its performance and that of its individual members annually, and may use external facilitators for such reviews.

(j) In the event that the Board rejects a recommendation or supersedes an action of the Regulatory Oversight Committee, the MarketAxess SEF shall submit a written report to the CFTC detailing:

(1) the recommendation or action of the Regulatory Oversight Committee;

(2) the rationale for such recommendation or action;

(3) the rationale of the Board for rejecting such recommendation or superseding such action; and

(4) The course of action that the Board decided to take contrary to such recommendation or action.

(k) The Board shall adopt procedures to remove a Director, where the conduct of such Director is likely to be prejudicial to the sound and prudent management of the MarketAxess SEF.

### **Rule 203. Officers**

(a) The Board shall appoint a Chief Executive Officer, a Chief Compliance Officer and such other officers of MarketAxess SEF Corporation (each an "Officer") as it may deem necessary or appropriate from time to time.

(b) Any Officer may also be a director, officer, partner or employee of the MarketAxess SEF or any of its Affiliates.

(c) The Officers shall have such powers and duties in the management of the MarketAxess SEF as the Board may prescribe from time to time.

(d) Each Officer is entitled to indemnification pursuant to the Certificate of Incorporation and By-laws with respect to matters relating to the MarketAxess SEF or otherwise relating to MarketAxess SEF Corporation.

### **Rule 204. Qualifications of Directors, Disciplinary Panel Members, Appeal Panel Members, Committee Members, Owners and Officers**

(a) A Director or Officer must meet the qualifications set forth from time to time by the Board, including qualifications and sufficient expertise in financial services, risk management, and clearing services.

(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 the MarketAxess SEF, if the individual:

(1) within the prior three (3) years has been found, by a final decision in any action or proceeding brought in a court of competent jurisdiction, the CFTC or any Self-Regulatory Organization, to have committed a disciplinary offense;

(2) within the prior three (3) years has entered into a settlement agreement in which any of the findings or, in the absence of such findings, any of the acts charged, included a disciplinary offense;

(3) is currently suspended from trading on a SEF or DCM, 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 any 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)(i) through (iv) of the CEA;

(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; or

(8) is subject to statutory disqualification under Section 8a(2) or 8a(3) of the CEA.

(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 204(b).

(d) For purposes of Rule 204(b), the terms "disciplinary offense," "final decision" and "settlement agreement" have the meanings set forth in CFTC Regulation 1.63(a).

## **Rule 205. Standing Committees**

(a) The Board shall initially have one standing committee: the "**Regulatory Oversight Committee.**" The Board may from time to time constitute and appoint 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 the MarketAxess 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. See Rule 202(a).

**Rule 206. Reserved.**

**Rule 207. Reserved.**

**Rule 208. Regulatory Oversight Committee**

(a) The Regulatory Oversight Committee of the Board shall consist of two Public Directors appointed from time to time by the Board (*i.e.*, 100% Public Directors).

(b) Each member of the Regulatory Oversight Committee shall serve for a term of two calendar years from the date of his/her appointment or for the remainder of his/her term as a Public Director, and until the due appointment of his/her successor, or until his/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 the MarketAxess SEF's regulatory program on behalf of the Board. The Board shall delegate sufficient authority, dedicate sufficient resources, and allow sufficient time for the Regulatory Oversight Committee to fulfill its mandate. It shall make such recommendations to the Board as will, in its judgment, best promote the interests of the MarketAxess SEF. The Regulatory Oversight Committee shall also have such other powers and perform such other duties as are set forth in the Rules and as the Board may delegate to it from time to time.

(d) Without limiting the generality of the foregoing, the Regulatory Oversight Committee shall:

(1) monitor the regulatory program of the MarketAxess 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) reviewing the performance of the Chief Compliance Officer of the MarketAxess SEF;

(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; and



(3) resolve any conflicts of interest that may arise involving the Chief Compliance Officer.

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

(f) The Regulatory Oversight Committee shall prepare an annual report assessing, for the Board and the CFTC, the regulatory program of the MarketAxess SEF. Such report shall:

(1) describe the self-regulatory program;

(2) set forth the expenses of the self-regulatory program;

(3) describe the staffing and structure of the same;

(4) catalogue investigations and disciplinary actions taken during the year; and

(5) review the performance of the Disciplinary Panel and the Chief Compliance Officer.

#### **Rule 209. Chief Compliance Officer**

(a) Appointment, removal, and compensation of the Chief Compliance Officer.

(1) The Board shall appoint a Chief Compliance Officer that the Board has determined has the background and skills appropriate for fulfilling the responsibilities of the position.

(2) The Board shall approve the compensation of the Chief Compliance Officer.

(3) Only the majority of the Board may remove the Chief Compliance Officer.

(4) The MarketAxess SEF shall notify the CFTC within two (2) business days of appointing or removing any Chief Compliance Officer.

(b) It shall be the duty of the Chief Compliance Officer to:

(1) establish and administer written policies and procedures required under CFTC Regulation 37.1500;

(2) establish and administer written policies and procedures reasonably designed to prevent violations of the CEA or CFTC Regulations;

(3) oversee, review, and take reasonable steps to ensure MarketAxess SEF's compliance with the CEA and CFTC Regulations;

(4) in consultation with the CEO, the Board and/or Regulatory Oversight Committee, resolve any conflicts of interest that may arise between:

(i) business considerations and compliance requirements;

(ii) business considerations and the requirement that the MarketAxess SEF provide fair, open, and impartial access as set forth in Rule 207(d); and

(iii) the management of the MarketAxess SEF and the Directors of the Board.

(5) establish and administer a compliance manual and procedures that:

(i) address the remediation of noncompliance issues identified by the Chief Compliance Officer through a compliance office review, look-back, internal or external audit finding, self-reported error, or validated complaint;

(ii) address the handling, management response, remediation, retesting, and closing of noncompliance issues;

(iii) are designed to promote compliance with Applicable Law, the Rules, and administering a written code of ethics designed to prevent ethical violations and to promote honesty and ethical conduct; and

(iv) protect material, non-public information from unauthorized disclosure, misuse, espionage, loss and theft.

(6) supervise the MarketAxess SEF program, including supervision of trade practice surveillance, market surveillance, real-time market monitoring, compliance with audit trail requirements, enforcement and disciplinary proceedings, audits, examinations, financial integrity, financial reporting, sales practice, and recordkeeping; and

(7) supervise the effectiveness and sufficiency of the Regulatory Services Provider.

(c) The Chief Compliance Officer shall have available to him/her at all times the resources of the Market Regulation Department and such other MarketAxess SEF resources as may be necessary to conduct investigations of alleged Rule violations and market conditions.

(d) The Chief Compliance Officer shall:

(1) report to the Chief Executive Officer and meet with the Board at least annually;

(2) have his or her performance reviewed by the Regulatory Oversight Committee and meet with the Regulatory Oversight Committee at least quarterly;

(3) provide the Board or Regulatory Oversight Committee information regarding the MarketAxess SEF's self-regulatory program upon request; and

(4) prepare and sign an annual compliance report, as prescribed in CEA Section 5h(f)(15) and CFTC Regulations, and submit such report to the Board and the CFTC.

(e) The Chief Compliance Officer shall have the authority to inspect the books and records of all Participants and the authority to require any Participant to appear before him/her and produce its

books and records and answer questions regarding alleged violations of MarketAxess SEF Rules, at the time, place and in the manner that he/she designates. The Chief Compliance Officer may also delegate such authority to staff of the Market Regulation Department or the Regulatory Services Provider.

#### **Rule 210. Compliance Staff and Resources**

The MarketAxess SEF shall establish and maintain sufficient compliance staff and resources to ensure that it can conduct effective audit trail reviews, trade practice surveillance, market surveillance, and real-time market monitoring. The MarketAxess SEF's compliance staff shall also be sufficient to address unusual market or trading events as they arise and to complete investigations in a timely manner in accordance with Rule 702(e).

#### **Rule 211. Additional Board Committees and MarketAxess SEF Panels**

(a) In addition to standing committees, the Board may from time to time constitute and appoint, in accordance with the Certificate of Incorporation and By-laws, special committees of the Board and designate their composition, responsibilities and powers. Each member of such special committees must be a Director and at least 35%, but not less than two, of the members of any such special committees shall be Public Directors.

(b) The MarketAxess SEF may create panels of the MarketAxess SEF for such purposes as may from time to time be necessary or advisable. Members of each such panel may be Directors, Participants (if individuals) or any of a Participant's Supervised Persons (if an entity), or such other individuals as may be qualified to serve on such panel.

(c) Except as otherwise specifically provided in the Rules, the members of any additional committee or panel shall be appointed as determined by the Board. The Board shall designate the chairperson of such additional committee or panel.

(d) Each additional committee or panel shall assist in the supervision, management and control of the affairs of the MarketAxess SEF within its particular area of responsibility.

(e) Subject to the authority of the Board, each additional committee or panel shall determine the manner and form in which its proceedings shall be conducted. Each additional committee or panel may act only by the decision of an absolute majority in number of the members of such committee or panel, either by vote at a meeting or by unanimous written consent without a meeting.

#### **Rule 212. Emergency Rules**

(a) During an Emergency, the Board is authorized to implement temporary emergency procedures and rules ("**Emergency Rules**"), subject to the applicable provisions of the CEA and CFTC Regulations and, where appropriate, in consultation with one or more FCMs and/or Clearing Houses. Emergency Rules authorize the MarketAxess 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 directly taking, or indirectly taking through agreements with a Clearing House or Regulatory Services Provider, the following actions:

- (1) suspending or curtailing trading or limiting trading to liquidation only (in whole or in part);
- (2) providing alternative settlement mechanisms;
- (3) ordering the liquidation, transfer or the reduction of positions in any MarketAxess SEF Swaps;
- (4) extending, limiting or changing the Trading Hours;
- (5) temporarily modifying or suspending any provision of the MarketAxess SEF Rules or Obligations;
- (6) requiring Participants to meet special margin requirements;
- (7) imposing or modifying price limits, intraday market restrictions, or bands;
- (8) imposing or modifying position limits;
- (9) ordering the fixing of a settlement price;
- (10) transferring a Participant's or customer's position and margin;
- (11) altering any MarketAxess SEF Swap's settlement terms or conditions; or
- (12) take market actions as may be 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 remotely attend such a meeting by teleconference or other similar means. If the Chief Executive Officer or the Chief Compliance 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 or the Chief Compliance 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 or the Chief Compliance Officer must promptly notify the Board, and the Board must convene a meeting as soon as practicable.

(c) Whenever the MarketAxess SEF, the Board, any committee of the Board, the Chief Executive Officer or the Chief Compliance Officer takes actions necessary or appropriate to respond to an Emergency, a duly authorized representative of the MarketAxess SEF, where possible, will post an announcement in a Notice to Participants as soon as reasonably practicable after taking such action. When the Board, any committee of the Board, the Chief Executive Officer or the Chief Compliance Officer determines that the Emergency has been reduced sufficiently to allow the MarketAxess SEF to resume normal functioning, any such actions responding to an Emergency will be terminated.

(d) The MarketAxess SEF will use reasonable efforts to notify the CFTC prior to implementing, modifying or terminating an Emergency Rule. If such prior notification is not possible or practicable, the MarketAxess SEF will notify the CFTC as soon as reasonably practicable.

(e) Upon taking any action in response to an Emergency, the MarketAxess SEF will document the decision-making process related to such action. Such documentation will be kept for at least five (5) years following the date on which the Emergency ceases to exist or to affect the MarketAxess SEF, and all such documentation will be provided to the CFTC upon request.

### **Rule 213. Conflicts of Interest and Misuse of Material, Non-Public Information**

(a) A Director, Officer, Disciplinary Panel member or other Person authorized to exercise the MarketAxess SEF's authority concerning any inquiry, investigation, disciplinary proceeding or any appeal from a disciplinary proceeding, summary suspension or other summary action (any such action, a "**MarketAxess SEF Proceeding**"), or Emergency actions taken pursuant to Rule 212 (each such MarketAxess SEF Proceeding or Emergency action, a "**Self-Regulatory Action**"), who knowingly has a "material conflict of interest" between his or her position with respect to the 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 or panel or exercise any authority with respect to such Self-Regulatory Action involving his or her personal interest, except as described in Rule 213(d).

(b) For purposes of Rule 213(a), a "**material conflict of interest**" means a Director, Officer, Disciplinary Panel Member or other Person:

- (1) is named as a respondent or potential respondent in the Self-Regulatory Action;
- (2) is an employer, employee, fellow employee or an Affiliate of a respondent or potential respondent in the Self-Regulatory Action;
- (3) has any significant, ongoing business relationship with a respondent or potential respondent in the Self-Regulatory Action;
- (4) has 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) has a "direct and substantial financial interest" in the result of the deliberations or vote based upon either MarketAxess SEF or non-MarketAxess SEF positions (as referenced in Section 1.69(b)(2) of the CFTC Regulations), other than a direct or indirect equity or other interest in MarketAxess Holdings, that could reasonably be expected to be affected by the action. A direct and substantial financial interest includes positions in MarketAxess SEF 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 213(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 or Disciplinary Panel;

(2) the Board, Committee or 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 213(d) that an Interested Person may participate in deliberations prior to a vote, then the minutes of the meeting of the Board or committee thereof will reflect the determination and the reasons for the determination.

(f) If a determination is made that all Directors are Interested Persons with respect to a matter subject to a vote by the Board, the Chief Executive Officer will appoint a panel of individuals who are not Interested Persons with respect to such matter, which will have the same authority and powers over such matter that the Board would have if the Directors were not Interested Persons with respect to such matter.

(g) The MarketAxess SEF and any Director, Officer, member of any committee or panel established by the Board, employee or agent shall not use or disclose for any purpose other than the performance of his or her official duties and responsibilities any material, non-public information obtained in connection with the MarketAxess SEF's regulatory obligations. No Director, Officer, committee or panel member, employee or agent shall, directly or indirectly, disclose or use at any time, either during his or her association with the MarketAxess SEF or thereafter, any material, non-public information of which he or she becomes aware. Each Director, Officer, committee or panel member, employee or agent in possession of material, non-public information shall take reasonable steps to safeguard the information, comply with any MarketAxess SEF policies and procedures to protect such information, and to protect it against unauthorized disclosure, misuse, espionage, loss and theft.

(h) Notwithstanding Rule 213(g), a Director, Officer or committee or panel member may disclose confidential information if required by law or permitted under the CEA or CFTC Regulations.

(i) For the purposes of Rule 213(g), the terms "material information" and "non-public information" shall each have the meaning set forth in CFTC Regulation 1.59(a).

(j) The MarketAxess SEF may not use for business or marketing purposes any material, non-public information, proprietary data, or personal information it collects or receives, from or on behalf of any person, for the purpose of fulfilling its regulatory obligations, including information that separately discloses business transactions, market positions, or trade secrets; *provided, however*, the MarketAxess SEF may use such information for business or marketing purposes where such person provides written consent. The MarketAxess SEF, where necessary, may share such non-public information, proprietary data, or personal information with the CFTC and one or more CFTC registered Self-Regulatory Organizations for regulatory purposes.

#### **Rule 214. Maintenance of Books and Records**

(a) The MarketAxess SEF shall keep, or cause to be kept, complete and accurate books and records of all activities relating to the business of the MarketAxess SEF, including, without limitation, complete audit trails for all MarketAxess SEF Swaps executed on, or otherwise subject to the Rules of, the MarketAxess SEF, investigatory files, disciplinary files, and all books and records required to be maintained pursuant to the CEA and the CFTC Regulations.

(b) The MarketAxess SEF shall retain, or cause the Regulatory Services Provider to 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.

(c) The MarketAxess SEF shall keep, or cause to be kept, any such records relating to security-based swap agreements open to inspection and examination by the SEC.

(d) The MarketAxess SEF provide upon request, or shall report in a form an manner acceptable to the CFTC, such information as required to be provided or reported pursuant to the CEA or CFTC Regulations.

(e) Each Participant must keep complete and accurate books and records, including records of its activity in the index or instrument used as a reference price for a MarketAxess SEF Swap and related derivatives markets. To the extent required by Applicable Law or the Rules, each Participant must make its books and records available, upon request, to the MarketAxess SEF, the Regulatory Services Provider, and the CFTC.

#### **Rule 215. Information-Sharing Agreements**

(a) The MarketAxess SEF may enter into information-sharing agreements or other arrangements or procedures to coordinate surveillance and investigative activities with other market regulatory authorities or organizations on which financial instruments related to the MarketAxess SEF Swaps trade. As part of any information-sharing agreements or other arrangements or procedures adopted pursuant to this Rule, the MarketAxess SEF may:

(1) provide market surveillance reports to other Self-Regulatory Organizations solely for regulatory purposes;



(2) share information and documents concerning current and former Participants with other markets; and/or

(3) share information and documents concerning ongoing and completed investigations with other markets.

(b) The MarketAxess SEF may enter into any arrangement with any Person or body (including, without limitation, the CFTC, the NFA, any SEF, DCM, any Self-Regulatory Organization, market, clearing organization or foreign regulatory authority) if the MarketAxess SEF considers such arrangement to be necessary and appropriate to fulfill the MarketAxess SEF's regulatory responsibilities.

(c) RESERVED

(d) The MarketAxess SEF may not disclose information to another Person or body pursuant to Rule 215(a) or (b) unless it is satisfied that any material, non-public information, proprietary data, or personal information obtained through its regulatory obligations:

(1) will not be used for business or marketing purposes; and

(2) will not be disclosed except in connection with an adjudicatory action, self-regulatory action, or proceeding.

#### **Rule 216. Services Agreement with a Regulatory Services Provider**

(a) The MarketAxess SEF may contract with a Regulatory Services Provider to provide certain regulatory services to the MarketAxess SEF pursuant to a Services Agreement. In accordance with a Regulatory Services Agreement, the Regulatory Services Provider may perform certain surveillance, investigative and/or regulatory functions under the MarketAxess SEF Rules and the MarketAxess SEF may provide information to the Regulatory Services Provider in connection with the performance by the Regulatory Services Provider of those functions.

(b) The MarketAxess SEF shall retain ultimate decision-making authority with respect to any functions that are contracted to a Regulatory Services Provider and document where the MarketAxess SEF's actions differ from the Regulatory Service Provider's recommendation, including the reasons for the course of action recommended by the Regulatory Service Provider and the reasons why the MarketAxess SEF chose a different course of action. Such functions include but are not limited to, cancellation of Trades, the issuance of disciplinary charges against members or market participants and denials of access to the trading platform for disciplinary reasons.

(c) The MarketAxess SEF shall supervise any Regulatory Services Provider by, among other things:

(1) ensuring that the Regulatory Services Provider has the necessary capacity and resources to provide timely and effective regulatory services;

(2) retaining sufficient compliance staff to supervise the quality and effectiveness of the Regulatory Services Provider;



(3) holding regular meetings to discuss ongoing investigations, trading patterns, market participants, and other similar matters; and

(4) conducting and documenting periodic reviews of the adequacy and effectiveness of services provided.

## **CHAPTER 3: PARTICIPANTS**

### **Rule 301. Criteria for Becoming a Participant Firm**

(a) To be eligible for admission as a Participant Firm, an applicant must demonstrate to the satisfaction of the MarketAxess SEF that it:

(1) is an Eligible Contract Participant;

(2) is of good reputation and business integrity;

(3) maintains adequate financial resources and credit;

(4) is validly organized, in good standing and authorized by its governing body and, if relevant, documents of organization, to trade Swaps;

(5) has not filed for bankruptcy;

(6) is not prohibited from using the services of the MarketAxess SEF for any reason whatsoever;

(7) holds all registrations required under Applicable Law, if any;

(8) is not an individual;

(9) is not subject to statutory disqualification under Section 8a(2) or 8a(3) of the CEA; and

(10) satisfies any other criteria that the MarketAxess SEF may require from a Participant.

(b) Once admitted, the Participant Firm shall continue to comply with all applicable eligibility criteria in Rule 301(a).

(c) Starting on November 1, 2013, a Participant Firm must have entered into a MarketAxess SEF User License Agreement in order to access the MarketAxess SEF.

(d) Any MarketAxess SEF User License Agreement that is executed on or before November 1, 2013 shall be deemed to have an effective date of November 1, 2013.

### **Rule 302. Participant Firm Application Process**

(a) Any Person who desires to become a Participant Firm shall:

(1) RESERVED

(2) RESERVED

(3) RESERVED

(4) starting on November 1, 2013, agree to abide by the Rules and Applicable Law;

(5) starting on November 1, 2013, consent to the jurisdiction of the MarketAxess SEF with respect to MarketAxess SEF Activity;

(6) provide such information and documentation as may be reasonably requested by the MarketAxess SEF, and follow the procedures established by the MarketAxess SEF for admission; and

(7) if a Participant Firm is organized or located outside of the United States, the Participant Firm shall enter into a written agreement appointing a third party domiciled in the U.S. as its U.S. agent for service of process for purposes of CFTC Regulation 15.05, and shall provide the MarketAxess SEF with a copy of such agreement.

(b) In considering an application from a potential Participant Firm, the MarketAxess SEF may require additional information from the applicant, conduct an investigation to verify information submitted by the applicant, or both.

(c) If the MarketAxess SEF decides to admit an applicant as a Participant Firm, it shall promptly notify the applicant and state in such notice the date on which the applicant shall become a Participant Firm.

(d) The MarketAxess SEF may deny, condition or terminate the Participant Firm status of any Person:

(1) if such Person is unable to demonstrate satisfactorily its ability to satisfy the eligibility criteria to become or remain a Participant Firm;

(2) if such Person is unable to demonstrate satisfactorily its capacity to adhere to all applicable Rules;

(3) RESERVED; or

(4) for such other cause as the MarketAxess SEF may reasonably determine.

(e) If the MarketAxess SEF decides to decline or condition an application for admission as a Participant Firm, or terminate a Person's status as a Participant Firm, the MarketAxess SEF shall promptly notify such Person (the "**Affected Person**") thereof in a writing sent to the address provided by the applicant in the MarketAxess SEF application form or maintained in the MarketAxess SEF registry of Participant Firms. Such Affected Person may, within seven (7) calendar days following receipt of such writing, request in writing that the MarketAxess SEF provide the reasons for the denial, conditioning or termination of Participant Firm status. Within fourteen (14) calendar days after receiving such written

request, the MarketAxess SEF shall send a written response to the Affected Person setting forth the reasons for the denial, conditioning or termination.

### **Rule 303. Trading Privileges of a Participant Firm**

(a) A Participant must execute such Participant Documentation as required from time to time by the MarketAxess SEF, and such Participant Documentation must remain in effect for the Participant to maintain its Trading Privileges.

(b) Admission as a Participant only entitles the Participant to the Trading Privileges and does not confer any right of ownership in, or right to attend or vote at meetings of, the MarketAxess SEF, or any right to share in the profits of the MarketAxess SEF. A Participant may not transfer or assign its status as a Participant without the prior written consent of the MarketAxess SEF, and any purported transfer or assignment without the MarketAxess SEF's prior written consent shall be null and void and shall not be binding on the MarketAxess SEF.

(c) All rights and privileges of a Participant shall terminate upon, and all obligations of a Participant shall survive, the dissolution of the Participant.

### **Rule 304. Reserved.**

### **Rule 305. Dues, Assessments and Fees**

(a) The MarketAxess SEF shall have the authority to set the amounts and times of payment for any dues, assessments or fees (including MarketAxess SEF Trading System fees, brokerage and/or any transaction surcharges) to be paid by Participants.

(b) Each Participant agrees to pay such dues, assessments and fees as are published by the MarketAxess SEF in a Fee Circular, on the MarketAxess SEF's website or as otherwise agreed between the MarketAxess SEF and a Participant. Each Participant agrees to pay such dues, assessments and fees when due. The MarketAxess SEF may change the fees charged to Participant upon 30 days prior notice.

(c) If a Participant fails to pay when due any such dues, assessments or fees levied on such Participant, and such payment obligation remains unsatisfied for thirty (30) days after its due date, the MarketAxess SEF may, as it deems necessary or appropriate, suspend, revoke, limit, condition, restrict or qualify the Participant's Trading Privileges and/or ability otherwise to access the MarketAxess SEF Trading System.

(d) The MarketAxess SEF shall provide comparable fee structures to Eligible Contract Participants and Independent Software Vendors receiving comparable access to, or services from, the MarketAxess SEF.

### **Rule 306. Authorized Traders**

(a) Each Participant shall designate in writing one or more Authorized Trader(s) who will be responsible for MarketAxess SEF Activity conducted on behalf of the Participant.

(b) By agreeing to become an Authorized Trader, an individual agrees to be bound by the duties and responsibilities of an Authorized Trader and to be subject to, and comply with, the MarketAxess SEF Rules and Obligations starting on November 1, 2013. Among other duties and responsibilities that the MarketAxess SEF may impose, an Authorized Trader must:

(1) have the authority to adjust or withdraw any Order submitted under any user ID assigned to him or her; and

(2) ensure that any MarketAxess SEF Activity conducted under any user ID assigned to him or her complies with all MarketAxess SEF Rules and Obligations.

(c) To designate an Authorized Trader, a Participant must follow the procedures established by the MarketAxess SEF. The MarketAxess SEF may establish criteria that individuals must fulfill to become an Authorized Trader.

(d) The MarketAxess SEF will promptly notify a Participant Firm in writing of the approval of designated Authorized Trader(s) or if the MarketAxess SEF declines to approve the nomination of an Authorized Trader.

(e) The MarketAxess SEF will maintain a list of all designated Authorized Traders for each Participant.

(f) The MarketAxess SEF may, in its sole discretion, revoke or suspend the designation of an individual as an Authorized Trader and shall promptly notify the Participant of such action.

(g) To request the withdrawal of the designation of an individual as an Authorized Trader, the Participant must follow the procedures established by the MarketAxess SEF. Upon the MarketAxess SEF's receipt of a Participant's written request to withdraw the designation of an individual as an Authorized Trader, the MarketAxess SEF will promptly withdraw such designation and such individual's access to the MarketAxess SEF on behalf of the Participant. As soon as reasonably practicable after withdrawing access, the MarketAxess SEF will confirm that such access has been withdrawn.

### **Rule 307. Authorized Representatives**

(a) Each Participant shall designate one or more Authorized Representatives who will represent the Participant before the MarketAxess SEF and its committees and receive notices on behalf of the Participant.

(b) Each Authorized Representative shall be empowered by the Participant to act on its behalf and the MarketAxess SEF shall be entitled to rely on the actions of any Authorized Representative as binding on the Participant Firm and any Authorized Trader.

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

### **Rule 308. Recording of Communications**

The MarketAxess SEF or the Regulatory Services Provider may record conversations and retain copies of electronic communications between MarketAxess SEF Officials, on one hand, and Participants, their Authorized Traders, Supervised Persons or other agents, on the other hand. Any such recordings may be retained by the MarketAxess SEF or the Regulatory Services Provider in such manner and for such periods of time as the MarketAxess SEF may deem necessary or appropriate. The MarketAxess SEF or Regulatory Services Provider will retain such recordings in compliance with CFTC Regulations.

### **Rule 309. Notices to Participants**

(a) The MarketAxess SEF shall publish a notice with respect to each addition to, modification of, or clarification of, the MarketAxess SEF Rules or of any action to implement any of the MarketAxess SEF Rules on the MarketAxess SEF's website or via an electronic mail distribution, to enable each Participant to become aware of and familiar with, and to implement any necessary preparatory measures to be taken by it with respect to, such addition or modification, prior to the effective date thereof (each, a "Notice to Participants"). For purposes of publication in accordance with this Rule, it shall be sufficient (without limiting the discretion of the MarketAxess SEF as to any other reasonable means of communication) if a Notice to Participants is published on the MarketAxess SEF's website.

(b) Any Notice to Participants shall also be deemed to have been made to all Authorized Traders and Supervised Persons.

### **Rule 310. Communications between the MarketAxess SEF and Participants**

(a) Each Participant must provide the MarketAxess SEF with its current electronic mail address and telephone number and the electronic mail address and telephone number of all of its Authorized Traders and immediately (and in any event within 24 hours) update this information whenever it changes.

(b) All communications between the MarketAxess SEF and the Participant will be transmitted by electronic mail and/or posted on the MarketAxess SEF's website, except as otherwise specified by the MarketAxess SEF.

(c) The Participant shall be responsible for conveying such communications to all Authorized Traders and Supervised Persons.

(d) Each Participant will be responsible for promptly reviewing and, if necessary, responding to all electronic communications from the MarketAxess SEF to the Participant or any of its Authorized Traders or its other Supervised Persons.

(e) All communications made to Participants shall also be deemed to have been made to all Authorized Traders and Supervised Persons of such Participant.

### **Rule 311. Application of Rules and Jurisdiction**

(a) By becoming a Participant and by accessing or entering any Order or submitting any MarketAxess SEF Swap into the MarketAxess SEF Trading System, and without the need for any further action, undertaking or agreement, a Participant, its Authorized Traders and Supervised Persons:

(1) as of November 1, 2013, agree to be bound by, and comply with, the MarketAxess SEF Rules and Obligations, and Applicable Law, in each case to the extent applicable to it;

(2) as of November 1, 2013, agree to become subject to the jurisdiction of the MarketAxess SEF with respect to any and all matters arising from, related to, or in connection with, the status, actions or omissions of such Person;

(3) agree to assist the MarketAxess SEF in complying with its legal and regulatory obligations, and to cooperate with the MarketAxess SEF and the CFTC in any inquiry, investigation, audit, examination or proceeding related to its MarketAxess SEF Activity;

(4) authorize the MarketAxess SEF to provide information regarding it to a Swap Data Repository, any Regulatory Services Provider, the CFTC or any Self-Regulatory Organization in order for the MarketAxess SEF to comply with its legal or regulatory obligations; and

(5) agree to maintain an audit trail on indications of interest, Requests for Quotes, Swap Orders, and Swap Trades on, or subject to the Rules of, the MarketAxess SEF and to provide MarketAxess SEF access to the audit trail upon request by MarketAxess SEF.

(b) Any Participant or Authorized Trader whose Trading Privileges and/or ability otherwise to access the MarketAxess SEF Trading System are revoked or terminated, which for the avoidance of doubt shall include a Participant or Authorized Trader who has withdrawn, shall remain subject to: (i) the MarketAxess SEF Rules, (ii) the jurisdiction of the MarketAxess SEF, and (iii) Applicable Law, each with respect to any and all matters arising from, related to, or in connection with the status, actions or omissions of such Participant prior to such revocation or termination.

(c) An Authorized Trader who is suspended for any period shall remain subject to the MarketAxess SEF Rules, the Obligations and the MarketAxess SEF's jurisdiction throughout the period of suspension. After revocation or termination of the designation of an Authorized Trader, the Authorized Trader shall remain subject to the MarketAxess SEF Rules, the Obligations and the jurisdiction of the MarketAxess SEF for acts done and omissions made while registered as an Authorized Trader. Any MarketAxess SEF Proceeding relating to an Authorized Trader shall occur as if the Authorized Trader were still registered as such.

### **Rule 312. Description of Participant's Status**

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

### **Rule 313. Withdrawal of Participant**

(a) To withdraw from the MarketAxess SEF, a Participant must notify the MarketAxess SEF following the procedures established by the MarketAxess SEF. Upon the MarketAxess SEF's receipt of a Participant's written request to withdraw the Participant's access to the MarketAxess SEF, the MarketAxess SEF will promptly withdraw such Participant's access to the MarketAxess SEF. As soon as reasonably practicable after withdrawing access, the MarketAxess SEF will confirm that such access has been withdrawn.

(b) RESERVED

(c) RESERVED

(d) RESERVED

(e) Upon the withdrawal of a Participant, all rights and privileges of such Participant shall terminate (including, without limitation, the Trading Privileges and ability to access the MarketAxess SEF Trading System). The accepted withdrawal of a Participant shall not affect the rights of the MarketAxess SEF under the MarketAxess SEF Rules or relieve the former Participant of its: (i) Obligations under the MarketAxess SEF Rules, or (ii) its obligations to pay all MarketAxess SEF fees, costs and charges incurred prior to the withdrawal. Notwithstanding the accepted withdrawal of a Participant, the withdrawn Participant shall remain subject to the MarketAxess SEF Rules, the Obligations and the jurisdiction of the MarketAxess SEF for acts done and omissions made while a Participant, and must cooperate in any MarketAxess SEF Proceeding under Chapter 7 as if the withdrawn Participant were still a Participant.

### **Rule 314. Compliance with the CEA**

All Participants shall comply with all applicable provisions of the CEA and the rules and regulations issued pursuant thereto by the CFTC, including the filing of reports, maintenance of books and records, and permitting inspection and visits by duly authorized representatives of the CFTC or other governmental agency.

### **Rule 315. Direct Access Prohibited**

No Participant shall allow any of its Customers to access the MarketAxess SEF directly using the Participant's user ID. All Orders and quotes must be entered into the MarketAxess SEF by an Authorized Trader of a Participant.

### **Rule 316. Impartial Access**

The MarketAxess SEF provides a platform that allows any Participant to view all firm and indicative bids and offers on Swaps which are intended to be cleared and are posted on the MarketAxess SEF Trading System. The MarketAxess SEF allows any Participant to interact or trade with any other Participant on the MarketAxess SEF Trading System regarding Swaps which are intended to be cleared. The MarketAxess SEF shall not restrict access or impose burdens on access in a discriminatory manner among similarly situated Participants.

## CHAPTER 4: OBLIGATIONS OF PARTICIPANTS

### Rule 401. Duties and Responsibilities of Participants

Each Participant shall (and shall cause all of its Authorized Traders and Supervised Persons to):

- (a) use the MarketAxess SEF Trading System in a responsible manner and not for any improper purpose;
- (b) use the MarketAxess SEF Trading System only to conduct MarketAxess SEF Activity;
- (c) conduct all MarketAxess SEF Activity in a manner consistent with the MarketAxess SEF Rules and Obligations;
- (d) starting on November 1, 2013, comply with all MarketAxess SEF Rules and Obligations and act in a manner consistent with each MarketAxess SEF Rule and Obligation;
- (e) RESERVED;
- (f) RESERVED;
- (g) RESERVED;
- (h) RESERVED;
- (i) not knowingly mislead or conceal any material fact or matter in any dealing or filing with the MarketAxess SEF or in response to any MarketAxess SEF Proceeding;
- (j) keep the user IDs, account numbers and passwords related to the MarketAxess SEF Trading System confidential;
- (k) RESERVED;
- (l) employ practices to monitor and enforce compliance with risk limits (if applicable);
- (m) be responsible for promptly informing the MarketAxess SEF in writing of any material change to the information provided to the MarketAxess SEF by the Participant pursuant to Rule 301;
- (n) have in place and enforce adequate anti-money laundering policies and procedures; and,
- (o) 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 Applicable Law or the MarketAxess SEF Rules, for at least five (5) years.



## **Rule 402. Required Disclosures to the MarketAxess SEF**

(a) Each Participant shall promptly notify the Market Regulation Department upon becoming aware of any of the following events:

- (1) any material change to the contact information provided to the MarketAxess SEF;
- (2) any damage to, or failure or inadequacy of, the systems, facilities or equipment of the Participant used by the Participant to effect transactions pursuant to the MarketAxess SEF Rules or to timely perform the Participant's financial obligations under or in connection with MarketAxess SEF Swaps;
- (3) any refusal of admission to, or withdrawal by the Participant of any application for membership in, any other Self-Regulatory Organization;
- (4) any expulsion, suspension or fine in excess of \$5,000 (whether through an adverse determination, voluntary settlement or otherwise) imposed on the Participant by any other 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;
- (6) the commencement of any material 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;
- (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, security, securities futures product, swap, security-based swap, mixed swap or other financial instrument, or involving or arising from fraud or moral turpitude;
- (8) the Participant becoming the subject of a petition for bankruptcy;
- (9) the appointment of a receiver, trustee or administrator for the Participant;
- (10) the presentment of a petition, or the passing of a resolution, for the winding-up of the Participant;
- (11) the commencement of proceedings for the dissolution of the Participant; or
- (12) the occurrence of an event of insolvency with respect to the Participant.

**Rule 403. Inspections by the MarketAxess SEF**

(a) In connection with determining whether a Participant has complied or is complying with all MarketAxess SEF Rules and Obligations, the MarketAxess SEF (or the Regulatory Services Provider or other authorized representative), shall have the right to:

- (1) inspect books and records, systems, equipment and software kept or operated by the Participant in connection with MarketAxess 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 in connection with MarketAxess SEF Activity, during the regular business hours and the Trading Hours of the MarketAxess SEF, upon reasonable notice to the Participant; and/or
- (3) copy or reproduce any data to which the MarketAxess SEF has access under this Rule.

(b) Each Participant shall provide the Regulatory Services Provider with the same access to the Participant's books and records and offices as the Participant is required to provide the MarketAxess SEF under the MarketAxess SEF Rules and Applicable Law.

(c) The Market Regulation Department may require a Participant to furnish (periodically or on a particular occasion) information concerning the Participant's MarketAxess SEF Activity. For a Participant, such information includes, but is not limited to, the MarketAxess SEF Swaps to which the Participant is a party.

**Rule 404. Minimum Financial and Related Reporting Requirements**

(a) Each Participant that is registered with any Government Agency, including the CFTC, the SEC 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) Each Participant shall:

- (1) qualify as an Eligible Contract Participant; and
- (2) undertake to timely update any material change to the Participant's status as an Eligible Contract Participant.

(c) RESERVED

(d) RESERVED

(e) RESERVED

**Rule 405. 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 the MarketAxess SEF; however, this Rule does not supplant Rule 213 and the Rules in Chapter 7, or any other requirement of legal process or Applicable Law.

**Rule 406. Reserved.**

**Rule 407. Customers**

(a) RESERVED

(b) No Participant or other Person shall engage in soliciting, submitting, or accepting an Order for a MarketAxess SEF Swap for a Customer that has not consented to the jurisdiction of the MarketAxess SEF with respect to swaps executed on the MarketAxess SEF.

(c) No Participant or other Person shall engage in soliciting, submitting, or accepting an Order for a MarketAxess SEF Swap for a Customer that is not an Eligible Contract Participant.

**Rule 408. Reserved.**

## **Rule 409. Disclosure Requirements**

Each Participant must comply with all disclosure requirements set forth in applicable CFTC and NFA Rules and Regulations. Any such disclosure may be combined with a disclosure regarding the existence of financial interests held by the Participant in the MarketAxess SEF or any other swap execution facility.

## **Rule 410. Information Regarding Orders**

(a) The MarketAxess SEF will make information regarding Orders (including prices bid or offered), Trades and any other matters it may deem appropriate available to Participants and other Persons at such times and in such manner (whether through the MarketAxess SEF Trading System, a ticker, financial information service or otherwise) as it may consider necessary or advisable from time to time. Notwithstanding the foregoing sentence, such information shall be provided in a manner that does not reveal the identity of the Participants involved, unless the trading protocol used discloses the identities of the Participants involved.

(b) Each Participant or other Person receiving any such information through the MarketAxess SEF Trading System may redistribute such information only to such extent and in such manner as may be permitted by the MarketAxess SEF from time to time.

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

### **Rule 501. Scope**

This Chapter 5 applies to all transactions in MarketAxess SEF Swaps, except as otherwise specifically provided in Chapter 6.

### **Rule 502. Procedures**

(a) With respect to trading on or through the MarketAxess SEF Trading System, the MarketAxess SEF may adopt, without limitation, procedures relating to transactions in MarketAxess SEF Swaps and trading on the MarketAxess SEF Trading System, including procedures to:

- (1) disseminate the prices of bids and offers on, and Trades in, MarketAxess SEF Swaps;
- (2) record, and account for, MarketAxess SEF Swaps and MarketAxess SEF Activity;
- (3) perform market surveillance and regulation on matters affecting MarketAxess SEF Swaps and MarketAxess SEF Activity;
- (4) establish limits on the number and/or size of Orders that may be submitted by a Participant through the MarketAxess SEF Trading System;
- (5) establish limits on the number of MarketAxess SEF Swaps that may be held by a Customer or Participant;

(6) establish a limit on the maximum daily price fluctuations for any MarketAxess SEF Swap and provide for any related restriction or suspension of trading in the MarketAxess SEF Swap; and

(7) require a suspended or expelled Participant, or a Participant with restricted trading rights, to have MarketAxess SEF Swaps executed for the Participant to reduce or eliminate any open position or exposure to future price changes for the Participant in any MarketAxess SEF Swap.

(b) The MarketAxess 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 Notice to Participants or in any other manner determined appropriate by the MarketAxess SEF.

**Rule 503. Business Days and Trading Hours**

Except as provided in Rule 212 with respect to Emergencies, the MarketAxess SEF shall determine and publish a Notice to Participants listing the Business Days and Holidays of the MarketAxess SEF and the Trading Hours for each MarketAxess SEF Swap.

**Rule 504. Reserved.**

**Rule 505. Fraudulent Acts Prohibited**

No Participant shall engage in any fraudulent act or engage in any scheme to defraud, deceive, trick or mislead in connection with or related to any MarketAxess SEF Activity.

**Rule 506. Fictitious, Wash or Non-Competitive Transactions Prohibited**

No Participant shall create fictitious transactions, wash transactions or non-competitive transactions except, in the case of noncompetitive transactions, as otherwise authorized by the MarketAxess SEF Rules, or execute any Order with knowledge of its nature as a fictitious transaction, wash transaction or non-competitive transaction.

**Rule 507. Reserved.**

**Rule 508. Market Manipulation Prohibited**

No Participant shall manipulate, or attempt to manipulate, the price of any MarketAxess SEF Swap.

**Rule 509. Disruptive Trading Practices Prohibited**

No Participant shall engage in any trading, practice or conduct that is a "disruptive trading practice" as described in CEA Section 4c(a)(5) or CFTC Regulations.

**Rule 510. Prohibition of Misstatements**

No Participant shall make any knowing false or misleading statement of a material fact, or omit to state any material fact that is necessary to make such statement not misleading, to the MarketAxess SEF, any MarketAxess SEF Official or any Board committee or MarketAxess SEF panel.

**Rule 511. Reserved.**

**Rule 512. Reserved.**

**Rule 513. Supervision**

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

**Rule 514. Execution of Required Transactions**

No Participant shall execute a Required Transaction on the MarketAxess SEF Trading System other than via the Order Book or RFQ protocols, unless such transaction is a Block Trade. When a Swap Dealer or Major Swap Participant enters into or facilitates a Swap on or pursuant to the Rules of the MarketAxess SEF which is subject to the mandatory clearing requirement under CEA section 2(h), the Swap Dealer or Major Swap Participant shall be responsible for complying with the mandatory trading requirement under CEA section 2(h)(8).

**Rule 515. Misuse of the MarketAxess SEF Trading System**

Misuse of the MarketAxess SEF Trading System is strictly prohibited. It shall be a violation of the MarketAxess SEF Rules to permit unauthorized use of the MarketAxess SEF Trading System, to assist any Person in obtaining unauthorized access to the MarketAxess SEF Trading System, to alter the equipment associated with the MarketAxess SEF Trading System (except with the MarketAxess SEF's consent), to interfere with the operation of the MarketAxess SEF Trading System, to intercept or interfere with information provided thereby or in any way to use the MarketAxess SEF Trading System in a manner contrary to the MarketAxess SEF Rules.

**Rule 516. Errors and Omissions in Handling Orders**

A Participant who inadvertently, through error or omission, fails to execute an Order at the time it should have been executed shall be responsible for all remedial actions and potential losses incurred with respect to such Order.

**Rule 517. Volume Discount Programs**

(a) The MarketAxess SEF may from time to time establish programs that provide Participants with financial incentives for meeting trading volume or liquidity thresholds as may be established by the MarketAxess SEF.

(b) All Participants are eligible for volume discounts, provided the Participant can meet the volume discount obligations.

#### **Rule 518. Withholding Orders Prohibited**

Any Participant entering Orders on the MarketAxess SEF Trading System shall not withhold or withdraw from the market any Order, or any part of an Order, for the benefit of any Person other than the Customer for whom the Participant is placing the Order.

#### **Rule 519. Priority of Customers' Orders**

No Participant shall knowingly enter an Order into the MarketAxess SEF Trading System for the Participant's own account, an account in which the Participant has a direct or indirect financial interest or an account over which the Participant has discretionary trading authority, including, without limitation, an Order allowing discretion as to time and price, when an Authorized Trader is aware of any unsubmitted Customer Order in the possession of such Participant that the MarketAxess SEF Trading System is capable of accepting.

#### **Rule 520. Handling of Customer Orders**

(a) General Prohibition. No Authorized Trader of a 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.

(b) Exceptions. The foregoing restriction shall not apply to the following:

(1) Transactions executed pursuant to Rule 601 (Block Trades); or

(2) On the MarketAxess SEF Trading System, a Participant may knowingly trade against a Customer Order for its own account, an account in which it has a direct or indirect financial interest, an account over which it has discretionary trading authority or a Proprietary Account of its employer, only if the Customer Order has been entered immediately upon receipt and has first been exposed on the MarketAxess SEF Trading System for a minimum of 15 seconds.

#### **Rule 521. Disclosing Orders Prohibited**

No Participant shall disclose another Customer's Order to buy or sell except to a designated MarketAxess 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 522. Simultaneous Buy And Sell Orders For Different Beneficial Owners**

On the MarketAxess SEF Trading System, opposite Orders for different beneficial owners that are simultaneously placed by a Participant with discretion over both accounts may be entered into the MarketAxess SEF Trading System. If such Orders are (i) related to Required Transactions and (ii) placed on the Order Book, then one Order must be exposed for a minimum of 15 seconds. An Order meeting the aforementioned conditions and allowing for price and/or time discretion, if not entered immediately upon receipt, may be knowingly entered opposite another Order entered by the same firm only if the other Order has been entered immediately upon receipt and has been exposed on the MarketAxess SEF Trading System for a minimum of 15 seconds.

## **Rule 523. Wash Sales Prohibited**

No Person shall place or accept buy and sell Orders in the same MarketAxess SEF Swap where the person knows or reasonably should know that the purpose of the Orders is to avoid taking a bona fide market position exposed to market risk (transactions commonly known or referred to as wash sales). Buy and sell Orders for different accounts with common beneficial ownership that are entered with the intent to negate market risk or price competition shall also be deemed to violate the prohibition on wash trades. Additionally, no Person shall knowingly execute or accommodate the execution of such Orders by direct or indirect means.

## **Rule 524. Recordkeeping Requirements for Entering Orders into the MarketAxess SEF Trading System**

### **(a) General Requirements.**

(1) Each Authorized Trader entering Orders into the MarketAxess SEF Trading System shall input for each Order:

- i. the trader ID assigned to him/her by the MarketAxess SEF;
- ii. the user ID;
- iii. the Legal Entity Identifier of the Participant (if available);
- iv. information regarding allocations for the Order (if applicable);
- v. 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; and
- vi. any other information the MarketAxess SEF may, from time to time, request the Authorized Trader to provide.

(2) With respect to Orders received by an Authorized Trader that are capable of being immediately entered into the MarketAxess SEF Trading System, 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 MarketAxess SEF Trading System, 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 MarketAxess SEF Trading System when it becomes executable.

(b) RESERVED

(c) Bunched Orders and Orders Eligible for Post Execution Allocation. Bunched Orders must be allocated and recorded in accordance with CFTC Regulation 1.35(b)(5) and the NFA's Interpretative Notice related to Compliance Rule 2-10. Bunched Orders may be entered using a series designation or suspense account number, *provided that*:

- i. the Order is being placed by an account manager for multiple accounts eligible for post execution allocation; or
- ii. a written, pre-determined allocation scheme that defines the series has been provided to the FCM accepting or clearing the Order prior to the time that such Order is entered. In the latter case, if such information has not been provided to the FCM prior to the time of Order entry, each specific account number must be entered into the MarketAxess SEF Trading System. Additionally, for all such bunched Orders executed on the MarketAxess SEF Trading System, the final account-specific allocations must be submitted to the MarketAxess SEF Trading System no later than the end of each trading day.

(d) RESERVED

#### **Rule 525. Prearranged and Noncompetitive Trades Prohibited**

(a) No Person shall prearrange any purchase or sale or noncompetitively execute any transaction, provided that the foregoing restriction shall not apply to Block Trades effected pursuant to Rule 601.

(b) RESERVED

(c) Pre-Execution Communications Regarding MarketAxess SEF Trading System Trades. Parties shall not engage in pre-execution communications with regard to transactions executed on the Order Book.

(d) No Person shall engage in a money pass, which includes a non-competitive trade between authorized traders where a profit is passed from one trader to the other.

#### **Rule 526. Responsibility For Customer Orders**

(a) Standard of Responsibility.

- (1) A Participant shall exercise due diligence in the handling and execution of Customer Orders.

Failure to act with due diligence shall constitute a failure to exercise due diligence . In the case of a dispute as to whether a Participant has exercised due diligence, the appropriate arbitration or disciplinary committee is authorized to determine whether the Participant failed to exercise due diligence and, if so, whether an adjustment is due from the Participant to the Customer.

(2) A Participant is prohibited from directly or indirectly guaranteeing the execution of an Order or any of its terms such as the quantity or price. A Participant may only report an execution that has been effected through the MarketAxess SEF Trading System or has been executed under Chapter 6. This Rule 526(a) shall not be construed to prevent a Participant from assuming or sharing in the losses resulting from an error or the mishandling of an Order.

(b) Liability for a Failure to Exercise Due Diligence. A Participant may not adjust the price at which an Order was executed or be held responsible for executing or failing to execute an Order unless such Participant failed to exercise due diligence or is settling a *bona fide* dispute regarding a failure to exercise due diligence. A Participant may not compel an adjustment from another Participant in the absence of a *bona fide* dispute regarding a failure to exercise due diligence. Participants shall document all adjustments. Participants shall make and retain a record that contains the date the adjustment was received, the name of the Participant making the adjustment, the account to which the adjustment was credited, the amount of the adjustment, the Order number and the reason for the adjustment. Such records must be provided to the Market Regulation Department upon request.

#### **Rule 527. Pre-Execution Credit Checks**

(a) At the time of submitting an RFQ or Order for any MarketAxess SEF Swap that is intended to be cleared, a Participant must designate an FCM to clear the Trade. The MarketAxess SEF will, promptly upon receipt of such RFQ or Order, facilitate pre-execution screening by the FCM identified by the Person on behalf of which the RFQ or Order is placed. Upon receiving confirmation that the RFQ or Order satisfies the FCM's pre-execution limits, the MarketAxess SEF will place the RFQ or Order on the MarketAxess SEF Trading System.

(b) RESERVED

(c) The Clearing Firm may, at any time prior to the execution of a Trade resulting from an RFQ or Order, notify the MarketAxess SEF that the Person on behalf of which an RFQ or Order is placed no longer has a sufficient credit or trading limit with the Clearing Firm to which the resulting Trade will be submitted for clearing. If such notification is received prior to the execution of said Trade, the MarketAxess SEF will use best efforts to withdraw the RFQ or Order.

#### **Rule 528. Priority of Execution**

Customer Orders received by a Participant or an Authorized Trader shall be entered into the MarketAxess SEF Trading System in the sequence received. Non-discretionary Orders that cannot be immediately entered into the MarketAxess SEF Trading System must be entered when the Orders become executable, in the sequence in which the Orders were received.

## **Rule 529. Intermediation**

On the MarketAxess SEF Trading System, intermediation by a Participant on behalf of a Customer shall be permitted, provided that the Participant is in compliance with Rule 407. Each Participant engaging in intermediation related trades shall:

- (a) not trade ahead of an submitted or unsubmitted Customer Order;
- (b) comply with Rule 520;
- (c) not engage in accommodation trading; and
- (d) not engage in improper cross trading.

## **Rule 530. Position Limits and Exemptions**

(a) The MarketAxess SEF shall adopt for each of the MarketAxess SEF Swaps, as is necessary and appropriate, speculative position limits or accountability levels. Any such speculative position limits and accountability levels will be found at <http://www.marketaxess.com/> and a notice of the adoption of any such limits and levels will be emailed to Participants as soon as reasonably practicable after adoption.

(b) For any MarketAxess SEF Swap that is subject to a position limit established by the CFTC pursuant to CEA Section 4a(a), the MarketAxess SEF shall:

- (1) set its position limit at a level no higher than the CFTC limit; and
- (2) monitor positions established on or through the MarketAxess SEF for compliance with the limit set by the CFTC and the limit, if any, set by the MarketAxess SEF.

(c) A Person seeking an exemption from position limits established by the MarketAxess SEF pursuant to the Rules must apply to the Market Regulation Department on forms provided by the MarketAxess SEF. 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) A Person intending to exceed position limits established by the MarketAxess SEF pursuant to the Rules, including limits under a previously approved exemption, must file the required application and receive approval from the Market Regulation Department 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 530 provided the filing occurs within one (1) Business Day after assuming the position.

(e) In the event the positions in excess of the limits are not deemed to be exemption-eligible, the applicant will be in violation of speculative limits for the period of time in which the excess positions remained open.

(f) The Market Regulation Department shall, on the basis of the application and any requested supplemental information, determine whether an exemption from position limits shall be granted. The Market Regulation Department may approve, deny, condition or limit any exemption request based on factors deemed by the Market Regulation Department to be relevant, including, but not limited to, the applicant's business needs and financial status, as well as whether the positions can be established and liquidated in an orderly manner.

(g) Nothing in this Rule 530 shall in any way limit:

(1) the authority of the MarketAxess 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 any such position be reduced to the applicable position limit established by the MarketAxess SEF pursuant to the Rules.

(h) A Person who has received written authorization from the Market Regulation Department for an exemption from position limits must annually file an updated application on the date which is one year following the approval date of the most recent application. Failure to file an updated application will result in expiration of the exemption.

(i) Eligible Exemptions.

(1) Bona Fide Hedging Positions. The Market Regulation Department may grant exemptions from position limits for *bona fide* hedge positions as defined by CFTC Regulation 1.3(z)(1) or

any other applicable CFTC Regulation. Approved *bona fide* hedgers may be exempted from Emergency Rules that reduce position limits or restrict trading.

- (2) Risk Management Positions. The Market Regulation Department may grant exemptions from position limits for risk management positions. For the purposes of this Rule, risk management positions are defined as MarketAxess SEF Swaps and Options positions that are held by or on behalf of an entity or an Affiliate of an entity that typically buys, sells or holds positions in the underlying cash market, a related cash market or a related over-the-counter market and for which the underlying market has a high degree of demonstrated liquidity relative to the size of the positions and where there exist opportunities for arbitrage that provide a close linkage between the MarketAxess SEF Swaps or Options market and the underlying market in question. Exemptions related to indexed positions in the over-the-counter market may include corresponding commodity index-based Futures and Options and/or individual commodity Futures and Options used as components in replicating an index.
- (3) Arbitrage and Spread Positions. The Market Regulation Department may grant exemptions from position limits for arbitrage, spread and eligible Option/Option or Option/MarketAxess SEF Swaps spread positions.

(j) Aggregation of Positions.

(1) Positions to be Aggregated. Position limits established by the MarketAxess SEF pursuant to the Rules shall apply to all positions in accounts for which a Person by power of attorney or otherwise directly or indirectly owns the positions or controls the trading of the positions. Such position limits shall also apply to positions held by two or more Persons acting pursuant to an expressed or implied agreement or understanding, the same as if the positions were held by, or the trading of the positions was done by, a single Person.

(2) Ownership of Accounts. Except as set forth in Rule 530(k) below, any Person holding positions in more than one account, or holding accounts or positions in which the Person by power of attorney or otherwise directly or indirectly has a 10% or greater ownership or equity interest, must aggregate all such accounts or positions, unless such Person is a pool participant in a commodity pool. The foregoing exception for pool participants shall not apply if the Person:

- i. is the pool's commodity pool operator;
- ii. is a principal or affiliate of the pool's commodity pool operator and there are no barriers to prevent the Person from obtaining knowledge of or control over the pool's trading or positions; or
- iii. has an ownership or equity interest of twenty-five percent (25%) or more in the pool where the pool's operator is exempt from registration under CFTC Regulation 4.13.

(k) Limited Exceptions to Aggregation for Independently Controlled Positions.

(1) Positions carried for an "eligible entity," as defined in CFTC Regulation 150.1(d), in the separate account or accounts of "independent account controllers," as defined in CFTC Regulation 150.1(e), shall not be aggregated for position limit purposes, *provided* that the positions are not held in the spot month during such time that a spot month position limit is applicable. If an independent account controller is Affiliated with the eligible entity or another independent account controller, each of the Affiliated entities must comply with the requirements set forth in CFTC Regulation 150.3(4)(i)(A)-(D).

(2) Positions held by FCMs or their separately organized Affiliates in Customer discretionary accounts or in guided account programs shall not be aggregated for position limit purposes, provided that the accounts meet the standards set forth in CFTC Regulation 150.4(d).

(3) Any Person claiming an exemption from aggregation for position limit purposes under this Rule 530 must, upon request by the Market Regulation Department, provide any information deemed necessary to support the exemption.

(l) Violations.

(1) No Person shall exceed the position limits established by the MarketAxess SEF pursuant to the Rules, unless an exemption is granted by the Market Regulation Department.

(2) The Market Regulation Department and the MarketAxess SEF Practices Committee shall have the authority to enforce the MarketAxess SEF Rules regarding position limits.

(3) Any Person making a bid or offer that would, if accepted, cause such Person to exceed the applicable position limits shall be in violation of this Rule 530.

(4) If a position exceeds position limits as a result of an Option assignment, the Person who owns or controls such position shall be allowed one (1) Business Day to liquidate the excess position without being considered in violation of the limits. Additionally, if, at the close of trading, a position that includes Options exceeds position limits when evaluated using the delta factors as of that day's close of trading, but does not exceed the limits when evaluated using the previous day's delta factors, then the position shall not constitute a position limit violation.

(5) RESERVED

(6) Violations, Sanctions and Appeals.

i. First Violation. The first position limit violation by a Participant will result in a warning letter issued by the Market Regulation Department.

ii. Second Violation, Sanctions and Appeals.

a. A second position limit violation by a Participant within twenty-four (24) months of the issuance of a warning letter will result in the imposition of an automatic fine by the Market Regulation Department to the Participant as set forth below and the issuance of a cease and desist order.

b. The automatic fine for a position exceeding the applicable limit by up to twenty-five percent (25%) shall be \$5,000.

c. The automatic fine for a position exceeding the applicable limit by more than twenty-five percent (25%) shall be \$15,000.

iii. Referral to the Chief Compliance Officer.

a. Any third or subsequent position limit violation within twenty-four (24) months of the issuance of a warning letter shall be referred by the Market Regulation Department to the Chief Compliance Officer for consideration of the issuance of charges.

b. Notwithstanding anything to the contrary in Rule 530(l)(5)(iv)(a), the Market Regulation Department, in its sole discretion, may refer any position limit violation it deems egregious to the Chief Compliance Officer for consideration of the issuance of charges.

**Rule 531. Position Accountability**

(a) A Participant that holds or controls, or a Participant that carries for another Person, aggregate positions in excess of any applicable position accountability level established by the MarketAxess SEF pursuant to the Rules, shall:

(1) provide, in a timely manner upon request by the Market Regulation Department, information regarding the nature of the position, information regarding trading strategy and hedging information, if applicable; and

(2) such aggregated position shall be subject to the terms and conditions of Rule 530.

(3) RESERVED

(b) For purposes of this Rule, all positions in accounts for which a Participant, by power of attorney or otherwise, directly or indirectly controls trading shall be included with the positions held by such Participant. The provisions of this Rule shall apply to positions held by two or more Participants acting pursuant to an expressed or implied agreement or understanding, the same as if the positions were held, or the trading of the positions was controlled, by a single Participant.

**Rule 532. Publication of Market Data**

The MarketAxess SEF will record and report to the Commission all data required by Part 16 of the CFTC's regulations in the form and manner required by the Commission.

**Rule 533. SDR Reporting**



The MarketAxess SEF will report all data required by Parts 43 and 45 of the CFTC's regulations on each Swap executed on, or otherwise pursuant to the Rules of, the MarketAxess SEF to an SDR that is selected by the MarketAxess SEF as soon as technologically practicable after execution of the Swap.

**Rule 534. Reserved.**

**Rule 535. Identification of Authorized Traders**

Each Authorized Trader shall be identified to the MarketAxess SEF, in the manner prescribed by the MarketAxess SEF, and shall be subject to the MarketAxess SEF Rules. Each individual must use a unique user ID to access the MarketAxess SEF Trading System. In no event may a Person 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.

**Rule 536. LIMITATION OF LIABILITY, NO WARRANTIES**

(a) EXCEPT AS PROVIDED BELOW, AND EXCEPT IN INSTANCES WHERE A PARTY HAS BEEN FINALLY ADJUDICATED TO HAVE BEEN GROSSLY NEGLIGENT OR ENGAGED IN WILLFUL OR WANTON MISCONDUCT, IN WHICH CASE THE PARTY FOUND TO HAVE ENGAGED IN SUCH CONDUCT CANNOT AVAIL ITSELF OF THE PROTECTIONS IN THIS RULE 536, NEITHER THE MARKETAXESS SEF (INCLUDING ITS SUBSIDIARIES AND AFFILIATES, AND ANY CONTRACTORS PROVIDING SERVICES TO THE MARKETAXESS SEF), NOR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, CONSULTANTS, AND LICENSORS (THE "DISCLAIMING PARTY" OR "DISCLAIMING PARTIES") SHALL BE LIABLE TO ANY PERSON FOR ANY LOSSES, DAMAGES, COSTS OR EXPENSES (INCLUDING, BUT NOT LIMITED TO, LOSS OF PROFITS, LOSS OF USE, AND DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES), 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 OF THE SYSTEMS AND SERVICES OF THE MARKETAXESS SEF, OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS AND SERVICES, INCLUDING WITHOUT LIMITATION ELECTRONIC ORDER ENTRY/DELIVERY, TRADING THROUGH ANY ELECTRONIC MEANS, ELECTRONIC COMMUNICATION OF MARKET DATA OR INFORMATION, WORKSTATIONS USED BY PARTICIPANTS AND AUTHORIZED TRADERS, 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 SYSTEM OR SERVICE OF THE MARKETAXESS SEF, OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS 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 THE MARKETAXESS SEF OR ANY OF THE MARKETAXESS SEF'S SYSTEMS, SERVICES OR FACILITIES; EXCEPT FOR INCORRECT ORDER STATUSING INFORMATION AS PROVIDED IN RULE 537 (THE MARKETAXESS SEF CONTROL CENTER); OR (4) ANY UNAUTHORIZED ACCESS TO OR UNAUTHORIZED USE OF ANY OF THE MARKETAXESS 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, CONTRIBUTION 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 CEA AND REGULATIONS THEREUNDER.

(b) NOTWITHSTANDING SUBSECTION (a), (e), or (f) OF THIS RULE 536, IN NO EVENT SHALL ANY PERSON BRING ANY LEGAL ACTION (WHETHER IN TORT, NEGLIGENCE, OR BREACH OF CONTRACT) FOR ANY LOSSES, DAMAGES, COSTS OR EXPENSES, INCLUDING, BUT NOT LIMITED TO, LOSS OF PROFITS, LOSS OF USE, DIRECT, SPECIAL, PUNITIVE, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES, ARISING FROM THE USE OF THE PLATFORM.

(c) THERE ARE NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS (INCLUDING, BUT NOT LIMITED TO, WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE OR USE) PROVIDED BY THE DISCLAIMING PARTY OR DISCLAIMING PARTIES RELATING TO ANY SYSTEMS OR SERVICES OF THE MARKETAXESS SEF OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS OR SERVICES, INCLUDING THE MARKETAXESS SEF TRADING SYSTEM.

(d) ANY DISPUTE ARISING OUT OF THE USE OF SYSTEMS OR SERVICES OF THE MARKETAXESS SEF OR SERVICES, EQUIPMENT, OR FACILITIES USED TO SUPPORT SUCH SYSTEMS OR SERVICES IN WHICH THE DISCLAIMING PARTY OR DISCLAIMING PARTIES IS A PARTY SHALL BE ARBITRATED PURSUANT TO CHAPTER 8. ANY ARBITRATION SHALL BE BROUGHT WITHIN THE PERIOD PRESCRIBED BY CHAPTER 8. ANY OTHER ACTIONS, SUITS OR PROCEEDINGS AGAINST THE DISCLAIMING PARTY OR DISCLAIMING PARTIES MUST BE BROUGHT WITHIN TWO (2) YEARS FROM THE TIME THAT A CAUSE OF ACTION HAS ACCRUED. THIS PARAGRAPH (d) SHALL IN NO WAY BE CONSTRUED TO LIMIT A PARTY'S OBLIGATION TO ARBITRATE ITS CLAIM OR TO CREATE A CAUSE OF ACTION AND SHALL NOT AUTHORIZE AN ACTION THAT WOULD OTHERWISE BE PROHIBITED BY THE MARKETAXESS SEF RULES. IF, FOR ANY REASON, A COURT OF COMPETENT JURISDICTION FINDS THAT A DISPUTE IS NOT ARBITRABLE, SUCH DISPUTE MAY ONLY BE LITIGATED IN THE COUNTY OF NEW YORK IN THE STATE OF NEW YORK AND WILL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO ANY PROVISIONS OF NEW YORK LAW THAT WOULD APPLY THE SUBSTANTIVE LAW OF A DIFFERENT JURISDICTION.

(e) THE DISCLAIMING PARTY OR DISCLAIMING PARTIES, MAY, IN ITS SOLE DISCRETION, ASSUME RESPONSIBILITY FOR DIRECT, OUT-OF-POCKET LOSSES DIRECTLY CAUSED BY THE GROSS NEGLIGENCE OF THE MARKETAXESS SEF CONTROL CENTER OR OTHER MARKETAXESS SEF STAFF AND/OR ORDER STATUS ERRORS PROVIDED BY THE MARKETAXESS SEF CONTROL CENTER OR ANY MARKETAXESS SEF SYSTEM, EQUIPMENT, SERVICE OR FACILITY. NOTWITHSTANDING THE ABOVE, i) THE MARKETAXESS SEF'S TOTAL COMBINED AGGREGATE OBLIGATIONS SHALL NOT EXCEED \$25,000 FOR ALL LOSSES FROM ALL CAUSES SUFFERED ON A SINGLE DAY; \$100,000 FOR ALL LOSSES SUFFERED FROM ALL CAUSES IN A SINGLE CALENDAR MONTH; AND \$500,000 FOR ALL LOSSES FROM ALL CAUSES SUFFERED IN A SINGLE CALENDAR YEAR. ANY DISPUTED CLAIM PURSUANT TO THIS PARAGRAPH (e) MUST BE ARBITRATED PURSUANT TO CHAPTER 8.

(f) IN NO EVENT SHALL THE DISCLAIMING PARTY'S OR DISCLAIMING PARTIES' TOTAL COMBINED AGGREGATE LIABILITY FOR ALL CLAIMS ARISING OUT OF ANY FAILURES, MALFUNCTIONS, FAULTS IN DELIVERY, DELAYS, OMISSIONS, SUSPENSIONS, INACCURACIES, INTERRUPTIONS, TERMINATIONS, OR ANY OTHER CAUSES, IN CONNECTION WITH THE FURNISHING, PERFORMANCE, OPERATION, MAINTENANCE, USE OF OR INABILITY TO USE ALL OR ANY PART OF ANY OF THE MARKETAXESS SEF'S SYSTEMS OR SERVICES, OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS AND SERVICES, OR THE NEGLIGENCE OF MARKETAXESS SEF STAFF EXCEED \$500,000 IN ANY GIVEN 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.**

**Rule 537. The MarketAxess SEF Control Center**

(a) Customer Support.

- (1) The MarketAxess SEF Control Center (“MCC”) provides customer support and problem management only to Participants.
- (2) In order to be eligible for MCC support, such Persons must be identified by a Participant as an authorized contact with the MCC (“**Authorized Contacts**”). The MCC provides customer support via a specified telephone number and during specified hours.
- (3) MCC employees may not always be available to assist Authorized Contacts.
- (4) Persons other than Authorized Contacts must contact their Participant Firms to make support requests.

(b) MCC Communications.

- (1) As provided in Rule 536, the MarketAxess SEF shall not be liable for any loss resulting from any inability to communicate with the MCC.
- (2) The liability of the MarketAxess SEF for the negligent acts of MCC staff shall be subject to the limitations and conditions of Rule 536.
- (3) In no event, however, shall the MarketAxess SEF be liable for the negligence of the MCC if the Person claiming to have suffered a loss could have secured the support it sought from the MCC through its own administrative terminal, its Clearing Firm’s terminal or an Independent Software Vendor’s (“ISV”) terminal.
- (4) For purposes of this rule, a Person is deemed able to take action through its own administrative terminal, a Clearing Firm’s terminal or an ISV’s terminal unless such terminal was inoperative or such terminal service was interrupted at the time the MCC took action.

(c) Order Status.

- (1) A Person who believes he has received an incorrect Order status or does not receive an appropriate status shall immediately notify the MCC. Additionally, such Person shall take any necessary and appropriate market action to mitigate any potential losses arising from the incorrect Order status or lack of appropriate Order status immediately after the Person knew or should have known that the Order status information was incorrect or should have been received. Any liability of the MarketAxess SEF for incorrect Order status shall be subject to the limitations and conditions of Rule 536.

(2) Notwithstanding the above, the MarketAxess SEF shall not be liable for losses related to incorrect Order status information if the MarketAxess SEF provides prior notification that a MarketAxess SEF system, service or facility may produce such incorrect information and also provides notification of a means to obtain correct Order status information from such system, service or facility. In the event that the MCC and a MarketAxess SEF system, service or facility provide conflicting information relating to an Order status, a Participant may only reasonably rely on the information received from the MCC. Any liability of the MarketAxess SEF shall be subject to the liability caps and conditions of Rule 536.

### **Rule 538. The MarketAxess SEF Trading System**

(a) The Order Book is available for Required Transactions and Permitted Transactions.

(b) The MarketAxess SEF Trading System Click to Trade ("CTT") system is only available for Permitted Transactions and Block Trades and allows for Participants to review indicative levels provided by other Participants and either:

(1) Place a market order requesting to hit or lift the indicative level (utilizing a Price/Time algorithm), subject to acceptance by the Participant providing the indicative level;

(2) Submit a firm resting order, allowing for another Participant providing indicative levels to either hit or lift the level; or

(3) Submit a limit order with either of the following characteristics:

(i) If the Participant selects order style "Notification," they will be notified if a selected Participant enters a level better than or equal to the Participant's limit. From this notification, the Participant will have the option to submit a firm resting order on the instrument just as they would in the standard CTT flow and counter flow.

(ii) If the Participant selects order style "Auto-Execute," an Order will automatically be placed on behalf of the Participant if a selected Participant enters a level better than or equal to the Participant's limit. From this point, the Trade flow will be identical to the standard CTT flow and counter flow.

(c) The MarketAxess SEF RFQ System is available for Required Transactions.

(1) The MarketAxess SEF also offers a request for quote system designed only for Permitted Transactions and Block Trades. This system will not be subject to the requirements of CFTC Regulation 37.9(a)(3).

### **Rule 539. Trade Cancellations and Price Adjustments**

(a) MarketAxess SEF Control Center Authority Regarding Trade Cancellations and Price Adjustments.

(1) The MCC has authority to adjust trade prices or cancel (bust) Trades when such action is necessary to mitigate market disrupting events caused by the improper or erroneous use of the MarketAxess SEF Trading System or by system defects.

(2) Notwithstanding any other provisions of this rule, the MCC may adjust trade prices or bust any Trade if the MCC determines that allowing the Trade to stand as executed may have a material adverse effect on the integrity of the market.

(3) All decisions of the MCC shall be final.

(b) Review of Trades.

(1) The MCC may determine to review a Trade based on its independent analysis of market activity or upon request for review by a user of the MarketAxess SEF Trading System. A request for review must be made within 15 minutes of the execution of the Trade.

(2) The MCC shall determine whether or not a Trade will be subject to review. In the absence of a timely request for review, during volatile market conditions, upon the release of significant news or in any other circumstance in which the MCC deems it to be appropriate, the MCC may determine, in its sole discretion, that a Trade shall not be subject to review.

(3) Upon deciding to review a Trade, the MCC will promptly issue an alert to all Participants via the MarketAxess SEF Trading System or electronic mail indicating that the Trade is under review.

(c) Price Adjustments and Cancellations.

(1) In reviewing a Trade, the MCC will first determine whether the trade price is within the No Bust Range, which shall mean the price of a MarketAxess SEF Swap was no more than 10% higher or lower than either the final settlement price or spread from the prior trading day for such MarketAxess SEF Swap.

(2) In applying the No Bust Range, the MCC shall use best efforts to determine the fair value market price for that MarketAxess SEF Swap at the time the trade under review occurred. The MCC may consider any relevant information, including, but not limited to, the last trade price in the MarketAxess SEF Swap or a better bid or offer price on the MarketAxess SEF Trading System, a more recent price for a different maturity date, the price of the same or related MarketAxess SEF Swap established in another venue or another market, the market conditions at the time of the trade, the theoretical value of an Option based on the most recent implied volatility and responses to an RFQ.

(3) Trade Price Inside the No Bust Range. If the MCC determines that the price of the Trade is inside the No Bust Range, the MCC will issue an alert indicating that the Trade shall stand.

(4) Trade Price Outside the No Bust Range.

i. If the MCC determines that a trade price is outside the No Bust Range, the MarketAxess SEF shall have the right (in its sole discretion) to cancel or adjust the price of such Trade.

ii. Busted trade prices and any prices that have been adjusted shall be cancelled in the MarketAxess SEF's official record of time and sales. Trades that are price-adjusted shall be inserted in the time and sales record at the adjusted trade price.

(d) Alternative Resolution by Agreement of Parties.

(1) With the approval of the MCC, parties to a Trade that is under review or price-adjusted may instead mutually agree to cancel or otherwise adjust the price of the Trade.

(2) With the approval of the MCC, parties to a Trade that is busted may instead mutually agree to price-adjust the Trade to a price consistent with the adjustment provisions of Rule 543(c).

(3) Subject to sections (d)(1) and (d)(2), parties to a Trade that is cancelled or price-adjusted may mutually agree to a cash adjustment, *provided* that such adjustments are reported to the MCC and the parties maintain a record of the adjustment.

(4) An executed Trade may not be reversed via transfer except where such Trade is determined by the MCC to be outside of the No Bust Range but not reported timely, subject to agreement of the parties and approval of the MCC. Any such transfer must occur at the original trade price and quantity; however, the parties may mutually agree to a cash adjustment.

(e) Liability for Losses Resulting from Price Adjustments or Cancellations.

(1) A party entering an Order that results in a price adjustment or trade bust shall be responsible for demonstrated claims of realized losses incurred by Persons whose trade prices were adjusted or busted, *provided, however*, that a claimant shall not be entitled to compensation for losses incurred as a result of the claimant's failure to take reasonable actions to mitigate the loss.

(2) A claim for a loss pursuant to this section must be submitted to the MarketAxess SEF within one (1) Business Day of the event giving rise to the claim. The MarketAxess SEF will reject any claim that is not filed in a timely manner and such decisions shall be final. Eligible claims shall be forwarded by the MarketAxess SEF to the party responsible for the Order(s) that resulted in a trade bust or a price adjustment. Such party shall, within ten (10) Business Days of receipt of the claim, admit or deny responsibility in whole or in part. Failure to respond to the claim within ten (10) Business Days shall be considered a denial of liability.

(3) To the extent that liability is admitted, payment shall be made within ten (10) Business Days. Unless otherwise agreed upon in writing by the parties, failure to make the payment within ten (10) Business Days shall be considered a denial of liability for purposes of this Rule. A copy of any such written agreement must be provided to the MarketAxess SEF.



(4) To the extent that liability is denied, the party making the claim may submit the claim for arbitration pursuant to Chapter 8 of the Rules. Such claims must be submitted to the MCC within ten (10) Business Days of the date the party was issued notification that liability was denied.

(f) Schedule of Administrative Fees. When MCC busts or price-adjusts a Trade, the party responsible for entering the Order into the MarketAxess SEF Trading System that gave rise to the trade bust or price adjustment shall pay an administrative fee to the MarketAxess SEF in the amount of \$500 for each such occurrence.

#### **Rule 540. Terms and Conditions**

Starting on November 1, 2013, all Participants shall agree to and abide by the terms and conditions of any swap traded on or processed through the MarketAxess SEF.

#### **Rule 541. Trading Pauses and Halts**

The MarketAxess SEF shall have the authority to pause trading in any MarketAxess SEF Swap or restrict the trading of any Participant in any or all MarketAxess SEF Swap(s) if doing so: (i) serves the purpose of preventing market disruptions or price distortions or (ii) if requested to do so by the CFTC or any Clearing House.

### **CHAPTER 6: PRIVATELY NEGOTIATED TRANSACTIONS**

#### **Rule 601. Block Trades**

(a) Each Block Trade shall be executed by one of the methods of execution that is available for Block Trades under the MarketAxess SEF Rules. Participants to a Block Trade shall comply with any applicable CFTC regulations governing Block Trades.

(b) The following shall govern Block Trades:

(1) Prior to executing a Trade with a notional or principal amount at or above the appropriate minimum block size applicable to such swap, as determined by the CFTC, the parties to such Trade shall be deemed to have elected to treat the Trade as a Block Trade.

(2) The price at which a Block Trade is executed must be fair and reasonable in light of (i) the size of the Block Trade, (ii) the prices and sizes of other transactions in the same MarketAxess SEF Swap at the relevant time, (iii) the prices and sizes of transactions in other relevant markets at the relevant time, and (iv) the circumstances of the markets or the Participants to the Block Trade.

(3) Persons entering into a Block Trade under the MarketAxess SEF rules must agree upon which party to the Block Trade shall be responsible for reporting all of the terms of the Block Trade to the MarketAxess SEF as soon as practicable after execution of the Block Trade. The Participant



must provide the MarketAxess SEF with the allocation for such Block Trade as soon as practicable (if applicable).

(4) Block Trades must be reported to the MarketAxess SEF in accordance with an approved reporting method.

(5) Participants involved in the execution of Block Trades must maintain a record of the transaction in accordance with Rule 401.

(6) The MarketAxess SEF will report information submitted by the Participant(s) for the Block Trade to a Swap Data Repository as required by Part 43 and Part 45 of the CFTC Regulations.

(7) Orders may be aggregated in order to achieve the minimum block size, but only if done by a person who:

(i)(A) Is a commodity trading advisor registered pursuant to Section 4n of the CEA, or exempt from registration under the CEA, or a principal thereof, who has discretionary trading authority or directs client accounts,

(B) Is an investment adviser who has discretionary trading authority or directs client accounts and satisfies the criteria of CFTC Regulation 4.7(a)(2)(v), or

(C) Is a foreign person who performs a similar role or function as the persons described in paragraphs (b)(7)(i)(A) or (b)(7)(i)(B) above and is subject as such to foreign regulation; and,

(ii) Has more than \$25,000,000 in total assets under management.

## **Rule 602. Recordkeeping Requirements for Privately Negotiated Trades**

All Orders executed in accordance with Rule 601, unless otherwise exempted by Rule, are subject to the following recordkeeping requirements:

(a) 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 that such Order was received and must identify the specific account(s) for which the Order was placed.

(b) Such record shall also include an electronic timestamp reflecting the date and time that such Order was executed or cancelled.

## **CHAPTER 7: DISCIPLINARY RULES**

### **Rule 701. General**

(a) This Chapter 7 shall govern a Participant, or any other Person using a user ID assigned to the Participant, who is alleged to have violated, to have aided and abetted a violation, to be violating, or to

be about to violate, any Rule of the MarketAxess SEF or any provision of Applicable Law for which the MarketAxess SEF possesses disciplinary jurisdiction.

(b) The MarketAxess 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 7.

(c) No MarketAxess 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 MarketAxess SEF Rules with respect to a proceeding in which the Director is a member of the relevant Appeal Panel.

(d) Any Participant may be represented by counsel or any representative of its choosing during any Disciplinary Action pursuant to this Chapter 7.

(e) Participant Liability – Individual and Joint Liability/Controlling Person Liability.

(1) The MarketAxess SEF may hold a Participant liable, and impose sanctions against such Participant, for such Participant's own acts and omissions that constitute a violation as well as for the acts and omissions of each (A) Authorized Trader authorized by such Participant, (B) other Supervised Person of such Participant, (C) other Person using a user ID of such Participant or (D) other agent or representative of such Participant, in each case, that constitute a violation, as if such violation were that of the Participant.

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

(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 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) or 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 702. Inquiries and Investigation**

(a) The Market Regulation Department will investigate any matter within the MarketAxess SEF's jurisdiction of which it becomes aware. 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 the MarketAxess SEF that, in the judgment of the Market Regulation Department, indicates a possible basis for finding that a violation has occurred or may 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 the MarketAxess 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 the MarketAxess SEF's disciplinary jurisdiction; and,
- (4) represent the MarketAxess SEF on appeal from any disciplinary proceeding, summary imposition of fines, summary suspension or other summary action.

(c) Each Participant:

(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 MarketAxess Rule;
- ii. any inquiry or investigation relating to MarketAxess SEF Activity; and
- 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 Rule or MarketAxess SEF Activity;

- ii. any inquiry or investigation relating to MarketAxess SEF Activity; and
- iii. any preparation by and presentation during a Disciplinary Action; and

(3) may not impede or delay any Disciplinary Action.

(d) The Chief Compliance Officer has the authority to delegate the authority to conduct any investigation authorized under this Rule 702 to the RSP as per the terms of the Regulatory Services Agreement.

(e) Any investigation will be completed in a timely manner in accordance with CFTC regulation 37.203(f)(2).

### **Rule 703. 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 the MarketAxess 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, the Market Regulation Department staff's analysis and conclusions, 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.

(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 Disciplinary Panel.

### **Rule 704. Opportunity to Respond**

(a) After completing its Investigative 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 705. Review of Investigative Reports**

### **(a) Review of Investigative Reports by the Chief Compliance Officer.**

(1) Within thirty (30) days of the receipt of a completed Investigative Report, the Chief Compliance Officer will review the completed Investigative Report to determine whether a reasonable basis exists to believe that a violation within the MarketAxess 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 the MarketAxess 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 Oversight Committee; or

ii. the closing of the investigation without any action because no reasonable basis exist to believe that a violation within the MarketAxess 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 Oversight Committee; or

iii. the commencement of disciplinary proceedings because a reasonable basis exists to believe that a violation within the MarketAxess SEF's jurisdiction has occurred or is about to occur.

### **(b) Review of Investigative Reports by the Disciplinary Panel.**

(1) After receiving a completed Investigative Report pursuant to Rule 703, a Disciplinary Panel must promptly review the report and, within thirty (30) days of such receipt, must take one of the following actions:

i. If the Disciplinary Panel determines that additional investigation or evidence is needed, it must promptly direct the Market Regulation Department to conduct further investigation.

ii. If the Disciplinary 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 Oversight Committee.

iii. If the Disciplinary Panel determines that a reasonable basis exists for finding a violation and adjudication are warranted, it must direct that the Person alleged to have committed the violation be served with a notice of charges and proceed in accordance with the rules of Chapter 7.

(2) A failure of the Disciplinary Panel to act within the time prescribed in Rule 705(b) shall not prevent the Chief Compliance Officer from acting pursuant to Rule 705(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 705(a) and the Disciplinary Panel pursuant to Rule 705(b) shall be resolved by the Regulatory Oversight Committee.

## **Rule 706. Notice of Charges**

(a) If the Chief Compliance Officer or Disciplinary Panel authorizes disciplinary proceedings pursuant to Rule 705(a)(3)(iii) or 703(b)(1)(iii), the Market Regulation Department will prepare, and serve in accordance with Rule 708, 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 MarketAxess 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 it 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 twenty (20) 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 707. Answer to Notice of Charges**

(a) If the respondent determines to answer a notice of charges, the respondent must file answers within twenty (20) 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 708. Service of Notice of Charges**

(a) Any notice of charges or other documents to be served pursuant to this Chapter 7 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; or by deposit in the United States mail, postage prepaid, via registered or certified mail addressed to the respondent at the address as it appears on the books and records of the MarketAxess SEF.

(b) Any notice of charges or other documents contemplated to be served pursuant to this Chapter 7 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 the MarketAxess SEF.

## **Rule 709. 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 the MarketAxess 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 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 the settlement will become final upon the expiration of twenty (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 Disciplinary 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 MarketAxess SEF 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, 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 710. Disciplinary Panel**

(a) The Disciplinary Panel shall:



(1) review completed Investigative Reports in order to determine whether a reasonable basis exists for finding a violation of the MarketAxess SEF's rules and for authorizing the issuance of notices of charges against persons.

(2) conduct hearings in connection with any disciplinary proceedings (except for summary impositions of fines pursuant to Rule 717), make findings, render decisions and impose sanctions pursuant to this Chapter 7.

(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 potential participants on the Disciplinary Panel. The Chief Compliance Officer shall recommend at least one (1) individual who will satisfy the conditions of a Public Individual and at least two (2) Participants or employees of Participants and two (2) non-Participants. The term of an individual who has been selected as a member of a Disciplinary Panel will not expire until the related proceedings are completed. The Board shall not appoint the Chief Compliance Officer, any employee of the Market Regulation Department, or any person involved in adjudicating any other stage of the same proceeding to be a member of a Disciplinary Panel.

(c) The chair of any Disciplinary Panel shall be a Public Individual.

(d) The Chief Compliance Officer shall select a separate Disciplinary 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 ten (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 213 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 General Counsel of the MarketAxess SEF will decide the merits of any request for disqualification in 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 or her attention in his or her 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 Government 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 a MarketAxess SEF investigation, as permitted by Rule 213 or as required by law.

(i) The Chief Compliance Officer has the authority to delegate the formation and staffing of Disciplinary Panels under this Rule 710 to the RSP as per the terms of the Regulatory Services Agreement.

#### **Rule 711. Convening Hearings of Disciplinary Proceedings**

(a) A hearing will be conducted privately and confidentially. Notwithstanding the confidentiality of hearings, the Disciplinary 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 Disciplinary 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 Disciplinary Panel may continue, adjourn or otherwise conduct the hearing, as he or she may deem appropriate. The chair of the Disciplinary 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 Disciplinary Panel will not be bound by any evidentiary or procedural rules or law. Once admitted during the hearing, the Disciplinary Panel may consider, and attach the weight it believes appropriate to, evidence or other materials. The General Counsel of the MarketAxess SEF, or its designee, will provide guidance to the chair of the Disciplinary Panel on the conduct of the hearing.

(d) Except for procedural and evidentiary matters decided by the chair of the Disciplinary Panel pursuant to paragraph (c) above and Rule 712, unless each respondent otherwise consents, the entire Disciplinary Panel must be present during the entire hearing and any related deliberations.

#### **Rule 712. Respondent Review of Evidence**

(a) Prior to the commencement of a hearing, each respondent will be given the opportunity to review all books, records, documents, papers, transcripts of testimony and other tangible evidence in the possession or under the control of the MarketAxess 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 Disciplinary Panel deems relevant to the disciplinary proceedings. Notwithstanding the foregoing, no respondent will have the right to review, and the MarketAxess 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 712, information that could adversely affect competitive positions include positions in MarketAxess SEF 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 713. 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 Disciplinary Panel. If a respondent has timely filed an answer to the notice of charges in accordance with Rule 707, the respondent shall be entitled to attend and participate in the hearing.

(b) At a hearing conducted in connection with any disciplinary proceedings, the Disciplinary Panel or the Market Regulation Department and each respondent may:

(1) present evidence and facts determined relevant and admissible by the chair of the Disciplinary Panel;

(2) call and examine witnesses; and

(3) cross-examine witnesses called by other parties.

(c) If the respondent fails to file an answer, files 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 Disciplinary 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 Disciplinary Panel determines that the respondent had a compelling reason for failing to timely file an answer. If the Disciplinary Panel determines that the respondent had a compelling reason for failing to timely file an answer, the Disciplinary Panel will adjourn the hearing and direct the respondent to promptly file a written answer in accordance with Rule 707.

(d) Any Person entitled, or required or called upon, to attend a hearing before a Disciplinary 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. The MarketAxess 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 Disciplinary Panel determines that a reasonable basis exists to believe that the respondent violated or is about to violate a Rule of the MarketAxess SEF or a provision of Applicable Law other than the violations alleged in the notice of charges, the Disciplinary Panel may consider those apparent violations after providing the respondent with an opportunity to answer the additional allegations in accordance with Rule 707. In connection with considering apparent violations pursuant to this paragraph (e), the Disciplinary Panel may request that the Market Regulation Department provide the Disciplinary Panel with any additional information related to the violations at issue.

(f) The Disciplinary Panel may summarily impose sanctions on any Participant, Authorized Trader or other Supervised Person that impedes or delays the progress of a hearing.

(g) The MarketAxess 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 Disciplinary 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 Disciplinary Panel or chair of the Disciplinary Panel are permitted.

#### **Rule 714. Decision of Disciplinary Panel**

(a) As promptly as reasonable following a hearing, the Disciplinary 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 Disciplinary Panel will constitute the decision of the Disciplinary Panel.

(b) The MarketAxess 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 the MarketAxess SEF and provision of Applicable Law that the respondent is found to have violated; and

(6) the imposition of sanctions, if any, including the basis for such sanctions and the effective date of each sanction.

## **Rule 715. Sanctions**

(a) After notice and opportunity for hearing in accordance with the MarketAxess SEF Rules, the MarketAxess 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 the MarketAxess SEF or provision of Applicable Law for which the MarketAxess SEF possesses disciplinary jurisdiction. All sanctions, including sanctions imposed pursuant to an accepted settlement offer, must take into account the respondent's disciplinary history. In the event of demonstrated customer harm, any sanction must also include full customer restitution, except where the amount of restitution or to whom the restitution should be provided cannot be reasonably determined. The MarketAxess SEF may impose one or more of the following sanctions or remedies:

(1) censure;

(2) limitation on Trading Privileges, ability to otherwise access the MarketAxess SEF Trading System, and/or other activities, functions or operations;

(3) suspension of Trading Privileges and/or ability to otherwise access the MarketAxess SEF Trading System;

(4) fine (subject to paragraph (b) below);

(5) restitution or disgorgement;

(6) termination of Trading Privileges and/or ability to otherwise access the MarketAxess SEF Trading System;

(7) a warning letter, provided that no more than one warning letter is issued to the same Participant for the same violation in a rolling twelve (12)-month period; or

(8) any other sanction or remedy deemed to be appropriate.

(b) The MarketAxess SEF may impose a fine of up to \$500,000 for each violation of a Rule of the MarketAxess 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. The MarketAxess 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 716. Reserved.**

**Rule 717. 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 the MarketAxess SEF;
- (2) to make timely and accurate submissions to the MarketAxess SEF of notices, reports or other information required by the MarketAxess SEF Rules; and
- (3) to keep any books and records required by the MarketAxess SEF 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 717 to each Participant or Authorized Trader subject thereto. The notice will specify:

- (1) the violations of the MarketAxess SEF Rules for which the fine is being imposed;
- (2) the date of the violation for which the fine is being imposed; and
- (3) the amount of the fine.

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. 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) The MarketAxess SEF will set the amount of any fines imposed pursuant to this Rule 717, with the maximum fine for each violation not to exceed \$5,000. Summary imposition of fines pursuant to this Rule 717 will not preclude the MarketAxess 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 718. Summary Suspensions and Other Summary Actions**

(a) Notwithstanding anything in the MarketAxess SEF 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 MarketAxess SEF Trading System, and may take other summary action against any Participant or any of its Authorized Traders or Supervised Persons in accordance with the MarketAxess SEF 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 the MarketAxess SEF or the marketplace, including based on any of the following:

- (1) statutory disqualification from registration as provided in CEA Sections 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 the MarketAxess SEF.

(b) Whenever practicable, the MarketAxess SEF shall provide prior written notice to the party against whom any action in accordance with paragraph (a) shall be taken. If prior notice is not practicable, the MarketAxess SEF will give notice at the earliest possible opportunity to the respondent against whom the action is brought.

(c) 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 the MarketAxess SEF, a respondent against whom a summary action is brought pursuant to this Rule 718 must provide books and records over which the respondent has access or control and must furnish information to, or appear or testify before, the MarketAxess SEF in connection with the enforcement of any Rule of the MarketAxess SEF.

(e) A respondent whose Trading Privileges and/or ability to otherwise access the MarketAxess SEF Trading System are suspended, revoked, limited, conditioned, restricted or qualified pursuant to this Rule 718 may apply for reinstatement by filing with the Market Regulation Department a written request stating the applicant's reasons for seeking reinstatement. The MarketAxess SEF will not consider a respondent's request for reinstatement if the respondent (i) owes any fines, fees, charges or costs to the MarketAxess 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 or supporting the reinstatement and each may present evidence and facts and call, examine and cross-examine witnesses. At the hearing for reinstatement, the MarketAxess 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 MarketAxess SEF Trading System 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 718(b) above. The Appeals Panel's order may not be appealed.

#### **Rule 719. 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 MarketAxess SEF Trading System are suspended for a period of 12 months or less, none of its rights (including the right to hold oneself out to the public as a Participant or Authorized Trader, enter Order into the MarketAxess SEF Trading System and receive Participant rates for fees, costs, and charges and deposit margin at Participant levels) will apply during the period of the suspension, except for the right of the Participant or Authorized Trader in question to assert claims against others as provided in the MarketAxess SEF Rules. Any such suspension will not affect the rights of creditors under the MarketAxess SEF Rules or relieve the Participant or Authorized Trader in question of its, his or her obligations under the MarketAxess SEF Rules to perform any MarketAxess SEF Swaps entered into before the suspension, or for any MarketAxess SEF fees, costs, or charges incurred during the suspension. The MarketAxess SEF may discipline a suspended Participant or Authorized Trader under this Chapter 7 for any violation of a Rule of the MarketAxess 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 MarketAxess SEF Trading System 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 MarketAxess SEF Rules. Any such termination will not affect the rights of creditors under the MarketAxess SEF Rules. A terminated Participant or Authorized Trader may only seek to be reinstated by applying for Trading Privileges pursuant to Rule 302.

(c) The MarketAxess 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 MarketAxess SEF Rules and the jurisdiction of the MarketAxess 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 MarketAxess SEF Trading System.

(e) RESERVED

**Rule 720. Notice to the Respondent, the Regulatory Services Provider and the Public**

The MarketAxess SEF will provide written notice of disciplinary proceedings to the parties and the Regulatory Services Provider consistent with applicable CFTC Regulations. Whenever the MarketAxess SEF suspends, expels, fines or otherwise disciplines, or denies any Person access to the MarketAxess SEF, the MarketAxess SEF will make the required notices and disclosures required by Part 9 and all other applicable CFTC Regulations.

**CHAPTER 8: ARBITRATION RULES**



## **Rule 801. Disputes Subject to Arbitration**

### **(a) Mandatory Arbitration of Disputes Among Participants.**

(1) It is contrary to the objectives and policy of the MarketAxess SEF for Participants to litigate MarketAxess SEF-related disputes. Participants must arbitrate all disputes between or among themselves that relate to or arise out of any transaction executed on, or otherwise subject to the Rules of, MarketAxess SEF that are based upon facts and circumstances that occurred at a time when the parties were Participants through the NFA Arbitration Program. Such arbitration shall be conducted pursuant to the Rules and the rules of the NFA Arbitration Program or another arbitration program permitted by the CFTC Regulations within two (2) years from the occurrence of the event giving rise to the dispute. This Rule shall in no way create a cause of action nor authorize an action that would otherwise be prohibited by the MarketAxess SEF Rules.

(2) Notwithstanding the foregoing, this Rule 801 does not require an employee of a Participant to submit to arbitration any claim that includes allegations of a violation of federal, state or local employment discrimination, sexual harassment, wage payment or benefits laws.

### **(b) Claims against the MarketAxess SEF or Clearing House.**

(1) Claims Against the MarketAxess SEF. Claims against the MarketAxess SEF pursuant to the provisions of Rules 536 and/or Rule 539 can be submitted to arbitration through the NFA Arbitration Program or another arbitration program permitted by the CFTC Regulations. Such arbitration shall be conducted pursuant to the Rules and the rules of the arbitration Program.

(2) Claims Against the Clearing House. Claims against the Clearing House must be pursued pursuant to the rules of the Clearing House.

(c) Permissive Arbitrations. The following may be submitted for arbitration through the NFA Arbitration program and, in the event such a claim is submitted against a Participant, that Participant is required to arbitrate the dispute under these Rules, unless otherwise provided:

(1) claims of a Customer that is not a Participant against a Participant that relate to or arise out of any transaction executed on, or otherwise subject to the Rules of, MarketAxess SEF;

(2) claims against a Participant pursuant to Rule 539;

(3) claims of a Customer that is not a Participant against a Clearing Firm responsible for the performance of a MarketAxess SEF Swap executed on, or subject to the Rules of, MarketAxess SEF and/or against a Participant in connection with such a transaction; and

(4) at the discretion of the Chief Compliance Officer, any claim involving the interests of the MarketAxess SEF, its Participants, their business relations or swaps trading in general not otherwise arbitrable under these rules, provided the parties have consented to such arbitration.

(d) Waiver of Any Objection to Jurisdiction. Any Person who is not a Participant who submits a claim or grievance to arbitration or any Person who appeals any arbitration decision, or who takes any steps therein, shall be conclusively presumed to have voluntarily recognized and agreed to the jurisdiction of the NFA to hear and determine the claim or appeal.

(e) Referral to the NFA Arbitration Program. In the event that a complaint is received by the MarketAxess SEF from a Customer, it shall be referred to the Market Regulation Department, which shall inform the Customer of the NFA Arbitration Program.

#### **Rule 802. Initiating an Arbitration Claim**

(a) A claimant may initiate a claim by submitting the required documents and fees to the NFA Arbitration Program.

(b) A claimant shall provide notice of such arbitration claim to the MarketAxess SEF.

#### **Rule 803. Certain Claims against the MarketAxess SEF Involving Trading Systems or Services**

(a) General. All claims arising out of or relating to the following matters shall be arbitrated in accordance with the rules of this Chapter:

(1) receipt of an incorrect Order status or the failure to have received an appropriate Order status; or

(2) the negligence of MCC Personnel or any other MarketAxess SEF staff.

(b) Initial Liability Claim and Demand for Arbitration. The initial claim of loss, including a detailed description of any loss suffered, must be made to the NFA Arbitration Program within thirty (30) business days of the date of the incident that caused the loss.

(c) Related Claims. All claims arising out of the same system failure, event or alleged negligent act shall, to the extent practicable in the determination of the chairman, be consolidated for a single hearing.

(d) Award.

(1) Any award by the NFA Arbitration Program shall be limited to the lesser of the actual loss or the loss that would have been incurred if the claimant had used its best efforts to mitigate the loss. Punitive damages, loss of profits, loss of use, and indirect, incidental or consequential damages shall not be awarded.

(2) The decision of a majority of the NFA Arbitration Program shall be final and binding, and there shall be no appeal to a hearing committee of the MarketAxess SEF. A party may move, within three (3) business days of the award, that the award be corrected to remedy any miscalculation or misdescription or where the award is otherwise imperfect in a matter of form not affecting the merits of the award.

(e) Satisfaction of Award by MarketAxess SEF.

(1) The MarketAxess SEF shall satisfy any award against it subject to its limitation of liability rules and the rules respecting proration among claimants where damages allowed for a defined period of time exceed any limit imposed by MarketAxess SEF Rules.

(2) The MarketAxess SEF may delay paying any award until such time as any applicable proration or limitation can be finally calculated.

(f) Rules of Construction. Nothing in this Rule 803 or Rule 804 shall be construed to create a claim against the MarketAxess SEF, to limit a defense available to the MarketAxess SEF, or to obviate or modify any limitation of MarketAxess SEF liability imposed by any other rule.

**Rule 804. Claims Relating to Trade Cancellations or Price Adjustments**

All claims relating to price adjustments or trade busts pursuant to Rule 539 shall be arbitrated in accordance with this Chapter.

**Rule 805. Right to Counsel**

Every Person is entitled to represent his own interests, be represented by an attorney at law of his choosing and at his own expense who is admitted to practice before the highest court in any State, or be represented by any other non-compensated representative at any stage of an arbitration proceeding. An entity must be represented by an officer or owner of the entity or by an attorney at law.

**Rule 806. Governing Law**

The laws of the State of New York govern the MarketAxess SEF Rules. In the event that this Chapter 8 is held to be unenforceable in connection with any dispute, (i) exclusive jurisdiction for any such dispute will reside in any state or federal court sitting in the New York, NY metropolitan area, (ii) the MarketAxess SEF and the Participant involved in the dispute will be presumed to have submitted to the personal jurisdiction of any such court, and (iii) an action to enforce any judgment or decision of such court may be brought in the same court or in any other court with jurisdiction or venue. Finally, all Participants unconditionally and irrevocably waive any and all right to trial by jury in connection with any such dispute.

**Rule 807. Costs**

Each party to the dispute will bear its own costs and expenses in connection with any arbitration hereunder, as well as an equal share of the administrative fees and the fees of the arbitrator; provided, however, that the arbitrator will be entitled to include in any award a full reimbursement for the prevailing party's costs and expenses, such party's share of the administrative fees and the fees of the arbitrator, or any combination of any or all of the above.

## **CHAPTER 9: CLEARING**

### **Rule 901. Clearing of Swaps**

All Swaps that the CFTC has determined are required to be cleared under Section 2(h) of the CEA and those Swaps which will be voluntarily cleared shall be cleared through a Clearing House in accordance with the relevant Clearing House Rules and in conformity with the MarketAxess SEF rules specifically provided in this Chapter 9.

### **Rule 902. Reserved.**

### **Rule 903. Reserved.**

### **Rule 904. Clearing House Rules**

A MarketAxess SEF Swap submitted to a Clearing House for clearing shall be subject to the applicable Clearing House Rules. The clearing services provided by the Clearing House with respect to any MarketAxess SEF Swap, and the rights and obligations of purchasers and sellers under cleared Swaps resulting from Trades executed on MarketAxess SEF (including without limitation rights and obligations in respect of clearing and settlement, variation payments and performance at maturity), shall be governed by the Clearing House Rules, as applicable.

### **Rule 905. Submission of Trades to a Clearing House**

Promptly upon the execution of each Order which is designated on MarketAxess SEF to be cleared by a Clearing House, the MarketAxess SEF shall submit (either directly or indirectly) the Trade to the Clearing House for acceptance for clearing by the relevant FCM(s) and the Clearing House. Any Trade that is designated to be cleared and is executed on the MarketAxess SEF but is not accepted for clearing shall be deemed void *ab initio*. If a Trade is not accepted for clearing due to a clerical or operational error or omission resulting in a mismatch of the terms of the Trade, the MarketAxess SEF shall submit (either directly or indirectly) for clearing a new Trade with terms and conditions that match the terms and conditions of the Trade which was deemed void *ab initio* (except for any terms with errors and the time of execution), provided that:

- (a) both Participants to the voided Trade consent to the new Trade;
- (b) one of the Participants sends an RFQ to the other Participant (which shall not be sent to any other Participant) with terms and conditions that match the terms and conditions of the voided Trade (except for any terms with errors);
- (c) each Participant's credit will be checked pre-execution in accordance with the MarketAxess SEF's standard credit checking processes (through which process each FCM shall consent to the new Trade); and

(d) the new Trade must be submitted for clearing no later than 30 minutes after the Clearing House issues to each relevant FCM a notice of rejection of the voided Trade.

**Rule 906. Reserved.**

## **CHAPTER 10: MISCELLANEOUS**

### **Rule 1001. MarketAxess SEF personnel – Trading and Misuse of Material, Non-Public Information**

(a) Except as provided by Rules 1001(b) and 1001(c), Officers and MarketAxess SEF employees are prohibited from buying or selling, directly or indirectly the following products:

- (1) any MarketAxess SEF Swap traded on a SEF or DCM; and
- (2) any product substantially similar to the MarketAxess SEF Swaps that are listed on a non-U.S. derivatives exchange or board of trade.

(b) The Chief Executive Officer may exempt, in whole or in part, an Officer or MarketAxess SEF employee from the prohibitions of Rule 1001(a), if such Officer or MarketAxess SEF employee applies in writing for an exemption and demonstrates to the satisfaction of the Chief Executive Officer that the Officer or MarketAxess SEF employee meets all of the following criteria:

- (1) the Officer or MarketAxess SEF employee does not have access to material, non-public information in the course of his or her employment;
- (2) the Officer and MarketAxess SEF employee agrees to provide the MarketAxess SEF with account statements and other documents relevant to the MarketAxess SEF Official's buying and selling of MarketAxess SEF Swaps directly or indirectly; and,
- (3) the Officer and MarketAxess SEF employee agrees to inform the Chief Executive Officer in writing of any material change that may affect the MarketAxess SEF Official's qualification for an exemption within one (1) Business Day of the change.

(c) With the Chief Executive Officer's written approval, Rule 1001(a) does not prohibit an Officer or MarketAxess SEF employee from participating in a pooled investment vehicle or other investment vehicle whose investments are directed by a third-party advisor if the MarketAxess SEF Official has no direct or indirect control over transactions executed by the investment vehicles.

(d) MarketAxess SEF Officials, agents and independent contractors of the MarketAxess SEF are prohibited from disclosing material, non-public information obtained as a result of his or her employment, agency relationship or engagement with the MarketAxess SEF where the MarketAxess SEF Official, agent or independent contractor expected or should have reasonably expected that the information disclosed may assist a Person in trading any MarketAxess SEF Swap, any MarketAxess SEF Swap traded on another SEF, or any related underlying commodity or security.

(e) Rule 1001(d) shall not prohibit a MarketAxess SEF Official, agent or independent contractor of the MarketAxess SEF from disclosing material, non-public information while discharging his or her official duties and responsibilities, including disclosures to another Self-Regulatory Organization, linked MarketAxess SEF, court of competent jurisdiction, or a representative of any agency or department of the federal or state government.

(f) For the purposes of this Rule 1001, the terms "material information," "non-public information," "linked MarketAxess SEF," and "pooled investment vehicle" each shall have the meaning set forth in CFTC Regulation 1.59(a).

### **Rule 1002. Gifts and Gratuities**

Except as permitted in writing by the Chief Executive 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 any Director or Officer of, or individual employed directly or seconded to, the MarketAxess SEF.

### **Rule 1003. Market Data**

(a) All Participants and all employees, agents, vendors, and other Persons affiliated with the foregoing understand and acknowledge that, subject to the Participant Documentation in place between the MarketAxess SEF and Participants, the MarketAxess SEF has a proprietary interest in:

(1) the price and quantity data from each and every transaction executed on the MarketAxess SEF Trading System, including the time at which the transaction was executed by, or submitted to the MarketAxess SEF Trading System;

(2) the price and quantity data for each and every bid and offer submitted for entry into the MarketAxess SEF Trading System, including the time at which the bid and offer was entered into the MarketAxess SEF Trading System;

(3) any data and information derived from (1) and (2) and the format and presentation thereof; and

(4) the transmissions and dissemination of the data and information to Participants and publisher of the data or information with whom the MarketAxess SEF has a written agreement, and any other Persons.

(b) Participants may not distribute, sell or retransmit information displayed on the MarketAxess SEF Trading System to any third party.

### **Rule 1004. Extension or Waiver of Rules**

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

### **Rule 1005. Effect of Amendment, Repeal or New Rule**

(a) The effective date of any amendment or repeal of a MarketAxess Rule or adoption of a new MarketAxess Rule relating to MarketAxess SEF Swaps will be binding on all MarketAxess SEF Swaps entered into on or after the effective date of such amendment, repeal or adoption.

(b) RESERVED

### **Rule 1006. Uncleared Swaps**

If a MarketAxess SEF Swap: (i) is not required to be cleared pursuant to the clearing mandate in Section 2(h)(1) of the CEA and (ii) is not designated to be submitted voluntarily for clearing to a Clearing House, the MarketAxess SEF Swap may only be entered into by and between Participants with trading relationship documentation in place that meets the requirements of Applicable Law. In the event that the parties to such Trade have not previously entered into such documentation, such Trade shall be void as of execution, with no cost or other amount payable to either party. Upon becoming aware that such Trade is void, a party to such Trade shall promptly notify the other party and the MarketAxess SEF. If MarketAxess SEF submitted a report concerning such Trade to a SDR prior to receiving such notice, promptly upon receiving notice that the Trade is void, the MarketAxess SEF shall notify the SDR to which the execution of the Trade was reported that the Trade has been cancelled.

### **Rule 1007. Issuance of SEF Confirmations for Uncleared Transactions**

(a) The economic terms specific to the transaction agreed by the Participants on the MarketAxess SEF with respect to an uncleared transaction shall be reflected by the MarketAxess 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 transaction existing at the time of such commitment to which the Participants are party (the “**Terms Incorporated by Reference**”) shall, taken together, for purposes of CFTC Regulation 37.6(b) comprise all of the terms of such transaction and serve as a confirmation of such transaction (the Trade Communication and Terms Incorporated by Reference, together, the “**SEF Confirmation**”).

(b) In satisfaction of the obligations imposed on the MarketAxess SEF under CFTC Regulation 37.6(b), (i) each Trade Communication is deemed to incorporate the Terms Incorporated by Reference set forth in this Rule 1007, and (ii) the Participants hereby agree that the provisions of Rule 1007(c) shall govern any conflicting terms.

(c) In the event of any conflict between (i) the Trade Communication and (ii) the Terms Incorporated by Reference, the Trade Communication shall prevail to the extent of any inconsistency.

# MarketAxess SEF RULEBOOK

Effective as of ~~November 21~~December 27, 2013



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## CHAPTER 1: DEFINITIONS

### Rule 101. Definitions

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

**"Affected Person"** has the meaning set forth in Rule 302(e).

**"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 under Chapter 7.

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

**"Authorized Contacts"** has the meaning set forth in Rule 537(a)(2).

**"Authorized Representative"** means a natural person who is employed and authorized by a Participant to represent the Participant in MarketAxess SEF matters pursuant to Rule 307.

**"Authorized Trader"** means a natural person who is either employed by or an agent of a Participant Firm and who is authorized to utilize the MarketAxess SEF.

**"Available to trade"** has the meaning set forth in CFTC Regulation 37.10.

**"Block Trade"** means a transaction in a Swap that is approved for trading on the MarketAxess SEF that (i) meets a notional or principal amount at or above the appropriate minimum block size applicable to such swap, as determined by the CFTC, and (ii) is subject to the MarketAxess SEF Rules.

**"Board"** means the Board of Directors of MarketAxess SEF Corporation, which manages the MarketAxess SEF and is constituted from time to time in accordance with the Certificate of Incorporation and By-laws.

**"Business Day"** means a day on which the MarketAxess SEF is open for trading.

**"By-laws"** means the by-laws of MarketAxess SEF Corporation, as amended from time to time, unless otherwise specified.

**"CEA"** means the Commodity Exchange Act, as amended from time to time.

**"Certificate of Incorporation"** means the certificate of incorporation of MarketAxess SEF Corporation filed with the Secretary of State of Delaware on June 6, 2013, as amended from time to time.

**"Chief Compliance Officer"** or **"CCO"** means the individual appointed by the Board as the MarketAxess SEF's chief compliance officer.

**"Chief Executive Officer"** means the individual appointed by the Board as the MarketAxess 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, as amended from time to time.

**"Clearing Firm"** means an entity that meets the requirements of clearing membership at a Clearing House that clears Trades in any or all of the MarketAxess SEF Swaps and is authorized to submit Trades for clearing to the Clearing House.

**"Clearing House"** means each CFTC-registered Derivatives Clearing Organization or Derivatives Clearing Organization that is exempt from such registration that MarketAxess SEF designates from time to time to provide clearing services with respect to any or all of the MarketAxess SEF Swaps.

**"Clearing House Rules"** means the rules, interpretations, orders, resolutions, advisories, notices, statements of policy, decisions, manuals and directives of the relevant Clearing House, and all amendments thereto.

**"Commodity Trading Advisor"** or **"CTA"** has the meaning set forth in Section 1a(12) of the CEA.

**"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" and "controlled" shall have meanings correlative to the foregoing.

**"CTT"** means Click to Trade as set forth in Rule 538(b).

**"Customer"** means a Person who is an Eligible Contract Participant and includes, but is not limited to, a customer of a Participant Firm.

**"Derivatives Clearing Organization"** has the meaning set forth in Section 1a(15) of the CEA.

**"Designated Contract Market"** or **"DCM"** means a board of trade designated by the CFTC as a contract market under Section 5 of the CEA.

**"Director"** means any member of the Board.

**"Disciplinary Action"** has the meaning set forth in Rule 701(c).

**"Disciplinary Panel"** means the panel appointed by the Board at the recommendation of the Chief Compliance Officer to act in an adjudicative role and fulfill various adjudicative responsibilities and duties described in Chapter 7.

**"Eligible Contract Participant"** or **"ECP"** has the meaning set forth in Section 1a(18) of the CEA.

**"Emergency"** has the meaning set forth in CFTC Regulation 40.1(h).

**"Emergency Rules"** has the meaning set forth in Rule 212(a).

**"FINRA"** means the Financial Industry Regulatory Authority, Inc., or any successor thereto.

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

**"Government Agency"** means any governmental entity (including the United States, a state or a foreign government).

**"Interested Person"** has the meaning set forth in Rule 213(a).

**"Introducing Broker"** or **"IB"** has the meaning set forth in Section 1a(31) of the CEA.

**"Investigative Report"** has the meaning set forth in Rule 703(b).

**"Independent Software Vendor"** or **"ISV"** has the meaning set forth in Rule 537(b)(3).

**"ISDA"** means the International Swaps and Derivatives Association, Inc.

**"Major Swap Participant"** has the meaning set forth in Section 1a(33) of the CEA.

**"MarketAxess Control Center,"** or **"MCC,"** means the MarketAxess SEF Control Center, a technical support center established and maintained by the MarketAxess SEF to provide technical support and control over the operations of the MarketAxess SEF Trading System.

**"MarketAxess Holdings"** means MarketAxess Holdings Inc., or any successor thereto.

**"MarketAxess SEF"** means the SEF operated by MarketAxess SEF Corporation, a Delaware corporation, or any successor thereto.

**"MarketAxess SEF Activity"** means activity which a Participant conducts on the MarketAxess SEF or activity which is otherwise subject to the MarketAxess SEF Rules.

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

**"MarketAxess SEF Proceeding"** has the meaning set forth in Rule 213(a).

**"MarketAxess SEF Rules,"** or **"Rules,"** means all rules adopted by MarketAxess SEF, all Notices to Participants published by the MarketAxess SEF, all Participant Documentation, all interpretations, orders, resolutions, advisories, statements of policy, decisions, manuals and directives of the MarketAxess SEF, and all amendments thereto.

**"MarketAxess SEF Swap"** means any swap listed for trading by MarketAxess SEF.

**"MarketAxess SEF Trading System"** means the MarketAxess SEF electronic trade execution system that is used for trading MarketAxess SEF Swaps, including any licensed software that is a part thereof from time to time, and any successor electronic trading system thereto, the hardware and any communications links as may be furnished by the MarketAxess SEF from time to time in accordance with this Agreement.

**"MarketAxess SEF User License Agreement"** means the MarketAxess SEF user license agreement that must be entered into by any user of the MarketAxess SEF Trading System.

**"Market Regulation Department"** means all MarketAxess SEF Officials and/or agents (including the Regulatory Services Provider) that assist the MarketAxess SEF in the implementation, surveillance and enforcement of the MarketAxess SEF Rules and other Obligations.

**"Material conflict of interest"** has the meaning set forth in Rule 213(b).

**"NFA"** means the National Futures Association, or any successor thereto.

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

**"Obligation"** means each Rule of the MarketAxess SEF, each order or procedure issued by the MarketAxess SEF, including Notices to Participants, and each other requirement implemented by the MarketAxess SEF under the MarketAxess SEF Rules, including each term of a MarketAxess SEF Swap, as well as any contractual obligations between a Participant and the MarketAxess SEF, including the Participant Documentation.

**"Officer"** has the meaning set forth in Rule 203(a).

**"Option"** means an option to buy or sell a MarketAxess SEF Swap that is subject to the MarketAxess SEF Rules.



**"Order"** means either a bid or an offer for a MarketAxess SEF Swap that is subject to the MarketAxess SEF Rules. For the avoidance of doubt, the term "Order" includes a response to a Request for Quote.

**"Order Book"** means the trading system or platform operated by the MarketAxess SEF in which all market participants in the trading system or platform have the ability to enter multiple bids and offers, observe or receive bids and offers entered by other market participants, and transact on such bids and offers.

**"Participant"** means a Participant Firm, any natural person who is either employed by or an agent of a Participant Firm (including, but not limited to a Supervised Person and/or Authorized Trader), or any natural person who is authorized to access or utilize the MarketAxess SEF Trading System pursuant to the applicable user ID. For the avoidance of doubt, a natural person may simultaneously be a Participant of more than one Participant Firm.

**"Participant Documentation"** means the agreements (together with any applicable schedules, exhibits or appendices thereto required by the MarketAxess SEF) in form and substance acceptable to the MarketAxess SEF, that are required to be executed and delivered to the MarketAxess SEF for a Person to access the MarketAxess SEF Trading System on or after November 1, 2013, including, but not limited to, the MarketAxess SEF User License Agreement, as amended from time to time by the MarketAxess SEF.

**"Participant Firm"** means an entity that accesses the MarketAxess SEF and is an ECP as defined in Section 1a(18) of the CEA. A Participant Firm may trade for its own Proprietary Account. In certain cases, a Participant Firm may trade for an account on behalf of its Customer. The term **"Participant Firm"** collectively refers to all Participants and Authorized Traders of a Participant Firm authorized to utilize the MarketAxess SEF.

**"Permitted Transaction"** means any transaction involving a MarketAxess SEF Swap that is not a Required Transaction.

**"Person"** means a natural person or an entity.

**"Proprietary Account"** has the meaning set forth in Section 1.3(y) of the CFTC Regulations.

**"Public Director"** means an individual with the qualifications set forth in Rule 202(e).

**"Public Individual"** means an individual that is determined by the Board or the Chief Compliance Officer, as applicable, to have no "material relationship," as such term is used in Rule 202(e), with the MarketAxess SEF.

**"Regulatory Oversight Committee"** means the committee of the Board constituted in accordance with Rule 208.

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

**"Regulatory Services Provider,"** or **"RSP,"** means an organization, if any, that provides regulatory services to the MarketAxess SEF pursuant to a Regulatory Services Agreement.

**"Required Transaction"** means any transaction involving a MarketAxess SEF Swap that is subject to the trade execution requirement of Section 2(h)(8) of the CEA.

**"Request for Quote"** or **"RFQ,"** means a request for a quote to buy or sell a specific instrument.

**"Request for Quote System"** or **"RFQ System"** means a trading system or platform in which a Participant transmits a request for a quote to buy or sell a specific instrument to no less than the minimum number of Participants required by CFTC regulations, to which all such Participants may respond.

**"SEC"** means the U.S. Securities and Exchange Commission or any successor regulatory body.

**"SEF Confirmation"** has the meaning set forth in Rule 1007(a).

**"Self-Regulatory Action"** has the meaning set forth in Rule 213(a).

**"Self-Regulatory Organization"** shall, unless otherwise provided, have the meaning set forth in CFTC Regulation 1.3(ee) and, in addition, shall include a Derivatives Clearing Organization.

**"Supervised Person(s)"** means any director(s), officer(s), employee(s) or agent(s) of any Participant, including but not limited to Authorized Traders.

**"Swap"** has the meaning set forth in Section 1a(47) of the CEA.

**"Swap Data Repository"** or **"SDR"** has the meaning set forth in Section 1a(48) of the CEA.

**"Swap Dealer"** has the meaning set forth in Section 1a(49) of the CEA.

**"Swap Execution Facility"** or **"SEF"** has the meaning set forth in Section 1(a)(50) of the CEA.

**"Terms Incorporated by Reference"** has the meaning set forth in Rule 1007(a).

**"Trade"** means any purchase or sale of any MarketAxess SEF Swap made on, or pursuant to the Rules of, the MarketAxess SEF.

**"Trade Communication"** has the meaning set forth in Rule 1007(a).

**"Trading Hours"** means, for any Business Day, the hours as may be published by the MarketAxess SEF in a Notice to Participants from time to time.

**"Trading Privileges"** means the right granted to a Participant to transmit Orders for certain or all MarketAxess SEF Swaps through the MarketAxess SEF Trading System.

**"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.

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

- (i) Headings are for convenience only and do not affect the construction of the MarketAxess SEF Rules;
- (ii) all references to time are to local time in New York, New York except where expressly provided otherwise;
- (iii) words denoting a singular number include the plural number where the context permits and vice versa;
- (iv) where the context permits or requires, any pronoun shall include the corresponding masculine, feminine and neuter forms; and
- (v) references to statutory provisions include those provisions as amended, and any rules or regulations promulgated thereunder.

**CHAPTER 2: MARKETAXESS SEF OWNERSHIP AND GOVERNANCE**

**Rule 201. Ownership**

(a) MarketAxess SEF Corporation is a corporation organized and existing under the laws of the State of Delaware. The Certificate of Incorporation and By-laws of MarketAxess SEF Corporation govern the management and operation of the MarketAxess SEF. MarketAxess Holdings owns all of the issued and outstanding capital stock of MarketAxess SEF Corporation. MarketAxess Holdings is listed on the Nasdaq Stock Market, a national securities exchange registered with the SEC.

**Rule 202. Board**

(a) The Officers shall manage the day-to-day business operations of the MarketAxess SEF. 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 of any panel of Officers, related to the day-to-day business operations of the MarketAxess SEF.

(b) 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 Certificate of Incorporation or By-laws.

(c) At all times, at least 35%, but no less than two, of the Directors shall be Public Directors. Each Director (including Public Directors) shall be appointed in accordance with the Certificate of Incorporation and By-laws, and shall serve until his or her successor is duly appointed, or until his or her earlier resignation or removal, with or without cause.

(d) Each Director is entitled to indemnification pursuant to the Certificate of Incorporation and By-laws with respect to matters relating to the MarketAxess SEF or otherwise relating to MarketAxess SEF Corporation.

(e) To qualify as a Public Director, an individual must be found, by action of the Board, to have no material relationship with the MarketAxess 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 than annually.

A "material relationship" is one that reasonably could 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 the MarketAxess SEF to constitute a "material relationship." A Director shall be considered to have a "material relationship" with the MarketAxess 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 the MarketAxess SEF, or an officer or an employee of an Affiliate of the MarketAxess SEF;

(2) Such Director is a Participant or owner of the MarketAxess SEF;

(3) 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 the MarketAxess SEF or its Affiliate, any Participant of the MarketAxess SEF or any Affiliate of such Participant. Compensation for services as a Director of the MarketAxess 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, *provided* that such compensation is in no way contingent, conditioned or revocable; or

(4) Notwithstanding Rule 202(e)(3), in the case of a Public Director that is a member of the Regulatory Oversight Committee, such Public Director accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the MarketAxess SEF or its Affiliate or any Participant of the MarketAxess SEF or the Participant's Affiliate, other than deferred compensation for service rendered prior to becoming a member of the Regulatory Oversight Committee, *provided* that such compensation is in no way contingent, conditioned or revocable. This Rule 202(e)(4) does not apply to compensation received in the public director's capacity as a member of the Regulatory Oversight Committee.

(f) Any of the relationships set forth in Rule 202(e)(1) through Rule 202(e)(4) 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."

(g) A Public Director of the MarketAxess SEF specified in Rule 202 may also serve as a Public Director of an Affiliate of the MarketAxess SEF if he or she otherwise meets the requirements set forth in Rule 202(e)(1) through Rule 202(e)(4).

(h) The compensation of the Public Directors and any other non-executive members of the Board shall not be linked to the business performance of the MarketAxess SEF.

(i) The Board shall review its performance and that of its individual members annually, and may use external facilitators for such reviews.

(j) In the event that the Board rejects a recommendation or supersedes an action of the Regulatory Oversight Committee, the MarketAxess SEF shall submit a written report to the CFTC detailing:

(1) the recommendation or action of the Regulatory Oversight Committee;

(2) the rationale for such recommendation or action;

(3) the rationale of the Board for rejecting such recommendation or superseding such action; and

(4) The course of action that the Board decided to take contrary to such recommendation or action.

(k) The Board shall adopt procedures to remove a Director, where the conduct of such Director is likely to be prejudicial to the sound and prudent management of the MarketAxess SEF.

### **Rule 203. Officers**

(a) The Board shall appoint a Chief Executive Officer, a Chief Compliance Officer and such other officers of MarketAxess SEF Corporation (each an "**Officer**") as it may deem necessary or appropriate from time to time.

(b) Any Officer may also be a director, officer, partner or employee of the MarketAxess SEF or any of its Affiliates.

(c) The Officers shall have such powers and duties in the management of the MarketAxess SEF as the Board may prescribe from time to time.

(d) Each Officer is entitled to indemnification pursuant to the Certificate of Incorporation and By-laws with respect to matters relating to the MarketAxess SEF or otherwise relating to MarketAxess SEF Corporation.

**Rule 204. Qualifications of Directors, Disciplinary Panel Members, Appeal Panel Members, Committee Members, Owners and Officers**

(a) A Director or Officer must meet the qualifications set forth from time to time by the Board, including qualifications and sufficient expertise in financial services, risk management, and clearing services.

(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 the MarketAxess SEF, if the individual:

(1) within the prior three (3) years has been found, by a final decision in any action or proceeding brought in a court of competent jurisdiction, the CFTC or any Self-Regulatory Organization, to have committed a disciplinary offense;

(2) within the prior three (3) years has entered into a settlement agreement in which any of the findings or, in the absence of such findings, any of the acts charged, included a disciplinary offense;

(3) is currently suspended from trading on a SEF or DCM, 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 any 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)(i) through (iv) of the CEA;

(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; or

(8) is subject to statutory disqualification under Section 8a(2) or 8a(3) of the CEA.

(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 204(b).

(d) For purposes of Rule 204(b), the terms "disciplinary offense," "final decision" and "settlement agreement" have the meanings set forth in CFTC Regulation 1.63(a).

#### **Rule 205. Standing Committees**

(a) The Board shall initially have one standing committee: the "**Regulatory Oversight Committee.**" The Board may from time to time constitute and appoint 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 the MarketAxess 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. See Rule 202(a).

**Rule 206. Reserved.**

**Rule 207. Reserved.**

#### **Rule 208. Regulatory Oversight Committee**

(a) The Regulatory Oversight Committee of the Board shall consist of two Public Directors appointed from time to time by the Board (*i.e.*, 100% Public Directors).

(b) Each member of the Regulatory Oversight Committee shall serve for a term of two calendar years from the date of his/her appointment or for the remainder of his/her term as a Public Director, and until the due appointment of his/her successor, or until his/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 the MarketAxess SEF's regulatory program on behalf of the Board. The Board shall delegate sufficient authority, dedicate sufficient resources, and allow sufficient time for the Regulatory Oversight Committee to fulfill its mandate. It shall make such recommendations to the Board as will, in its judgment, best promote the interests of the MarketAxess SEF. The Regulatory Oversight Committee shall also have such other powers and perform such other duties as are set forth in the Rules and as the Board may delegate to it from time to time.

(d) Without limiting the generality of the foregoing, the Regulatory Oversight Committee shall:

(1) monitor the regulatory program of the MarketAxess 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) reviewing the performance of the Chief Compliance Officer of the MarketAxess SEF;

(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; and

(3) resolve any conflicts of interest that may arise involving the Chief Compliance Officer.

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

(f) The Regulatory Oversight Committee shall prepare an annual report assessing, for the Board and the CFTC, the regulatory program of the MarketAxess SEF. Such report shall:

(1) describe the self-regulatory program;

(2) set forth the expenses of the self-regulatory program;

(3) describe the staffing and structure of the same;

(4) catalogue investigations and disciplinary actions taken during the year; and



(5) review the performance of the Disciplinary Panel and the Chief Compliance Officer.

**Rule 209. Chief Compliance Officer**

(a) Appointment, removal, and compensation of the Chief Compliance Officer.

(1) The Board shall appoint a Chief Compliance Officer that the Board has determined has the background and skills appropriate for fulfilling the responsibilities of the position.

(2) The Board shall approve the compensation of the Chief Compliance Officer.

(3) Only the majority of the Board may remove the Chief Compliance Officer.

(4) The MarketAxess SEF shall notify the CFTC within two (2) business days of appointing or removing any Chief Compliance Officer.

(b) It shall be the duty of the Chief Compliance Officer to:

(1) establish and administer written policies and procedures required under CFTC Regulation 37.1500;

(2) establish and administer written policies and procedures reasonably designed to prevent violations of the CEA or CFTC Regulations;

(3) oversee, review, and take reasonable steps to ensure MarketAxess SEF's compliance with the CEA and CFTC Regulations;

(4) in consultation with the CEO, the Board and/or Regulatory Oversight Committee, resolve any conflicts of interest that may arise between:

(i) business considerations and compliance requirements;

(ii) business considerations and the requirement that the MarketAxess SEF provide fair, open, and impartial access as set forth in Rule 207(d); and

(iii) the management of the MarketAxess SEF and the Directors of the Board.

(5) establish and administer a compliance manual and procedures that:

(i) address the remediation of noncompliance issues identified by the Chief Compliance Officer through a compliance office review, look-back, internal or external audit finding, self-reported error, or validated complaint;

(ii) address the handling, management response, remediation, retesting, and closing of noncompliance issues;

(iii) are designed to promote compliance with Applicable Law, the Rules, and administering a written code of ethics designed to prevent ethical violations and to promote honesty and ethical conduct; and

(iv) protect material, non-public information from unauthorized disclosure, misuse, espionage, loss and theft.

(6) supervise the MarketAxess SEF program, including supervision of trade practice surveillance, market surveillance, real-time market monitoring, compliance with audit trail requirements, enforcement and disciplinary proceedings, audits, examinations, financial integrity, financial reporting, sales practice, and recordkeeping; and

(7) supervise the effectiveness and sufficiency of the Regulatory Services Provider.

(c) The Chief Compliance Officer shall have available to him/her at all times the resources of the Market Regulation Department and such other MarketAxess SEF resources as may be necessary to conduct investigations of alleged Rule violations and market conditions.

(d) The Chief Compliance Officer shall:

(1) report to the Chief Executive Officer and meet with the Board at least annually;

(2) have his or her performance reviewed by the Regulatory Oversight Committee and meet with the Regulatory Oversight Committee at least quarterly;

(3) provide the Board or Regulatory Oversight Committee information regarding the MarketAxess SEF's self-regulatory program upon request; and

(4) prepare and sign an annual compliance report, as prescribed in CEA Section 5h(f)(15) and CFTC Regulations, and submit such report to the Board and the CFTC.

(e) The Chief Compliance Officer shall have the authority to inspect the books and records of all Participants and the authority to require any Participant to appear before him/her and produce its books and records and answer questions regarding alleged violations of MarketAxess SEF Rules, at the time, place and in the manner that he/she designates. The Chief Compliance Officer may also delegate such authority to staff of the Market Regulation Department or the Regulatory Services Provider.

## **Rule 210. Compliance Staff and Resources**

The MarketAxess SEF shall establish and maintain sufficient compliance staff and resources to ensure that it can conduct effective audit trail reviews, trade practice surveillance, market surveillance, and real-time market monitoring. The MarketAxess SEF's compliance staff shall also be sufficient to address unusual market or trading events as they arise and to complete investigations in a timely manner in accordance with Rule 702(e).

## **Rule 211. Additional Board Committees and MarketAxess SEF Panels**

(a) In addition to standing committees, the Board may from time to time constitute and appoint, in accordance with the Certificate of Incorporation and By-laws, special committees of the Board and designate their composition, responsibilities and powers. Each member of such special committees must be a Director and at least 35%, but not less than two, of the members of any such special committees shall be Public Directors.

(b) The MarketAxess SEF may create panels of the MarketAxess SEF for such purposes as may from time to time be necessary or advisable. Members of each such panel may be Directors, Participants (if individuals) or any of a Participant's Supervised Persons (if an entity), or such other individuals as may be qualified to serve on such panel.

(c) Except as otherwise specifically provided in the Rules, the members of any additional committee or panel shall be appointed as determined by the Board. The Board shall designate the chairperson of such additional committee or panel.

(d) Each additional committee or panel shall assist in the supervision, management and control of the affairs of the MarketAxess SEF within its particular area of responsibility.

(e) Subject to the authority of the Board, each additional committee or panel shall determine the manner and form in which its proceedings shall be conducted. Each additional committee or panel may act only by the decision of an absolute majority in number of the members of such committee or panel, either by vote at a meeting or by unanimous written consent without a meeting.

## **Rule 212. Emergency Rules**

(a) During an Emergency, the Board is authorized to implement temporary emergency procedures and rules ("**Emergency Rules**"), subject to the applicable provisions of the CEA and CFTC Regulations and, where appropriate, in consultation with one or more FCMs and/or Clearing Houses. Emergency Rules authorize the MarketAxess 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 directly taking, or indirectly taking through agreements with a Clearing House or Regulatory Services Provider, the following actions:

- (1) suspending or curtailing trading or limiting trading to liquidation only (in whole or in part);
- (2) providing alternative settlement mechanisms;
- (3) ordering the liquidation, transfer or the reduction of positions in any MarketAxess SEF Swaps;
- (4) extending, limiting or changing the Trading Hours;

- (5) temporarily modifying or suspending any provision of the MarketAxess SEF Rules or Obligations;
- (6) requiring Participants to meet special margin requirements;
- (7) imposing or modifying price limits, intraday market restrictions, or bands;
- (8) imposing or modifying position limits;
- (9) ordering the fixing of a settlement price;
- (10) transferring a Participant's or customer's position and margin;
- (11) altering any MarketAxess SEF Swap's settlement terms or conditions; or
- (12) take market actions as may be 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 remotely attend such a meeting by teleconference or other similar means. If the Chief Executive Officer or the Chief Compliance 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 or the Chief Compliance 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 or the Chief Compliance Officer must promptly notify the Board, and the Board must convene a meeting as soon as practicable.

(c) Whenever the MarketAxess SEF, the Board, any committee of the Board, the Chief Executive Officer or the Chief Compliance Officer takes actions necessary or appropriate to respond to an Emergency, a duly authorized representative of the MarketAxess SEF, where possible, will post an announcement in a Notice to Participants as soon as reasonably practicable after taking such action. When the Board, any committee of the Board, the Chief Executive Officer or the Chief Compliance Officer determines that the Emergency has been reduced sufficiently to allow the MarketAxess SEF to resume normal functioning, any such actions responding to an Emergency will be terminated.

(d) The MarketAxess SEF will use reasonable efforts to notify the CFTC prior to implementing, modifying or terminating an Emergency Rule. If such prior notification is not possible or practicable, the MarketAxess SEF will notify the CFTC as soon as reasonably practicable.

(e) Upon taking any action in response to an Emergency, the MarketAxess SEF will document the decision-making process related to such action. Such documentation will be kept for at least five (5) years following the date on which the Emergency ceases to exist or to affect the MarketAxess SEF, and all such documentation will be provided to the CFTC upon request.

### **Rule 213. Conflicts of Interest and Misuse of Material, Non-Public Information**

(a) A Director, Officer, Disciplinary Panel member or other Person authorized to exercise the MarketAxess SEF's authority concerning any inquiry, investigation, disciplinary proceeding or any appeal from a disciplinary proceeding, summary suspension or other summary action (any such action, a "MarketAxess SEF Proceeding"), or Emergency actions taken pursuant to Rule 212 (each such MarketAxess SEF Proceeding or Emergency action, a "Self-Regulatory Action"), who knowingly has a "material conflict of interest" between his or her position with respect to the 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 or panel or exercise any authority with respect to such Self-Regulatory Action involving his or her personal interest, except as described in Rule 213(d).

(b) For purposes of Rule 213(a), a "material conflict of interest" means a Director, Officer, Disciplinary Panel Member or other Person:

- (1) is named as a respondent or potential respondent in the Self-Regulatory Action;
- (2) is an employer, employee, fellow employee or an Affiliate of a respondent or potential respondent in the Self-Regulatory Action;
- (3) has any significant, ongoing business relationship with a respondent or potential respondent in the Self-Regulatory Action;
- (4) has 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) has a "direct and substantial financial interest" in the result of the deliberations or vote based upon either MarketAxess SEF or non-MarketAxess SEF positions (as referenced in Section 1.69(b)(2) of the CFTC Regulations), other than a direct or indirect equity or other interest in MarketAxess Holdings, that could reasonably be expected to be affected by the action. A direct and substantial financial interest includes positions in MarketAxess SEF 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 213(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 or Disciplinary Panel;

(2) the Board, Committee or 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 213(d) that an Interested Person may participate in deliberations prior to a vote, then the minutes of the meeting of the Board or committee thereof will reflect the determination and the reasons for the determination.

(f) If a determination is made that all Directors are Interested Persons with respect to a matter subject to a vote by the Board, the Chief Executive Officer will appoint a panel of individuals who are not Interested Persons with respect to such matter, which will have the same authority and powers over such matter that the Board would have if the Directors were not Interested Persons with respect to such matter.

(g) The MarketAxess SEF and any Director, Officer, member of any committee or panel established by the Board, employee or agent shall not use or disclose for any purpose other than the performance of his or her official duties and responsibilities any material, non-public information obtained in connection with the MarketAxess SEF's regulatory obligations. No Director, Officer, committee or panel member, employee or agent shall, directly or indirectly, disclose or use at any time, either during his or her association with the MarketAxess SEF or thereafter, any material, non-public information of which he or she becomes aware. Each Director, Officer, committee or panel member, employee or agent in possession of material, non-public information shall take reasonable steps to safeguard the information, comply with any MarketAxess SEF policies and procedures to protect such information, and to protect it against unauthorized disclosure, misuse, espionage, loss and theft.

(h) Notwithstanding Rule 213(g), a Director, Officer or committee or panel member may disclose confidential information if required by law or permitted under the CEA or CFTC Regulations.

(i) For the purposes of Rule 213(g), the terms "material information" and "non-public information" shall each have the meaning set forth in CFTC Regulation 1.59(a).

(j) The MarketAxess SEF may not use for business or marketing purposes any material, non-public information, proprietary data, or personal information it collects or receives, from or on behalf of any person, for the purpose of fulfilling its regulatory obligations, including information that separately discloses business transactions, market positions, or trade secrets; *provided, however*, the MarketAxess SEF may use such information for business or marketing purposes where such person provides written

consent. The MarketAxess SEF, where necessary, may share such non-public information, proprietary data, or personal information with the CFTC and one or more CFTC registered Self-Regulatory Organizations for regulatory purposes.

#### **Rule 214. Maintenance of Books and Records**

(a) The MarketAxess SEF shall keep, or cause to be kept, complete and accurate books and records of all activities relating to the business of the MarketAxess SEF, including, without limitation, complete audit trails for all MarketAxess SEF Swaps executed on, or otherwise subject to the Rules of, the MarketAxess SEF, investigatory files, disciplinary files, and all books and records required to be maintained pursuant to the CEA and the CFTC Regulations.

(b) The MarketAxess SEF shall retain, or cause the Regulatory Services Provider to 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.

(c) The MarketAxess SEF shall keep, or cause to be kept, any such records relating to security-based swap agreements open to inspection and examination by the SEC.

(d) The MarketAxess SEF provide upon request, or shall report in a form an manner acceptable to the CFTC, such information as required to be provided or reported pursuant to the CEA or CFTC Regulations.

(e) Each Participant must keep complete and accurate books and records, including records of its activity in the index or instrument used as a reference price for a MarketAxess SEF Swap and related derivatives markets. To the extent required by Applicable Law or the Rules, each Participant must make its books and records available, upon request, to the MarketAxess SEF, the Regulatory Services Provider, and the CFTC.

#### **Rule 215. Information-Sharing Agreements**

(a) The MarketAxess SEF may enter into information-sharing agreements or other arrangements or procedures to coordinate surveillance and investigative activities with other market regulatory authorities or organizations on which financial instruments related to the MarketAxess SEF Swaps trade. As part of any information-sharing agreements or other arrangements or procedures adopted pursuant to this Rule, the MarketAxess SEF may:

(1) provide market surveillance reports to other Self-Regulatory Organizations solely for regulatory purposes;

(2) share information and documents concerning current and former Participants with other markets; and/or



(3) share information and documents concerning ongoing and completed investigations with other markets.

(b) The MarketAxess SEF may enter into any arrangement with any Person or body (including, without limitation, the CFTC, the NFA, any SEF, DCM, any Self-Regulatory Organization, market, clearing organization or foreign regulatory authority) if the MarketAxess SEF considers such arrangement to be necessary and appropriate to fulfill the MarketAxess SEF's regulatory responsibilities.

(c) RESERVED

(d) The MarketAxess SEF may not disclose information to another Person or body pursuant to Rule 215(a) or (b) unless it is satisfied that any material, non-public information, proprietary data, or personal information obtained through its regulatory obligations:

(1) will not be used for business or marketing purposes; and

(2) will not be disclosed except in connection with an adjudicatory action, self-regulatory action, or proceeding.

#### **Rule 216. Services Agreement with a Regulatory Services Provider**

(a) The MarketAxess SEF may contract with a Regulatory Services Provider to provide certain regulatory services to the MarketAxess SEF pursuant to a Services Agreement. In accordance with a Regulatory Services Agreement, the Regulatory Services Provider may perform certain surveillance, investigative and/or regulatory functions under the MarketAxess SEF Rules and the MarketAxess SEF may provide information to the Regulatory Services Provider in connection with the performance by the Regulatory Services Provider of those functions.

(b) The MarketAxess SEF shall retain ultimate decision-making authority with respect to any functions that are contracted to a Regulatory Services Provider and document where the MarketAxess SEF's actions differ from the Regulatory Service Provider's recommendation, including the reasons for the course of action recommended by the Regulatory Service Provider and the reasons why the MarketAxess SEF chose a different course of action. Such functions include but are not limited to, cancellation of Trades, the issuance of disciplinary charges against members or market participants and denials of access to the trading platform for disciplinary reasons.

(c) The MarketAxess SEF shall supervise any Regulatory Services Provider by, among other things:

(1) ensuring that the Regulatory Services Provider has the necessary capacity and resources to provide timely and effective regulatory services;

(2) retaining sufficient compliance staff to supervise the quality and effectiveness of the Regulatory Services Provider;



(3) holding regular meetings to discuss ongoing investigations, trading patterns, market participants, and other similar matters; and

(4) conducting and documenting periodic reviews of the adequacy and effectiveness of services provided.

## **CHAPTER 3: PARTICIPANTS**

### **Rule 301. Criteria for Becoming a Participant Firm**

(a) To be eligible for admission as a Participant Firm, an applicant must demonstrate to the satisfaction of the MarketAxess SEF that it:

(1) is an Eligible Contract Participant;

(2) is of good reputation and business integrity;

(3) maintains adequate financial resources and credit;

(4) is validly organized, in good standing and authorized by its governing body and, if relevant, documents of organization, to trade Swaps;

(5) has not filed for bankruptcy;

(6) is not prohibited from using the services of the MarketAxess SEF for any reason whatsoever;

(7) holds all registrations required under Applicable Law, if any;

(8) is not an individual;

(9) is not subject to statutory disqualification under Section 8a(2) or 8a(3) of the CEA; and

(10) satisfies any other criteria that the MarketAxess SEF may require from a Participant.

(b) Once admitted, the Participant Firm shall continue to comply with all applicable eligibility criteria in Rule 301(a).

(c) Starting on November 1, 2013, a Participant Firm must have entered into a MarketAxess SEF User License Agreement in order to access the MarketAxess SEF.

(d) Any MarketAxess SEF User License Agreement that is executed on or before November 1, 2013 shall be deemed to have an effective date of November 1, 2013.

## Rule 302. Participant Firm Application Process

(a) Any Person who desires to become a Participant Firm shall:

(1) RESERVED

(2) RESERVED

(3) RESERVED

(4) starting on November 1, 2013, agree to abide by the Rules and Applicable Law;

(5) starting on November 1, 2013, consent to the jurisdiction of the MarketAxess SEF with respect to MarketAxess SEF Activity;

(6) provide such information and documentation as may be reasonably requested by the MarketAxess SEF, and follow the procedures established by the MarketAxess SEF for admission; and

(7) if a Participant Firm is organized or located outside of the United States, the Participant Firm shall enter into a written agreement appointing a third party domiciled in the U.S. as its U.S. agent for service of process for purposes of CFTC Regulation 15.05, and shall provide the MarketAxess SEF with a copy of such agreement.

(b) In considering an application from a potential Participant Firm, the MarketAxess SEF may require additional information from the applicant, conduct an investigation to verify information submitted by the applicant, or both.

(c) If the MarketAxess SEF decides to admit an applicant as a Participant Firm, it shall promptly notify the applicant and state in such notice the date on which the applicant shall become a Participant Firm.

(d) The MarketAxess SEF may deny, condition or terminate the Participant Firm status of any Person:

(1) if such Person is unable to demonstrate satisfactorily its ability to satisfy the eligibility criteria to become or remain a Participant Firm;

(2) if such Person is unable to demonstrate satisfactorily its capacity to adhere to all applicable Rules;

(3) RESERVED; or

(4) for such other cause as the MarketAxess SEF may reasonably determine.

(e) If the MarketAxess SEF decides to decline or condition an application for admission as a Participant Firm, or terminate a Person's status as a Participant Firm, the MarketAxess SEF shall promptly notify

such Person (the “Affected Person”) thereof in a writing sent to the address provided by the applicant in the MarketAxess SEF application form or maintained in the MarketAxess SEF registry of Participant Firms. Such Affected Person may, within seven (7) calendar days following receipt of such writing, request in writing that the MarketAxess SEF provide the reasons for the denial, conditioning or termination of Participant Firm status. Within fourteen (14) calendar days after receiving such written request, the MarketAxess SEF shall send a written response to the Affected Person setting forth the reasons for the denial, conditioning or termination.

**Rule 303. Trading Privileges of a Participant Firm**

(a) A Participant must execute such Participant Documentation as required from time to time by the MarketAxess SEF, and such Participant Documentation must remain in effect for the Participant to maintain its Trading Privileges.

(b) Admission as a Participant only entitles the Participant to the Trading Privileges and does not confer any right of ownership in, or right to attend or vote at meetings of, the MarketAxess SEF, or any right to share in the profits of the MarketAxess SEF. A Participant may not transfer or assign its status as a Participant without the prior written consent of the MarketAxess SEF, and any purported transfer or assignment without the MarketAxess SEF’s prior written consent shall be null and void and shall not be binding on the MarketAxess SEF.

(c) All rights and privileges of a Participant shall terminate upon, and all obligations of a Participant shall survive, the dissolution of the Participant.

**Rule 304. Reserved.**

**Rule 305. Dues, Assessments and Fees**

(a) The MarketAxess SEF shall have the authority to set the amounts and times of payment for any dues, assessments or fees (including MarketAxess SEF Trading System fees, brokerage and/or any transaction surcharges) to be paid by Participants.

(b) Each Participant agrees to pay such dues, assessments and fees as are published by the MarketAxess SEF in a Fee Circular, on the MarketAxess SEF’s website or as otherwise agreed between the MarketAxess SEF and a Participant. Each Participant agrees to pay such dues, assessments and fees when due. The MarketAxess SEF may change the fees charged to Participant upon 30 days prior notice.

(c) If a Participant fails to pay when due any such dues, assessments or fees levied on such Participant, and such payment obligation remains unsatisfied for thirty (30) days after its due date, the MarketAxess SEF may, as it deems necessary or appropriate, suspend, revoke, limit, condition, restrict or qualify the Participant’s Trading Privileges and/or ability otherwise to access the MarketAxess SEF Trading System.

(d) The MarketAxess SEF shall provide comparable fee structures to Eligible Contract Participants and Independent Software Vendors receiving comparable access to, or services from, the MarketAxess SEF.

### **Rule 306. Authorized Traders**

(a) Each Participant shall designate in writing one or more Authorized Trader(s) who will be responsible for MarketAxess SEF Activity conducted on behalf of the Participant.

(b) By agreeing to become an Authorized Trader, an individual agrees to be bound by the duties and responsibilities of an Authorized Trader and to be subject to, and comply with, the MarketAxess SEF Rules and Obligations starting on November 1, 2013. Among other duties and responsibilities that the MarketAxess SEF may impose, an Authorized Trader must:

(1) have the authority to adjust or withdraw any Order submitted under any user ID assigned to him or her; and

(2) ensure that any MarketAxess SEF Activity conducted under any user ID assigned to him or her complies with all MarketAxess SEF Rules and Obligations.

(c) To designate an Authorized Trader, a Participant must follow the procedures established by the MarketAxess SEF. The MarketAxess SEF may establish criteria that individuals must fulfill to become an Authorized Trader.

(d) The MarketAxess SEF will promptly notify a Participant Firm in writing of the approval of designated Authorized Trader(s) or if the MarketAxess SEF declines to approve the nomination of an Authorized Trader.

(e) The MarketAxess SEF will maintain a list of all designated Authorized Traders for each Participant.

(f) The MarketAxess SEF may, in its sole discretion, revoke or suspend the designation of an individual as an Authorized Trader and shall promptly notify the Participant of such action.

(g) To request the withdrawal of the designation of an individual as an Authorized Trader, the Participant must follow the procedures established by the MarketAxess SEF. Upon the MarketAxess SEF's receipt of a Participant's written request to withdraw the designation of an individual as an Authorized Trader, the MarketAxess SEF will promptly withdraw such designation and such individual's access to the MarketAxess SEF on behalf of the Participant. As soon as reasonably practicable after withdrawing access, the MarketAxess SEF will confirm that such access has been withdrawn.

### **Rule 307. Authorized Representatives**

(a) Each Participant shall designate one or more Authorized Representatives who will represent the Participant before the MarketAxess SEF and its committees and receive notices on behalf of the Participant.

(b) Each Authorized Representative shall be empowered by the Participant to act on its behalf and the MarketAxess SEF shall be entitled to rely on the actions of any Authorized Representative as binding on the Participant Firm and any Authorized Trader.

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

### **Rule 308. Recording of Communications**

The MarketAxess SEF or the Regulatory Services Provider may record conversations and retain copies of electronic communications between MarketAxess SEF Officials, on one hand, and Participants, their Authorized Traders, Supervised Persons or other agents, on the other hand. Any such recordings may be retained by the MarketAxess SEF or the Regulatory Services Provider in such manner and for such periods of time as the MarketAxess SEF may deem necessary or appropriate. The MarketAxess SEF or Regulatory Services Provider will retain such recordings in compliance with CFTC Regulations.

### **Rule 309. Notices to Participants**

(a) The MarketAxess SEF shall publish a notice with respect to each addition to, modification of, or clarification of, the MarketAxess SEF Rules or of any action to implement any of the MarketAxess SEF Rules on the MarketAxess SEF's website or via an electronic mail distribution, to enable each Participant to become aware of and familiar with, and to implement any necessary preparatory measures to be taken by it with respect to, such addition or modification, prior to the effective date thereof (each, a "Notice to Participants"). For purposes of publication in accordance with this Rule, it shall be sufficient (without limiting the discretion of the MarketAxess SEF as to any other reasonable means of communication) if a Notice to Participants is published on the MarketAxess SEF's website.

(b) Any Notice to Participants shall also be deemed to have been made to all Authorized Traders and Supervised Persons.

### **Rule 310. Communications between the MarketAxess SEF and Participants**

(a) Each Participant must provide the MarketAxess SEF with its current electronic mail address and telephone number and the electronic mail address and telephone number of all of its Authorized Traders and immediately (and in any event within 24 hours) update this information whenever it changes.

(b) All communications between the MarketAxess SEF and the Participant will be transmitted by electronic mail and/or posted on the MarketAxess SEF's website, except as otherwise specified by the MarketAxess SEF.

(c) The Participant shall be responsible for conveying such communications to all Authorized Traders and Supervised Persons.

(d) Each Participant will be responsible for promptly reviewing and, if necessary, responding to all electronic communications from the MarketAxess SEF to the Participant or any of its Authorized Traders or its other Supervised Persons.

(e) All communications made to Participants shall also be deemed to have been made to all Authorized Traders and Supervised Persons of such Participant.

### **Rule 311. Application of Rules and Jurisdiction**

(a) By becoming a Participant and by accessing or entering any Order or submitting any MarketAxess SEF Swap into the MarketAxess SEF Trading System, and without the need for any further action, undertaking or agreement, a Participant, its Authorized Traders and Supervised Persons:

(1) as of November 1, 2013, agree to be bound by, and comply with, the MarketAxess SEF Rules and Obligations, and Applicable Law, in each case to the extent applicable to it;

(2) as of November 1, 2013, agree to become subject to the jurisdiction of the MarketAxess SEF with respect to any and all matters arising from, related to, or in connection with, the status, actions or omissions of such Person;

(3) agree to assist the MarketAxess SEF in complying with its legal and regulatory obligations, and to cooperate with the MarketAxess SEF and the CFTC in any inquiry, investigation, audit, examination or proceeding related to its MarketAxess SEF Activity;

(4) authorize the MarketAxess SEF to provide information regarding it to a Swap Data Repository, any Regulatory Services Provider, the CFTC or any Self-Regulatory Organization in order for the MarketAxess SEF to comply with its legal or regulatory obligations; and

(5) agree to maintain an audit trail on indications of interest, Requests for Quotes, Swap Orders, and Swap Trades on, or subject to the Rules of, the MarketAxess SEF and to provide MarketAxess SEF access to the audit trail upon request by MarketAxess SEF.

(b) Any Participant or Authorized Trader whose Trading Privileges and/or ability otherwise to access the MarketAxess SEF Trading System are revoked or terminated, which for the avoidance of doubt shall include a Participant or Authorized Trader who has withdrawn, shall remain subject to: (i) the MarketAxess SEF Rules, (ii) the jurisdiction of the MarketAxess SEF, and (iii) Applicable Law, each with respect to any and all matters arising from, related to, or in connection with the status, actions or omissions of such Participant prior to such revocation or termination.

(c) An Authorized Trader who is suspended for any period shall remain subject to the MarketAxess SEF Rules, the Obligations and the MarketAxess SEF's jurisdiction throughout the period of suspension. After revocation or termination of the designation of an Authorized Trader, the Authorized Trader shall remain subject to the MarketAxess SEF Rules, the Obligations and the jurisdiction of the MarketAxess SEF for acts done and omissions made while registered as an Authorized Trader. Any MarketAxess SEF

Proceeding relating to an Authorized Trader shall occur as if the Authorized Trader were still registered as such.

**Rule 312. Description of Participant's Status**

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

**Rule 313. Withdrawal of Participant**

(a) To withdraw from the MarketAxess SEF, a Participant must notify the MarketAxess SEF following the procedures established by the MarketAxess SEF. Upon the MarketAxess SEF's receipt of a Participant's written request to withdraw the Participant's access to the MarketAxess SEF, the MarketAxess SEF will promptly withdraw such Participant's access to the MarketAxess SEF. As soon as reasonably practicable after withdrawing access, the MarketAxess SEF will confirm that such access has been withdrawn.

(b) RESERVED

(c) RESERVED

(d) RESERVED

(e) Upon the withdrawal of a Participant, all rights and privileges of such Participant shall terminate (including, without limitation, the Trading Privileges and ability to access the MarketAxess SEF Trading System). The accepted withdrawal of a Participant shall not affect the rights of the MarketAxess SEF under the MarketAxess SEF Rules or relieve the former Participant of its: (i) Obligations under the MarketAxess SEF Rules, or (ii) its obligations to pay all MarketAxess SEF fees, costs and charges incurred prior to the withdrawal. Notwithstanding the accepted withdrawal of a Participant, the withdrawn Participant shall remain subject to the MarketAxess SEF Rules, the Obligations and the jurisdiction of the MarketAxess SEF for acts done and omissions made while a Participant, and must cooperate in any MarketAxess SEF Proceeding under Chapter 7 as if the withdrawn Participant were still a Participant.

**Rule 314. Compliance with the CEA**

All Participants shall comply with ~~the~~all applicable provisions of the CEA and the rules and regulations issued pursuant thereto by the CFTC, including the filing of reports, maintenance of books and records, and permitting inspection and visits by duly authorized representatives of the CFTC or other governmental agency.

**Rule 315. Direct Access Prohibited**

No Participant shall allow any of its Customers to access the MarketAxess SEF directly using the Participant's user ID. All Orders and quotes must be entered into the MarketAxess SEF by an Authorized Trader of a Participant.

### **Rule 316. Impartial Access**

The MarketAxess SEF provides a platform that allows any Participant to view all firm and indicative bids and offers on Swaps which are intended to be cleared and are posted on the MarketAxess SEF Trading System. The MarketAxess SEF allows any Participant to interact or trade with any other Participant on the MarketAxess SEF Trading System regarding Swaps which are intended to be cleared. The MarketAxess SEF shall not restrict access or impose burdens on access in a discriminatory manner among similarly situated Participants.

## **CHAPTER 4: OBLIGATIONS OF PARTICIPANTS**

### **Rule 401. Duties and Responsibilities of Participants**

Each Participant shall (and shall cause all of its Authorized Traders and Supervised Persons to):

- (a) use the MarketAxess SEF Trading System in a responsible manner and not for any improper purpose;
- (b) use the MarketAxess SEF Trading System only to conduct MarketAxess SEF Activity;
- (c) conduct all MarketAxess SEF Activity in a manner consistent with the MarketAxess SEF Rules and Obligations;
- (d) starting on November 1, 2013, comply with all MarketAxess SEF Rules and Obligations and act in a manner consistent with each MarketAxess SEF Rule and Obligation;
- (e) RESERVED;
- (f) RESERVED;
- (g) RESERVED;
- (h) RESERVED;
- (i) not knowingly mislead or conceal any material fact or matter in any dealing or filing with the MarketAxess SEF or in response to any MarketAxess SEF Proceeding;
- (j) keep the user IDs, account numbers and passwords related to the MarketAxess SEF Trading System confidential;



~~(k) be fully liable for: all trading losses, all Orders, all transactions in MarketAxess SEF Swaps effected by the Participant, all transactions effected on the MarketAxess SEF and for any use of the MarketAxess SEF Trading System by the Participant or Participant's Authorized Traders, and all Trades even if the Orders received via the MarketAxess SEF Trading System;~~

(k) RESERVED:

~~(i) were entered as a result of a failure in the security controls and/or credit controls, other than due to the gross negligence of the MarketAxess SEF; or~~

~~(ii) were entered by an unknown or unauthorized user other than due to the gross negligence of the MarketAxess SEF;~~

~~provided, however, that this Rule 401(k) shall not be construed to supersede the processes provided for by Rule 539, and this Rule 401(k) shall not apply to Authorized Traders or Supervised Persons.~~

(l) employ practices to monitor and enforce compliance with risk limits (if applicable);

(m) be responsible for promptly informing the MarketAxess SEF in writing of any material change to the information provided to the MarketAxess SEF by the Participant pursuant to Rule 301;

(n) have in place and enforce adequate anti-money laundering policies and procedures; and,

(o) 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 Applicable Law or the MarketAxess SEF Rules, for at least five (5) years.

## **Rule 402. Required Disclosures to the MarketAxess SEF**

(a) Each Participant shall promptly notify the Market Regulation Department upon becoming aware of any of the following events:

(1) any material change to the contact information provided to the MarketAxess SEF;

(2) any damage to, or failure or inadequacy of, the systems, facilities or equipment of the Participant used by the Participant to effect transactions pursuant to the MarketAxess SEF Rules or to timely perform the Participant's financial obligations under or in connection with MarketAxess SEF Swaps;

(3) any refusal of admission to, or withdrawal by the Participant of any application for membership in, any other Self-Regulatory Organization;

(4) any expulsion, suspension or fine in excess of \$5,000 (whether through an adverse determination, voluntary settlement or otherwise) imposed on the Participant by any other 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;

(6) the commencement of any material 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;

(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, security, securities futures product, swap, security-based swap, mixed swap or other financial instrument, or involving or arising from fraud or moral turpitude;

(8) the Participant becoming the subject of a petition for bankruptcy;

(9) the appointment of a receiver, trustee or administrator for the Participant;

(10) the presentment of a petition, or the passing of a resolution, for the winding-up of the Participant;

(11) the commencement of proceedings for the dissolution of the Participant; or

(12) the occurrence of an event of insolvency with respect to the Participant.

### **Rule 403. Inspections by the MarketAxess SEF**

(a) In connection with determining whether a Participant has complied or is complying with all MarketAxess SEF Rules and Obligations, the MarketAxess SEF (or the Regulatory Services Provider or other authorized representative), shall have the right to:

(1) inspect books and records, systems, equipment and software kept or operated by the Participant in connection with MarketAxess 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 in connection with MarketAxess SEF Activity, during the regular business hours and the Trading Hours of the MarketAxess SEF, upon reasonable notice to the Participant; and/or

(3) copy or reproduce any data to which the MarketAxess SEF has access under this Rule.

(b) Each Participant shall provide the Regulatory Services Provider with the same access to the Participant's books and records and offices as the Participant is required to provide the MarketAxess SEF under the MarketAxess SEF Rules and Applicable Law.

(c) The Market Regulation Department may require a Participant to furnish (periodically or on a particular occasion) information concerning the Participant's MarketAxess SEF Activity. For a Participant, such information includes, but is not limited to, the MarketAxess SEF Swaps to which the Participant is a party.

#### **Rule 404. Minimum Financial and Related Reporting Requirements**

(a) Each Participant that is registered with any Government Agency, including the CFTC, the SEC 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) Each Participant shall:

(1) qualify as an Eligible Contract Participant; and

(2) undertake to timely update any material change to the Participant's status as an Eligible Contract Participant.

(c) RESERVED

(d) RESERVED

(e) RESERVED

#### **Rule 405. 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 the MarketAxess SEF; however, this Rule does not supplant Rule 213 and the Rules in Chapter 7, or any other requirement of legal process or Applicable Law.

**Rule 406. Reserved.**

**Rule 407. Customers**

(a) RESERVED

(b) No Participant or other Person shall engage in soliciting, submitting, or accepting an Order for a MarketAxess SEF Swap for a Customer that has not consented to the jurisdiction of the MarketAxess SEF with respect to swaps executed on the MarketAxess SEF.

(c) No Participant or other Person shall engage in soliciting, submitting, or accepting an Order for a MarketAxess SEF Swap for a Customer that is not an Eligible Contract Participant.

**Rule.408. Reserved.**

## **Rule 409. Disclosure Requirements**

Each Participant must comply with all disclosure requirements set forth in applicable CFTC and NFA Rules and Regulations. Any such disclosure may be combined with a disclosure regarding the existence of financial interests held by the Participant in the MarketAxess SEF or any other swap execution facility.

## **Rule 410. Information Regarding Orders**

(a) The MarketAxess SEF will make information regarding Orders (including prices bid or offered), Trades and any other matters it may deem appropriate available to Participants and other Persons at such times and in such manner (whether through the MarketAxess SEF Trading System, a ticker, financial information service or otherwise) as it may consider necessary or advisable from time to time. Notwithstanding the foregoing sentence, such information shall be provided in a manner that does not reveal the identity of the Participants involved, unless the trading protocol used discloses the identities of the Participants involved.

(b) Each Participant or other Person receiving any such information through the MarketAxess SEF Trading System may redistribute such information only to such extent and in such manner as may be permitted by the MarketAxess SEF from time to time.

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

### **Rule 501. Scope**

This Chapter 5 applies to all transactions in MarketAxess SEF Swaps, except as otherwise specifically provided in Chapter 6.

### **Rule 502. Procedures**

(a) With respect to trading on or through the MarketAxess SEF Trading System, the MarketAxess SEF may adopt, without limitation, procedures relating to transactions in MarketAxess SEF Swaps and trading on the MarketAxess SEF Trading System, including procedures to:

- (1) disseminate the prices of bids and offers on, and Trades in, MarketAxess SEF Swaps;
- (2) record, and account for, MarketAxess SEF Swaps and MarketAxess SEF Activity;
- (3) perform market surveillance and regulation on matters affecting MarketAxess SEF Swaps and MarketAxess SEF Activity;
- (4) establish limits on the number and/or size of Orders that may be submitted by a Participant through the MarketAxess SEF Trading System;

(5) establish limits on the number of MarketAxess SEF Swaps that may be held by a Customer or Participant;

(6) establish a limit on the maximum daily price fluctuations for any MarketAxess SEF Swap and provide for any related restriction or suspension of trading in the MarketAxess SEF Swap; and

(7) require a suspended or expelled Participant, or a Participant with restricted trading rights, to have MarketAxess SEF Swaps executed for the Participant to reduce or eliminate any open position or exposure to future price changes for the Participant in any MarketAxess SEF Swap.

(b) The MarketAxess 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 Notice to Participants or in any other manner determined appropriate by the MarketAxess SEF.

**Rule 503. Business Days and Trading Hours**

Except as provided in Rule 212 with respect to Emergencies, the MarketAxess SEF shall determine and publish a Notice to Participants listing the Business Days and Holidays of the MarketAxess SEF and the Trading Hours for each MarketAxess SEF Swap.

**Rule 504. Reserved.**

**Rule 505. Fraudulent Acts Prohibited**

No Participant shall engage in any fraudulent act or engage in any scheme to defraud, deceive, trick or mislead in connection with or related to any MarketAxess SEF Activity.

**Rule 506. Fictitious, Wash or Non-Competitive Transactions Prohibited**

No Participant shall create fictitious transactions, wash transactions or non-competitive transactions except, in the case of noncompetitive transactions, as otherwise authorized by the MarketAxess SEF Rules, or execute any Order with knowledge of its nature as a fictitious transaction, wash transaction or non-competitive transaction.

**Rule 507. Reserved.**

**Rule 508. Market Manipulation Prohibited**

No Participant shall manipulate, or attempt to manipulate, the price of any MarketAxess SEF Swap.

**Rule 509. Disruptive Trading Practices Prohibited**

No Participant shall engage in any trading, practice or conduct that is a “disruptive trading practice” as described in CEA Section 4c(a)(5) or CFTC Regulations.

**Rule 510. Prohibition of Misstatements**

No Participant shall make any knowing false or misleading statement of a material fact, or omit to state any material fact that is necessary to make such statement not misleading, to the MarketAxess SEF, any MarketAxess SEF Official or any Board committee or MarketAxess SEF panel.

**Rule 511. Reserved.**

**Rule 512. Reserved.**

**Rule 513. Supervision**

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

**Rule 514. Execution of Required Transactions**

No Participant shall execute a Required Transaction on the MarketAxess SEF Trading System other than via the Order Book or RFQ protocols, unless such transaction is a Block Trade. When a Swap Dealer or Major Swap Participant enters into or facilitates a Swap on or pursuant to the Rules of the MarketAxess SEF which is subject to the mandatory clearing requirement under CEA section 2(h), the Swap Dealer or Major Swap Participant shall be responsible for complying with the mandatory trading requirement under CEA section 2(h)(8).

**Rule 515. Misuse of the MarketAxess SEF Trading System**

Misuse of the MarketAxess SEF Trading System is strictly prohibited. It shall be a violation of the MarketAxess SEF Rules to permit unauthorized use of the MarketAxess SEF Trading System, to assist any Person in obtaining unauthorized access to the MarketAxess SEF Trading System, to alter the equipment associated with the MarketAxess SEF Trading System (except with the MarketAxess SEF’s consent), to interfere with the operation of the MarketAxess SEF Trading System, to intercept or interfere with information provided thereby or in any way to use the MarketAxess SEF Trading System in a manner contrary to the MarketAxess SEF Rules.

**Rule 516. Errors and Omissions in Handling Orders**

A Participant who inadvertently, through error or omission, fails to execute an Order at the time it should have been executed shall be responsible for all remedial actions and potential losses incurred with respect to such Order.

**Rule 517. Volume Discount Programs**

(a) The MarketAxess SEF may from time to time establish programs that provide Participants with financial incentives for meeting trading volume or liquidity thresholds as may be established by the MarketAxess SEF.

(b) All Participants are eligible for volume discounts, provided the Participant can meet the volume discount obligations.

**Rule 518. Withholding Orders Prohibited**

Any Participant entering Orders on the MarketAxess SEF Trading System shall not withhold or withdraw from the market any Order, or any part of an Order, for the benefit of any Person other than the Customer for whom the Participant is placing the Order.

**Rule 519. Priority of Customers' Orders**

No Participant shall knowingly enter an Order into the MarketAxess SEF Trading System for the Participant's own account, an account in which the Participant has a direct or indirect financial interest or an account over which the Participant has discretionary trading authority, including, without limitation, an Order allowing discretion as to time and price, when an Authorized Trader is aware of any unsubmitted Customer Order in the possession of such Participant that the MarketAxess SEF Trading System is capable of accepting.

**Rule 520. Handling of Customer Orders**

(a) General Prohibition. No Authorized Trader of a 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.

(b) Exceptions. The foregoing restriction shall not apply to the following:

(1) Transactions executed pursuant to Rule 601 (Block Trades); or

(2) On the MarketAxess SEF Trading System, a Participant may knowingly trade against a Customer Order for its own account, an account in which it has a direct or indirect financial interest, an account over which it has discretionary trading authority or a Proprietary Account of its employer, only if the Customer Order has been entered immediately upon receipt and has first been exposed on the MarketAxess SEF Trading System for a minimum of 15 seconds.



**Rule 521. Disclosing Orders Prohibited**

No Participant shall disclose another Customer's Order to buy or sell except to a designated MarketAxess 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 522. Simultaneous Buy And Sell Orders For Different Beneficial Owners**

On the MarketAxess SEF Trading System, opposite Orders for different beneficial owners that are simultaneously placed by a Participant with discretion over both accounts may be entered into the MarketAxess SEF Trading System. If such Orders are (i) related to Required Transactions and (ii) placed on the Order Book, then one Order must be exposed for a minimum of 15 seconds. An Order meeting the aforementioned conditions and allowing for price and/or time discretion, if not entered immediately upon receipt, may be knowingly entered opposite another Order entered by the same firm only if the other Order has been entered immediately upon receipt and has been exposed on the MarketAxess SEF Trading System for a minimum of 15 seconds.

## **Rule 523. Wash Sales Prohibited**

No Person shall place or accept buy and sell Orders in the same MarketAxess SEF Swap where the person knows or reasonably should know that the purpose of the Orders is to avoid taking a bona fide market position exposed to market risk (transactions commonly known or referred to as wash sales). Buy and sell Orders for different accounts with common beneficial ownership that are entered with the intent to negate market risk or price competition shall also be deemed to violate the prohibition on wash trades. Additionally, no Person shall knowingly execute or accommodate the execution of such Orders by direct or indirect means.

## **Rule 524. Recordkeeping Requirements for Entering Orders into the MarketAxess SEF Trading System**

### **(a) General Requirements.**

(1) Each Authorized Trader entering Orders into the MarketAxess SEF Trading System shall input for each Order:

- i. the trader ID assigned to him/her by the MarketAxess SEF;
- ii. the user ID;
- iii. the Legal Entity Identifier of the Participant (if available);
- iv. information regarding allocations for the Order (if applicable);
- v. 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; and
- vi. any other information the MarketAxess SEF may, from time to time, request the Authorized Trader to provide.

(2) With respect to Orders received by an Authorized Trader that are capable of being immediately entered into the MarketAxess SEF Trading System, 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 MarketAxess SEF Trading System, 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 MarketAxess SEF Trading System when it becomes executable.

(b) RESERVED

(c) Bunched Orders and Orders Eligible for Post Execution Allocation. Bunched Orders must be allocated and recorded in accordance with CFTC Regulation 1.35(b)(5) and the NFA's Interpretative Notice related to Compliance Rule 2-10. Bunched Orders may be entered using a series designation or suspense account number, *provided that*:

i. the Order is being placed by an account manager for multiple accounts eligible for post execution allocation; or

ii. a written, pre-determined allocation scheme that defines the series has been provided to the FCM accepting or clearing the Order prior to the time that such Order is entered. In the latter case, if such information has not been provided to the FCM prior to the time of Order entry, each specific account number must be entered into the MarketAxess SEF Trading System. Additionally, for all such bunched Orders executed on the MarketAxess SEF Trading System, the final account-specific allocations must be submitted to the MarketAxess SEF Trading System no later than the end of each trading day.

(d) RESERVED

#### **Rule 525. Prearranged and Noncompetitive Trades Prohibited**

(a) No Person shall prearrange any purchase or sale or noncompetitively execute any transaction, provided that the foregoing restriction shall not apply to Block Trades effected pursuant to Rule 601.

(b) RESERVED

(c) Pre-Execution Communications Regarding MarketAxess SEF Trading System Trades. Parties shall not engage in pre-execution communications with regard to transactions executed on the Order Book.

(d) No Person shall engage in a money pass, which includes a non-competitive trade between authorized traders where a profit is passed from one trader to the other.

#### **Rule 526. Responsibility For Customer Orders**

(a) Standard of Responsibility.

(1) A Participant shall exercise due diligence in the handling and execution of Customer Orders. Failure to act with due diligence shall constitute a failure to exercise due diligence. In the case of a dispute as to whether a Participant has exercised due diligence, the appropriate arbitration or disciplinary committee is authorized to determine whether the Participant failed to exercise due diligence and, if so, whether an adjustment is due from the Participant to the Customer.

(2) A Participant is prohibited from directly or indirectly guaranteeing the execution of an Order or any of its terms such as the quantity or price. A Participant may only report an execution that has been effected through the MarketAxess SEF Trading System or has been executed under Chapter 6. This Rule 526(a) shall not be construed to prevent a Participant from assuming or sharing in the losses resulting from an error or the mishandling of an Order.

(b) Liability for a Failure to Exercise Due Diligence. A Participant may not adjust the price at which an Order was executed or be held responsible for executing or failing to execute an Order unless such Participant failed to exercise due diligence or is settling a *bona fide* dispute regarding a failure to exercise due diligence. A Participant may not compel an adjustment from another Participant in the absence of a *bona fide* dispute regarding a failure to exercise due diligence. Participants shall document all adjustments. Participants shall make and retain a record that contains the date the adjustment was received, the name of the Participant making the adjustment, the account to which the adjustment was credited, the amount of the adjustment, the Order number and the reason for the adjustment. Such records must be provided to the Market Regulation Department upon request.

**Rule 527. Pre-Execution Credit Checks**

(a) At the time of submitting an RFQ or Order for any MarketAxess SEF Swap that is intended to be cleared, a Participant must designate an FCM to clear the Trade. The MarketAxess SEF will, promptly upon receipt of such RFQ or Order, facilitate pre-execution screening by the FCM identified by the Person on behalf of which the RFQ or Order is placed. Upon receiving confirmation that the RFQ or Order satisfies the FCM's pre-execution limits, the MarketAxess SEF will place the RFQ or Order on the MarketAxess SEF Trading System.

(b) RESERVED

(c) The Clearing Firm may, at any time prior to the execution of a Trade resulting from an RFQ or Order, notify the MarketAxess SEF that the Person on behalf of which an RFQ or Order is placed no longer has a sufficient credit or trading limit with the Clearing Firm to which the resulting Trade will be submitted for clearing. If such notification is received prior to the execution of said Trade, the MarketAxess SEF will use best efforts to withdraw the RFQ or Order.

## **Rule 528. Priority of Execution**

Customer Orders received by a Participant or an Authorized Trader shall be entered into the MarketAxess SEF Trading System in the sequence received. Non-discretionary Orders that cannot be immediately entered into the MarketAxess SEF Trading System must be entered when the Orders become executable, in the sequence in which the Orders were received.

## **Rule 529. Intermediation**

On the MarketAxess SEF Trading System, intermediation by a Participant on behalf of a Customer shall be permitted, provided that the Participant is in compliance with Rule 407. Each Participant engaging in intermediation related trades shall:

- (a) not trade ahead of an submitted or unsubmitted Customer Order;
- (b) comply with Rule 520;
- (c) not engage in accommodation trading; and
- (d) not engage in improper cross trading.

## **Rule 530. Position Limits and Exemptions**

(a) The MarketAxess SEF shall adopt for each of the MarketAxess SEF Swaps, as is necessary and appropriate, speculative position limits or accountability levels. Any such speculative position limits and accountability levels will be found at <http://www.marketaxess.com/> and a notice of the adoption of any such limits and levels will be emailed to Participants as soon as reasonably practicable after adoption.

(b) For any MarketAxess SEF Swap that is subject to a position limit established by the CFTC pursuant to CEA Section 4a(a), the MarketAxess SEF shall:

- (1) set its position limit at a level no higher than the CFTC limit; and
- (2) monitor positions established on or through the MarketAxess SEF for compliance with the limit set by the CFTC and the limit, if any, set by the MarketAxess SEF.

(c) A Person seeking an exemption from position limits established by the MarketAxess SEF pursuant to the Rules must apply to the Market Regulation Department on forms provided by the MarketAxess SEF. 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) A Person intending to exceed position limits established by the MarketAxess SEF pursuant to the Rules, including limits under a previously approved exemption, must file the required application and receive approval from the Market Regulation Department 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 530 provided the filing occurs within one (1) Business Day after assuming the position.

(e) In the event the positions in excess of the limits are not deemed to be exemption-eligible, the applicant will be in violation of speculative limits for the period of time in which the excess positions remained open.

(f) The Market Regulation Department shall, on the basis of the application and any requested supplemental information, determine whether an exemption from position limits shall be granted. The Market Regulation Department may approve, deny, condition or limit any exemption request based on factors deemed by the Market Regulation Department to be relevant, including, but not limited to, the applicant's business needs and financial status, as well as whether the positions can be established and liquidated in an orderly manner.

(g) Nothing in this Rule 530 shall in any way limit:

(1) the authority of the MarketAxess 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 any such position be reduced to the applicable position limit established by the MarketAxess SEF pursuant to the Rules.

(h) A Person who has received written authorization from the Market Regulation Department for an exemption from position limits must annually file an updated application on the date which is one year following the approval date of the most recent application. Failure to file an updated application will result in expiration of the exemption.

(i) Eligible Exemptions.

- (1) Bona Fide Hedging Positions. The Market Regulation Department may grant exemptions from position limits for *bona fide* hedge positions as defined by CFTC Regulation 1.3(z)(1) or any other applicable CFTC Regulation. Approved *bona fide* hedgers may be exempted from Emergency Rules that reduce position limits or restrict trading.
- (2) Risk Management Positions. The Market Regulation Department may grant exemptions from position limits for risk management positions. For the purposes of this Rule, risk management positions are defined as MarketAxess SEF Swaps and Options positions that are held by or on behalf of an entity or an Affiliate of an entity that typically buys, sells or holds positions in the underlying cash market, a related cash market or a related over-the-counter market and for which the underlying market has a high degree of demonstrated liquidity relative to the size of the positions and where there exist opportunities for arbitrage that provide a close linkage between the MarketAxess SEF Swaps or Options market and the underlying market in question. Exemptions related to indexed positions in the over-the-counter market may include corresponding commodity index-based Futures and Options and/or individual commodity Futures and Options used as components in replicating an index.
- (3) Arbitrage and Spread Positions. The Market Regulation Department may grant exemptions from position limits for arbitrage, spread and eligible Option/Option or Option/MarketAxess SEF Swaps spread positions.

(j) Aggregation of Positions.

- (1) Positions to be Aggregated. Position limits established by the MarketAxess SEF pursuant to the Rules shall apply to all positions in accounts for which a Person by power of attorney or otherwise directly or indirectly owns the positions or controls the trading of the positions. Such position limits shall also apply to positions held by two or more Persons acting pursuant to an expressed or implied agreement or understanding, the same as if the positions were held by, or the trading of the positions was done by, a single Person.
- (2) Ownership of Accounts. Except as set forth in Rule 530(k) below, any Person holding positions in more than one account, or holding accounts or positions in which the Person by power of attorney or otherwise directly or indirectly has a 10% or greater ownership or equity interest, must aggregate all such accounts or positions, unless such Person is a pool participant in a commodity pool. The foregoing exception for pool participants shall not apply if the Person:

- i. is the pool's commodity pool operator;
- ii. is a principal or affiliate of the pool's commodity pool operator and there are no barriers to prevent the Person from obtaining knowledge of or control over the pool's trading or positions; or
- iii. has an ownership or equity interest of twenty-five percent (25%) or more in the pool where the pool's operator is exempt from registration under CFTC Regulation 4.13.

(k) Limited Exceptions to Aggregation for Independently Controlled Positions.

(1) Positions carried for an "eligible entity," as defined in CFTC Regulation 150.1(d), in the separate account or accounts of "independent account controllers," as defined in CFTC Regulation 150.1(e), shall not be aggregated for position limit purposes, *provided* that the positions are not held in the spot month during such time that a spot month position limit is applicable. If an independent account controller is Affiliated with the eligible entity or another independent account controller, each of the Affiliated entities must comply with the requirements set forth in CFTC Regulation 150.3(4)(i)(A)-(D).

(2) Positions held by FCMs or their separately organized Affiliates in Customer discretionary accounts or in guided account programs shall not be aggregated for position limit purposes, provided that the accounts meet the standards set forth in CFTC Regulation 150.4(d).

(3) Any Person claiming an exemption from aggregation for position limit purposes under this Rule 530 must, upon request by the Market Regulation Department, provide any information deemed necessary to support the exemption.

(l) Violations.

(1) No Person shall exceed the position limits established by the MarketAxess SEF pursuant to the Rules, unless an exemption is granted by the Market Regulation Department.

(2) The Market Regulation Department and the MarketAxess SEF Practices Committee shall have the authority to enforce the MarketAxess SEF Rules regarding position limits.

(3) Any Person making a bid or offer that would, if accepted, cause such Person to exceed the applicable position limits shall be in violation of this Rule 530.

(4) If a position exceeds position limits as a result of an Option assignment, the Person who owns or controls such position shall be allowed one (1) Business Day to liquidate the excess position without being considered in violation of the limits. Additionally, if, at the close of trading, a position that includes Options exceeds position limits when evaluated using the delta factors as of that day's close of trading, but does not exceed the limits when evaluated using the previous day's delta factors, then the position shall not constitute a position limit violation.



(5) RESERVED

(6) Violations, Sanctions and Appeals.

i. First Violation. The first position limit violation by a Participant will result in a warning letter issued by the Market Regulation Department.

ii. Second Violation, Sanctions and Appeals.

a. A second position limit violation by a Participant within twenty-four (24) months of the issuance of a warning letter will result in the imposition of an automatic fine by the Market Regulation Department to the Participant as set forth below and the issuance of a cease and desist order.

b. The automatic fine for a position exceeding the applicable limit by up to twenty-five percent (25%) shall be \$5,000.

c. The automatic fine for a position exceeding the applicable limit by more than twenty-five percent (25%) shall be \$15,000.

iii. Referral to the Chief Compliance Officer.

a. Any third or subsequent position limit violation within twenty-four (24) months of the issuance of a warning letter shall be referred by the Market Regulation Department to the Chief Compliance Officer for consideration of the issuance of charges.

b. Notwithstanding anything to the contrary in Rule 530(l)(5)(iv)(a), the Market Regulation Department, in its sole discretion, may refer any position limit violation it deems egregious to the Chief Compliance Officer for consideration of the issuance of charges.

### **Rule 531. Position Accountability**

(a) A Participant that holds or controls, or a Participant that carries for another Person, aggregate positions in excess of any applicable position accountability level established by the MarketAxess SEF pursuant to the Rules, shall:

(1) provide, in a timely manner upon request by the Market Regulation Department, information regarding the nature of the position, information regarding trading strategy and hedging information, if applicable; and

(2) such aggregated position shall be subject to the terms and conditions of Rule 530.

(3) RESERVED

(b) For purposes of this Rule, all positions in accounts for which a Participant, by power of attorney or otherwise, directly or indirectly controls trading shall be included with the positions held by such Participant. The provisions of this Rule shall apply to positions held by two or more Participants acting pursuant to an expressed or implied agreement or understanding, the same as if the positions were held, or the trading of the positions was controlled, by a single Participant.

**Rule 532. Publication of Market Data**

The MarketAxess SEF will record and report to the Commission all data required by Part 16 of the CFTC's regulations in the form and manner required by the Commission.

**Rule 533. SDR Reporting**

The MarketAxess SEF will report all data required by Parts 43 and 45 of the CFTC's regulations on each Swap executed on, or otherwise pursuant to the Rules of, the MarketAxess SEF to an SDR that is selected by the MarketAxess SEF as soon as technologically practicable after execution of the Swap.

**Rule 534. Reserved.**

**Rule 535. Identification of Authorized Traders**

Each Authorized Trader shall be identified to the MarketAxess SEF, in the manner prescribed by the MarketAxess SEF, and shall be subject to the MarketAxess SEF Rules. Each individual must use a unique user ID to access the MarketAxess SEF Trading System. In no event may a Person 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.

**Rule 536. LIMITATION OF LIABILITY, NO WARRANTIES**

(a) EXCEPT AS PROVIDED BELOW, AND EXCEPT IN INSTANCES WHERE A PARTY HAS BEEN FINALLY ADJUDICATED TO HAVE BEEN GROSSLY NEGLIGENT OR ENGAGED IN WILLFUL OR WANTON MISCONDUCT, IN WHICH CASE THE PARTY FOUND TO HAVE ENGAGED IN SUCH CONDUCT CANNOT AVAIL ITSELF OF THE PROTECTIONS IN THIS RULE 536, NEITHER THE MARKETAXESS SEF (INCLUDING ITS SUBSIDIARIES AND AFFILIATES, AND ANY CONTRACTORS PROVIDING SERVICES TO THE MARKETAXESS SEF), NOR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, CONSULTANTS, AND LICENSORS (THE "DISCLAIMING PARTY" OR "DISCLAIMING PARTIES") SHALL BE LIABLE TO ANY PERSON FOR ANY LOSSES, DAMAGES, COSTS OR EXPENSES (INCLUDING, BUT NOT LIMITED TO, LOSS OF PROFITS, LOSS OF USE, AND DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES), 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 OF THE SYSTEMS AND SERVICES OF THE MARKETAXESS SEF, OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS AND SERVICES, INCLUDING WITHOUT LIMITATION ELECTRONIC ORDER ENTRY/DELIVERY, TRADING THROUGH ANY ELECTRONIC MEANS, ELECTRONIC COMMUNICATION OF MARKET DATA OR INFORMATION, WORKSTATIONS USED BY PARTICIPANTS AND AUTHORIZED TRADERS, 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 SYSTEM OR SERVICE OF THE MARKETAXESS SEF, OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS 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 THE MARKETAXESS SEF OR ANY OF THE MARKETAXESS SEF'S SYSTEMS, SERVICES OR FACILITIES; EXCEPT FOR INCORRECT ORDER STATUSING INFORMATION AS PROVIDED IN RULE 537 (THE MARKETAXESS SEF CONTROL CENTER); OR (4) ANY UNAUTHORIZED ACCESS TO OR UNAUTHORIZED USE OF ANY OF THE MARKETAXESS 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, CONTRIBUTION 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 CEA AND REGULATIONS THEREUNDER.

(b) NOTWITHSTANDING SUBSECTION (a), (e), or (f) OF THIS RULE 536, IN NO EVENT SHALL ANY PERSON BRING ANY LEGAL ACTION (WHETHER IN TORT, NEGLIGENCE, OR BREACH OF CONTRACT) FOR ANY LOSSES, DAMAGES, COSTS OR EXPENSES, INCLUDING, BUT NOT LIMITED TO, LOSS OF PROFITS, LOSS OF USE, DIRECT, SPECIAL, PUNITIVE, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES, ARISING FROM THE USE OF THE PLATFORM.

(c) THERE ARE NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS (INCLUDING, BUT NOT LIMITED TO, WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE OR USE) PROVIDED BY THE DISCLAIMING PARTY OR DISCLAIMING PARTIES RELATING TO ANY SYSTEMS OR SERVICES OF THE MARKETAXESS SEF OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS OR SERVICES, INCLUDING THE MARKETAXESS SEF TRADING SYSTEM.

(d) ANY DISPUTE ARISING OUT OF THE USE OF SYSTEMS OR SERVICES OF THE MARKETAXESS SEF OR SERVICES, EQUIPMENT, OR FACILITIES USED TO SUPPORT SUCH SYSTEMS OR SERVICES IN WHICH THE DISCLAIMING PARTY OR DISCLAIMING PARTIES IS A PARTY SHALL BE ARBITRATED PURSUANT TO CHAPTER 8. ANY ARBITRATION SHALL BE BROUGHT WITHIN THE PERIOD PRESCRIBED BY CHAPTER 8. ANY OTHER ACTIONS, SUITS OR PROCEEDINGS AGAINST THE DISCLAIMING PARTY OR DISCLAIMING PARTIES MUST BE BROUGHT WITHIN TWO (2) YEARS FROM THE TIME THAT A CAUSE OF ACTION HAS ACCRUED. THIS PARAGRAPH (d) SHALL IN NO WAY BE CONSTRUED TO LIMIT A PARTY'S OBLIGATION TO ARBITRATE ITS CLAIM OR TO CREATE A CAUSE OF ACTION AND SHALL NOT AUTHORIZE AN ACTION THAT WOULD OTHERWISE BE PROHIBITED BY THE MARKETAXESS SEF RULES. IF, FOR ANY REASON, A COURT OF COMPETENT JURISDICTION FINDS THAT A DISPUTE IS NOT ARBITRABLE, SUCH DISPUTE MAY ONLY BE LITIGATED IN THE COUNTY OF NEW YORK IN THE STATE OF NEW YORK AND WILL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO ANY PROVISIONS OF NEW YORK LAW THAT WOULD APPLY THE SUBSTANTIVE LAW OF A DIFFERENT JURISDICTION.

(e) THE DISCLAIMING PARTY OR DISCLAIMING PARTIES, MAY, IN ITS SOLE DISCRETION, ASSUME RESPONSIBILITY FOR DIRECT, OUT-OF-POCKET LOSSES DIRECTLY CAUSED BY THE GROSS NEGLIGENCE OF THE MARKETAXESS SEF CONTROL CENTER OR OTHER MARKETAXESS SEF STAFF AND/OR ORDER STATUS ERRORS PROVIDED BY THE MARKETAXESS SEF CONTROL CENTER OR ANY MARKETAXESS SEF SYSTEM, EQUIPMENT, SERVICE OR FACILITY. NOTWITHSTANDING THE ABOVE, i) THE MARKETAXESS SEF'S TOTAL COMBINED AGGREGATE OBLIGATIONS SHALL NOT EXCEED \$25,000 FOR ALL LOSSES FROM ALL CAUSES SUFFERED ON A SINGLE DAY; \$100,000 FOR ALL LOSSES SUFFERED FROM ALL CAUSES IN A SINGLE CALENDAR MONTH; AND \$500,000 FOR ALL LOSSES FROM ALL CAUSES SUFFERED IN A SINGLE CALENDAR YEAR. ANY DISPUTED CLAIM PURSUANT TO THIS PARAGRAPH (e) MUST BE ARBITRATED PURSUANT TO CHAPTER 8.

(f) IN NO EVENT SHALL THE DISCLAIMING PARTY'S OR DISCLAIMING PARTIES' TOTAL COMBINED AGGREGATE LIABILITY FOR ALL CLAIMS ARISING OUT OF ANY FAILURES, MALFUNCTIONS, FAULTS IN DELIVERY, DELAYS, OMISSIONS, SUSPENSIONS, INACCURACIES, INTERRUPTIONS, TERMINATIONS, OR ANY OTHER CAUSES, IN CONNECTION WITH THE FURNISHING, PERFORMANCE, OPERATION, MAINTENANCE, USE OF OR INABILITY TO USE ALL OR ANY PART OF ANY OF THE MARKETAXESS SEF'S SYSTEMS OR SERVICES, OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS AND SERVICES, OR THE NEGLIGENCE OF MARKETAXESS SEF STAFF EXCEED \$500,000 IN ANY GIVEN

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.

**Rule 537. The MarketAxess SEF Control Center**

(a) Customer Support.

- (1) The MarketAxess SEF Control Center ("**MCC**") provides customer support and problem management only to Participants.
- (2) In order to be eligible for MCC support, such Persons must be identified by a Participant as an authorized contact with the MCC ("**Authorized Contacts**"). The MCC provides customer support via a specified telephone number and during specified hours.
- (3) MCC employees may not always be available to assist Authorized Contacts.
- (4) Persons other than Authorized Contacts must contact their Participant Firms to make support requests.

(b) MCC Communications.

- (1) As provided in Rule 536, the MarketAxess SEF shall not be liable for any loss resulting from any inability to communicate with the MCC.
- (2) The liability of the MarketAxess SEF for the negligent acts of MCC staff shall be subject to the limitations and conditions of Rule 536.
- (3) In no event, however, shall the MarketAxess SEF be liable for the negligence of the MCC if the Person claiming to have suffered a loss could have secured the support it sought from the MCC through its own administrative terminal, its Clearing Firm's terminal or an Independent Software Vendor's ("**ISV**") terminal.
- (4) For purposes of this rule, a Person is deemed able to take action through its own administrative terminal, a Clearing Firm's terminal or an ISV's terminal unless such terminal was inoperative or such terminal service was interrupted at the time the MCC took action.

(c) Order Status.

- (1) A Person who believes he has received an incorrect Order status or does not receive an appropriate status shall immediately notify the MCC. Additionally, such Person shall take any necessary and appropriate market action to mitigate any potential losses arising from the incorrect Order status or lack of appropriate Order status immediately after the Person knew or should have known that the Order status information was incorrect or should have been

received. Any liability of the MarketAxess SEF for incorrect Order status shall be subject to the limitations and conditions of Rule 536.

(2) Notwithstanding the above, the MarketAxess SEF shall not be liable for losses related to incorrect Order status information if the MarketAxess SEF provides prior notification that a MarketAxess SEF system, service or facility may produce such incorrect information and also provides notification of a means to obtain correct Order status information from such system, service or facility. In the event that the MCC and a MarketAxess SEF system, service or facility provide conflicting information relating to an Order status, a Participant may only reasonably rely on the information received from the MCC. Any liability of the MarketAxess SEF shall be subject to the liability caps and conditions of Rule 536.

### **Rule 538. The MarketAxess SEF Trading System**

(a) The Order Book is available for Required Transactions and Permitted Transactions.

(b) The MarketAxess SEF Trading System Click to Trade (“CTT”) system is only available for Permitted Transactions and Block Trades and allows for Participants to review indicative levels provided by other Participants and either:

(1) Place a market order requesting to hit or lift the indicative level (utilizing a Price/Time algorithm), subject to acceptance by the Participant providing the indicative level;

(2) Submit a firm resting order, allowing for another Participant providing indicative levels to either hit or lift the level; or

(3) Submit a limit order with either of the following characteristics:

(i) If the Participant selects order style “Notification,” they will be notified if a selected Participant enters a level better than or equal to the Participant’s limit. From this notification, the Participant will have the option to submit a firm resting order on the instrument just as they would in the standard CTT flow and counter flow.

(ii) If the Participant selects order style “Auto-Execute,” an Order will automatically be placed on behalf of the Participant if a selected Participant enters a level better than or equal to the Participant’s limit. From this point, the Trade flow will be identical to the standard CTT flow and counter flow.

(c) The MarketAxess SEF RFQ System is available for Required Transactions.

(1) The MarketAxess SEF also offers a request for quote system designed only for Permitted Transactions and Block Trades. This system will not be subject to the requirements of CFTC Regulation 37.9(a)(3).

## **Rule 539. Trade Cancellations and Price Adjustments**

### **(a) MarketAxess SEF Control Center Authority Regarding Trade Cancellations and Price Adjustments.**

(1) The MCC has authority to adjust trade prices or cancel (bust) Trades when such action is necessary to mitigate market disrupting events caused by the improper or erroneous use of the MarketAxess SEF Trading System or by system defects.

(2) Notwithstanding any other provisions of this rule, the MCC may adjust trade prices or bust any Trade if the MCC determines that allowing the Trade to stand as executed may have a material adverse effect on the integrity of the market.

(3) All decisions of the MCC shall be final.

### **(b) Review of Trades.**

(1) The MCC may determine to review a Trade based on its independent analysis of market activity or upon request for review by a user of the MarketAxess SEF Trading System. A request for review must be made within 15 minutes of the execution of the Trade.

(2) The MCC shall determine whether or not a Trade will be subject to review. In the absence of a timely request for review, during volatile market conditions, upon the release of significant news or in any other circumstance in which the MCC deems it to be appropriate, the MCC may determine, in its sole discretion, that a Trade shall not be subject to review.

(3) Upon deciding to review a Trade, the MCC will promptly issue an alert to all Participants via the MarketAxess SEF Trading System or electronic mail indicating that the Trade is under review.

### **(c) Price Adjustments and Cancellations.**

(1) In reviewing a Trade, the MCC will first determine whether the trade price is within the No Bust Range, which shall mean the price of a MarketAxess SEF Swap was no more than 10% higher or lower than either the final settlement price or spread from the prior trading day for such MarketAxess SEF Swap.

(2) In applying the No Bust Range, the MCC shall use best efforts to determine the fair value market price for that MarketAxess SEF Swap at the time the trade under review occurred. The MCC may consider any relevant information, including, but not limited to, the last trade price in the MarketAxess SEF Swap or a better bid or offer price on the MarketAxess SEF Trading System, a more recent price for a different maturity date, the price of the same or related MarketAxess SEF Swap established in another venue or another market, the market conditions at the time of the trade, the theoretical value of an Option based on the most recent implied volatility and responses to an RFQ.



(3) Trade Price Inside the No Bust Range. If the MCC determines that the price of the Trade is inside the No Bust Range, the MCC will issue an alert indicating that the Trade shall stand.

(4) Trade Price Outside the No Bust Range.

i. If the MCC determines that a trade price is outside the No Bust Range, the MarketAxess SEF shall have the right (in its sole discretion) to cancel or adjust the price of such Trade.

ii. Busted trade prices and any prices that have been adjusted shall be cancelled in the MarketAxess SEF's official record of time and sales. Trades that are price-adjusted shall be inserted in the time and sales record at the adjusted trade price.

(d) Alternative Resolution by Agreement of Parties.

(1) With the approval of the MCC, parties to a Trade that is under review or price-adjusted may instead mutually agree to cancel or otherwise adjust the price of the Trade.

(2) With the approval of the MCC, parties to a Trade that is busted may instead mutually agree to price-adjust the Trade to a price consistent with the adjustment provisions of Rule 543(c).

(3) Subject to sections (d)(1) and (d)(2), parties to a Trade that is cancelled or price-adjusted may mutually agree to a cash adjustment, *provided* that such adjustments are reported to the MCC and the parties maintain a record of the adjustment.

(4) An executed Trade may not be reversed via transfer except where such Trade is determined by the MCC to be outside of the No Bust Range but not reported timely, subject to agreement of the parties and approval of the MCC. Any such transfer must occur at the original trade price and quantity; however, the parties may mutually agree to a cash adjustment.

(e) Liability for Losses Resulting from Price Adjustments or Cancellations.

(1) A party entering an Order that results in a price adjustment or trade bust shall be responsible for demonstrated claims of realized losses incurred by Persons whose trade prices were adjusted or busted, *provided, however*, that a claimant shall not be entitled to compensation for losses incurred as a result of the claimant's failure to take reasonable actions to mitigate the loss.

(2) A claim for a loss pursuant to this section must be submitted to the MarketAxess SEF within one (1) Business Day of the event giving rise to the claim. The MarketAxess SEF will reject any claim that is not filed in a timely manner and such decisions shall be final. Eligible claims shall be forwarded by the MarketAxess SEF to the party responsible for the Order(s) that resulted in a trade bust or a price adjustment. Such party shall, within ten (10) Business Days of receipt of the claim, admit or deny responsibility in whole or in part. Failure to respond to the claim within ten (10) Business Days shall be considered a denial of liability.



(3) To the extent that liability is admitted, payment shall be made within ten (10) Business Days. Unless otherwise agreed upon in writing by the parties, failure to make the payment within ten (10) Business Days shall be considered a denial of liability for purposes of this Rule. A copy of any such written agreement must be provided to the MarketAxess SEF.

(4) To the extent that liability is denied, the party making the claim may submit the claim for arbitration pursuant to Chapter 8 of the Rules. Such claims must be submitted to the MCC within ten (10) Business Days of the date the party was issued notification that liability was denied.

(f) Schedule of Administrative Fees. When MCC busts or price-adjusts a Trade, the party responsible for entering the Order into the MarketAxess SEF Trading System that gave rise to the trade bust or price adjustment shall pay an administrative fee to the MarketAxess SEF in the amount of \$500 for each such occurrence.

#### **Rule 540. Terms and Conditions**

Starting on November 1, 2013, all Participants shall agree to and abide by the terms and conditions of any swap traded on or processed through the MarketAxess SEF.

#### **Rule 541. Trading Pauses and Halts**

The MarketAxess SEF shall have the authority to pause trading in any MarketAxess SEF Swap or restrict the trading of any Participant in any or all MarketAxess SEF Swap(s) if doing so: (i) serves the purpose of preventing market disruptions or price distortions or (ii) if requested to do so by the CFTC or any Clearing House.

### **CHAPTER 6: PRIVATELY NEGOTIATED TRANSACTIONS**

#### **Rule 601. Block Trades**

(a) Each Block Trade shall be executed by one of the methods of execution that is available for Block Trades under the MarketAxess SEF Rules. Participants to a Block Trade shall comply with any applicable CFTC regulations governing Block Trades.

(b) The following shall govern Block Trades:

(1) Prior to executing a Trade with a notional or principal amount at or above the appropriate minimum block size applicable to such swap, as determined by the CFTC, the parties to such Trade shall be deemed to have elected to treat the Trade as a Block Trade.

(2) The price at which a Block Trade is executed must be fair and reasonable in light of (i) the size of the Block Trade, (ii) the prices and sizes of other transactions in the same MarketAxess SEF Swap at the relevant time, (iii) the prices and sizes of transactions in other relevant markets at the relevant time, and (iv) the circumstances of the markets or the Participants to the Block Trade.

(3) Persons entering into a Block Trade under the MarketAxess SEF rules must agree upon which party to the Block Trade shall be responsible for reporting all of the terms of the Block Trade to the MarketAxess SEF as soon as practicable after execution of the Block Trade. The Participant must provide the MarketAxess SEF with the allocation for such Block Trade as soon as practicable (if applicable).

(4) Block Trades must be reported to the MarketAxess SEF in accordance with an approved reporting method.

(5) Participants involved in the execution of Block Trades must maintain a record of the transaction in accordance with Rule 401.

(6) The MarketAxess SEF will report information submitted by the Participant(s) for the Block Trade to a Swap Data Repository as required by Part 43 and Part 45 of the CFTC Regulations.

(7) Orders may be aggregated in order to achieve the minimum block size, but only if done by a person who:

(i)(A) Is a commodity trading advisor registered pursuant to Section 4n of the CEA, or exempt from registration under the CEA, or a principal thereof, who has discretionary trading authority or directs client accounts,

(B) Is an investment adviser who has discretionary trading authority or directs client accounts and satisfies the criteria of CFTC Regulation 4.7(a)(2)(v), or

(C) Is a foreign person who performs a similar role or function as the persons described in paragraphs (b)(7)(i)(A) or (b)(7)(i)(B) above and is subject as such to foreign regulation; and,

(ii) Has more than \$25,000,000 in total assets under management.

## **Rule 602. Recordkeeping Requirements for Privately Negotiated Trades**

All Orders executed in accordance with Rule 601, unless otherwise exempted by Rule, are subject to the following recordkeeping requirements:

(a) 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 that such Order was received and must identify the specific account(s) for which the Order was placed.

(b) Such record shall also include an electronic timestamp reflecting the date and time that such Order was executed or cancelled.

## **CHAPTER 7: DISCIPLINARY RULES**

### **Rule 701. General**

(a) This Chapter 7 shall govern a Participant, or any other Person using a user ID assigned to the Participant, who is alleged to have violated, to have aided and abetted a violation, to be violating, or to be about to violate, any Rule of the MarketAxess SEF or any provision of Applicable Law for which the MarketAxess SEF possesses disciplinary jurisdiction.

(b) The MarketAxess 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 7.

(c) No MarketAxess 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 MarketAxess SEF Rules with respect to a proceeding in which the Director is a member of the relevant Appeal Panel.

(d) Any Participant may be represented by counsel or any representative of its choosing during any Disciplinary Action pursuant to this Chapter 7.

#### **(e) Participant Liability – Individual and Joint Liability/Controlling Person Liability.**

(1) The MarketAxess SEF may hold a Participant liable, and impose sanctions against such Participant, for such Participant’s own acts and omissions that constitute a violation as well as for the acts and omissions of each (A) Authorized Trader authorized by such Participant, (B) other Supervised Person of such Participant, (C) other Person using a user ID of such Participant or (D) other agent or representative of such Participant, in each case, that constitute a violation, as if such violation were that of the Participant.

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

(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 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) or 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 702. Inquiries and Investigation**

(a) The Market Regulation Department will investigate any matter within the MarketAxess SEF's jurisdiction of which it becomes aware. 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 the MarketAxess SEF that, in the judgment of the Market Regulation Department, indicates a possible basis for finding that a violation has occurred or may 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 the MarketAxess 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 the MarketAxess SEF's disciplinary jurisdiction; and,

(4) represent the MarketAxess SEF on appeal from any disciplinary proceeding, summary imposition of fines, summary suspension or other summary action.

(c) Each Participant:

(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 MarketAxess Rule;
- ii. any inquiry or investigation relating to MarketAxess SEF Activity; and
- 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 Rule or MarketAxess SEF Activity;
- ii. any inquiry or investigation relating to MarketAxess SEF Activity; and
- iii. any preparation by and presentation during a Disciplinary Action; and

(3) may not impede or delay any Disciplinary Action.

(d) The Chief Compliance Officer has the authority to delegate the authority to conduct any investigation authorized under this Rule 702 to the RSP as per the terms of the Regulatory Services Agreement.

(e) Any investigation will be completed in a timely manner in accordance with CFTC regulation 37.203(f)(2).

### **Rule 703. 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 the MarketAxess 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, the Market Regulation Department staff's analysis and conclusions, 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.

(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 Disciplinary Panel.

#### **Rule 704. Opportunity to Respond**

(a) After completing its Investigative 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 705. Review of Investigative Reports**

(a) Review of Investigative Reports by the Chief Compliance Officer.

(1) Within thirty (30) days of the receipt of a completed Investigative Report, the Chief Compliance Officer will review the completed Investigative Report to determine whether a reasonable basis exists to believe that a violation within the MarketAxess 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 the MarketAxess 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 Oversight Committee; or
- ii. the closing of the investigation without any action because no reasonable basis exist to believe that a violation within the MarketAxess 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 Oversight Committee; or
- iii. the commencement of disciplinary proceedings because a reasonable basis exists to believe that a violation within the MarketAxess SEF's jurisdiction has occurred or is about to occur.

**(b) Review of Investigative Reports by the Disciplinary Panel.**

(1) After receiving a completed Investigative Report pursuant to Rule 703, a Disciplinary Panel must promptly review the report and, within thirty (30) days of such receipt, must take one of the following actions:

- i. If the Disciplinary Panel determines that additional investigation or evidence is needed, it must promptly direct the Market Regulation Department to conduct further investigation.
- ii. If the Disciplinary 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 Oversight Committee.
- iii. If the Disciplinary Panel determines that a reasonable basis exists for finding a violation and adjudication are warranted, it must direct that the Person alleged to have committed the violation be served with a notice of charges and proceed in accordance with the rules of Chapter 7.

(2) A failure of the Disciplinary Panel to act within the time prescribed in Rule 705(b) shall not prevent the Chief Compliance Officer from acting pursuant to Rule 705(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 705(a) and the Disciplinary Panel pursuant to Rule 705(b) shall be resolved by the Regulatory Oversight Committee.

## **Rule 706. Notice of Charges**

(a) If the Chief Compliance Officer or Disciplinary Panel authorizes disciplinary proceedings pursuant to Rule 705(a)(3)(iii) or 703(b)(1)(iii), the Market Regulation Department will prepare, and serve in accordance with Rule 708, 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 MarketAxess 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 it 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 twenty (20) 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 707. Answer to Notice of Charges**

(a) If the respondent determines to answer a notice of charges, the respondent must file answers within twenty (20) 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 708. Service of Notice of Charges**

(a) Any notice of charges or other documents to be served pursuant to this Chapter 7 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; or by deposit in the United States mail, postage prepaid, via registered or certified mail addressed to the respondent at the address as it appears on the books and records of the MarketAxess SEF.

(b) Any notice of charges or other documents contemplated to be served pursuant to this Chapter 7 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 the MarketAxess SEF.

#### **Rule 709. 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 the MarketAxess 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 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 the settlement will become final upon the expiration of twenty (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 Disciplinary 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 MarketAxess SEF 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, 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 710. Disciplinary Panel**

(a) The Disciplinary Panel shall:

(1) review completed Investigative Reports in order to determine whether a reasonable basis exists for finding a violation of the MarketAxess SEF's rules and for authorizing the issuance of notices of charges against persons.

(2) conduct hearings in connection with any disciplinary proceedings (except for summary impositions of fines pursuant to Rule 717), make findings, render decisions and impose sanctions pursuant to this Chapter 7.

(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 potential participants on the Disciplinary Panel. The Chief Compliance Officer shall recommend at least one (1) individual who will satisfy the conditions of a Public Individual and at least two (2) Participants or employees of Participants and two (2) non-Participants. The term of an individual who has been selected as a member of a Disciplinary Panel will not expire until the related proceedings are completed. The Board shall not appoint the Chief Compliance Officer, any employee of the Market Regulation Department, or any person involved in adjudicating any other stage of the same proceeding to be a member of a Disciplinary Panel.

(c) The chair of any Disciplinary Panel shall be a Public Individual.

(d) The Chief Compliance Officer shall select a separate Disciplinary 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 ten (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 213 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 General Counsel of the MarketAxess SEF will decide the merits of any request for disqualification in 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 or her attention in his or her 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 Government 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 a MarketAxess SEF investigation, as permitted by Rule 213 or as required by law.

(i) The Chief Compliance Officer has the authority to delegate the formation and staffing of Disciplinary Panels under this Rule 710 to the RSP as per the terms of the Regulatory Services Agreement.

### **Rule 711. Convening Hearings of Disciplinary Proceedings**

(a) A hearing will be conducted privately and confidentially. Notwithstanding the confidentiality of hearings, the Disciplinary 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 Disciplinary 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 Disciplinary Panel may continue, adjourn or otherwise conduct the hearing, as he or she may deem appropriate. The chair of the Disciplinary 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 Disciplinary Panel will not be bound by any evidentiary or procedural rules or law. Once admitted during the hearing, the Disciplinary Panel may consider, and attach the weight it believes appropriate to, evidence or other materials. The General Counsel of the MarketAxess SEF, or its designee, will provide guidance to the chair of the Disciplinary Panel on the conduct of the hearing.

(d) Except for procedural and evidentiary matters decided by the chair of the Disciplinary Panel pursuant to paragraph (c) above and Rule 712, unless each respondent otherwise consents, the entire Disciplinary Panel must be present during the entire hearing and any related deliberations.

## **Rule 712. Respondent Review of Evidence**

(a) Prior to the commencement of a hearing, each respondent will be given the opportunity to review all books, records, documents, papers, transcripts of testimony and other tangible evidence in the possession or under the control of the MarketAxess 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 Disciplinary Panel deems relevant to the disciplinary proceedings. Notwithstanding the foregoing, no respondent will have the right to review, and the MarketAxess 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 712, information that could adversely affect competitive positions include positions in MarketAxess SEF 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 713. 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 Disciplinary Panel. If a respondent has timely filed an answer to the notice of charges in accordance with Rule 707, the respondent shall be entitled to attend and participate in the hearing.

(b) At a hearing conducted in connection with any disciplinary proceedings, the Disciplinary Panel or the Market Regulation Department and each respondent may:

- (1) present evidence and facts determined relevant and admissible by the chair of the Disciplinary Panel;
- (2) call and examine witnesses; and
- (3) cross-examine witnesses called by other parties.

(c) If the respondent fails to file an answer, files 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 Disciplinary 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 Disciplinary Panel determines that the respondent had a compelling reason for failing to timely file an answer. If the Disciplinary Panel determines that the respondent had a compelling reason for failing to timely file an answer, the Disciplinary Panel will adjourn the hearing and direct the respondent to promptly file a written answer in accordance with Rule 707.

(d) Any Person entitled, or required or called upon, to attend a hearing before a Disciplinary 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. The MarketAxess 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 Disciplinary Panel determines that a reasonable basis exists to believe that the respondent violated or is about to violate a Rule of the MarketAxess SEF or a provision of Applicable Law other than the violations alleged in the notice of charges, the Disciplinary Panel may consider those apparent violations after providing the respondent with an opportunity to answer the additional allegations in accordance with Rule 707. In connection with considering apparent violations pursuant to this paragraph (e), the Disciplinary Panel may request that the Market Regulation Department provide the Disciplinary Panel with any additional information related to the violations at issue.

(f) The Disciplinary Panel may summarily impose sanctions on any Participant, Authorized Trader or other Supervised Person that impedes or delays the progress of a hearing.

(g) The MarketAxess 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 Disciplinary 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 Disciplinary Panel or chair of the Disciplinary Panel are permitted.

#### **Rule 714. Decision of Disciplinary Panel**

(a) As promptly as reasonable following a hearing, the Disciplinary 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 Disciplinary Panel will constitute the decision of the Disciplinary Panel.

(b) The MarketAxess 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 the MarketAxess SEF and provision of Applicable Law that the respondent is found to have violated; and
- (6) the imposition of sanctions, if any, including the basis for such sanctions and the effective date of each sanction.

#### **Rule 715. Sanctions**

(a) After notice and opportunity for hearing in accordance with the MarketAxess SEF Rules, the MarketAxess 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 the MarketAxess SEF or provision of Applicable Law for which the MarketAxess SEF possesses disciplinary jurisdiction. All sanctions, including sanctions imposed pursuant to an accepted settlement offer, must take into account the respondent's disciplinary history. In the event of demonstrated customer harm, any sanction must also include full customer restitution, except where the amount of restitution or to whom the restitution should be provided cannot be reasonably determined. The MarketAxess SEF may impose one or more of the following sanctions or remedies:

- (1) censure;
- (2) limitation on Trading Privileges, ability to otherwise access the MarketAxess SEF Trading System, and/or other activities, functions or operations;
- (3) suspension of Trading Privileges and/or ability to otherwise access the MarketAxess SEF Trading System;
- (4) fine (subject to paragraph (b) below);
- (5) restitution or disgorgement;
- (6) termination of Trading Privileges and/or ability to otherwise access the MarketAxess SEF Trading System;
- (7) a warning letter, provided that no more than one warning letter is issued to the same Participant for the same violation in a rolling twelve (12)-month period; or
- (8) any other sanction or remedy deemed to be appropriate.

(b) The MarketAxess SEF may impose a fine of up to \$500,000 for each violation of a Rule of the MarketAxess 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. The MarketAxess 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 716. Reserved.**

**Rule 717. 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 the MarketAxess SEF;

(2) to make timely and accurate submissions to the MarketAxess SEF of notices, reports or other information required by the MarketAxess SEF Rules; and

(3) to keep any books and records required by the MarketAxess SEF 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 717 to each Participant or Authorized Trader subject thereto. The notice will specify:

(1) the violations of the MarketAxess SEF Rules for which the fine is being imposed;

(2) the date of the violation for which the fine is being imposed; and

(3) the amount of the fine.

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. 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) The MarketAxess SEF will set the amount of any fines imposed pursuant to this Rule 717, with the maximum fine for each violation not to exceed \$5,000. Summary imposition of fines pursuant to this Rule 717 will not preclude the MarketAxess 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 718. Summary Suspensions and Other Summary Actions**

(a) Notwithstanding anything in the MarketAxess SEF 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 MarketAxess SEF Trading System, and may take other summary action against any Participant or any of its Authorized Traders or Supervised Persons in accordance with the MarketAxess SEF 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 the MarketAxess SEF or the marketplace, including based on any of the following:

(1) statutory disqualification from registration as provided in CEA Sections 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 the MarketAxess SEF.

(b) Whenever practicable, the MarketAxess SEF shall provide prior written notice to the party against whom any action in accordance with paragraph (a) shall be taken. If prior notice is not practicable, the



MarketAxess SEF will give notice at the earliest possible opportunity to the respondent against whom the action is brought.

(c) 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 the MarketAxess SEF, a respondent against whom a summary action is brought pursuant to this Rule 718 must provide books and records over which the respondent has access or control and must furnish information to, or appear or testify before, the MarketAxess SEF in connection with the enforcement of any Rule of the MarketAxess SEF.

(e) A respondent whose Trading Privileges and/or ability to otherwise access the MarketAxess SEF Trading System are suspended, revoked, limited, conditioned, restricted or qualified pursuant to this Rule 718 may apply for reinstatement by filing with the Market Regulation Department a written request stating the applicant's reasons for seeking reinstatement. The MarketAxess SEF will not consider a respondent's request for reinstatement if the respondent (i) owes any fines, fees, charges or costs to the MarketAxess 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 or supporting the reinstatement and each may present evidence and facts and call, examine and cross-examine witnesses. At the hearing for reinstatement, the MarketAxess 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 MarketAxess SEF Trading System 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 718(b) above. The Appeals Panel's order may not be appealed.

#### **Rule 719. 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 MarketAxess SEF Trading System are suspended for a period of 12 months or less, none of its rights (including the right to hold oneself out to the public as a Participant or Authorized Trader, enter Order into the MarketAxess SEF Trading System and receive Participant rates for fees, costs, and charges and deposit margin at Participant levels) will apply during the period of the suspension, except for the right of the Participant or Authorized Trader in question to assert claims against others as provided in the MarketAxess SEF Rules. Any such suspension will not affect the rights of creditors under the MarketAxess SEF Rules or relieve the Participant or Authorized Trader in question of its, his or her

obligations under the MarketAxess SEF Rules to perform any MarketAxess SEF Swaps entered into before the suspension, or for any MarketAxess SEF fees, costs, or charges incurred during the suspension. The MarketAxess SEF may discipline a suspended Participant or Authorized Trader under this Chapter 7 for any violation of a Rule of the MarketAxess 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 MarketAxess SEF Trading System 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 MarketAxess SEF Rules. Any such termination will not affect the rights of creditors under the MarketAxess SEF Rules. A terminated Participant or Authorized Trader may only seek to be reinstated by applying for Trading Privileges pursuant to Rule 302.

(c) The MarketAxess 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 MarketAxess SEF Rules and the jurisdiction of the MarketAxess 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 MarketAxess SEF Trading System.

(e) RESERVED

## **Rule 720. Notice to the Respondent, the Regulatory Services Provider and the Public**

The MarketAxess SEF will provide written notice of disciplinary proceedings to the parties and the Regulatory Services Provider consistent with applicable CFTC Regulations. Whenever the MarketAxess SEF suspends, expels, fines or otherwise disciplines, or denies any Person access to the MarketAxess SEF, the MarketAxess SEF will make the required notices and disclosures required by Part 9 and all other applicable CFTC Regulations.

## **CHAPTER 8: ARBITRATION RULES**

### **Rule 801. Disputes Subject to Arbitration**

(a) Mandatory Arbitration of Disputes Among Participants.

(1) It is contrary to the objectives and policy of the MarketAxess SEF for Participants to litigate MarketAxess SEF-related disputes. Participants must arbitrate all disputes between or among

themselves that relate to or arise out of any transaction executed on, or otherwise subject to the Rules of, MarketAxess SEF that are based upon facts and circumstances that occurred at a time when the parties were Participants through the NFA Arbitration Program. Such arbitration shall be conducted pursuant to the Rules and the rules of the NFA Arbitration Program or another arbitration program permitted by the CFTC Regulations within two (2) years from the occurrence of the event giving rise to the dispute. This Rule shall in no way create a cause of action nor authorize an action that would otherwise be prohibited by the MarketAxess SEF Rules.

(2) Notwithstanding the foregoing, this Rule 801 does not require an employee of a Participant to submit to arbitration any claim that includes allegations of a violation of federal, state or local employment discrimination, sexual harassment, wage payment or benefits laws.

(b) Claims against the MarketAxess SEF or Clearing House.

(1) Claims Against the MarketAxess SEF. Claims against the MarketAxess SEF pursuant to the provisions of Rules 536 and/or Rule 539 can be submitted to arbitration through the NFA Arbitration Program or another arbitration program permitted by the CFTC Regulations. Such arbitration shall be conducted pursuant to the Rules and the rules of the arbitration Program.

(2) Claims Against the Clearing House. Claims against the Clearing House must be pursued pursuant to the rules of the Clearing House.

(c) Permissive Arbitrations. The following may be submitted for arbitration through the NFA Arbitration program and, in the event such a claim is submitted against a Participant, that Participant is required to arbitrate the dispute under these Rules, unless otherwise provided:

(1) claims of a Customer that is not a Participant against a Participant that relate to or arise out of any transaction executed on, or otherwise subject to the Rules of, MarketAxess SEF;

(2) claims against a Participant pursuant to Rule 539;

(3) claims of a Customer that is not a Participant against a Clearing Firm responsible for the performance of a MarketAxess SEF Swap executed on, or subject to the Rules of, MarketAxess SEF and/or against a Participant in connection with such a transaction; and

(4) at the discretion of the Chief Compliance Officer, any claim involving the interests of the MarketAxess SEF, its Participants, their business relations or swaps trading in general not otherwise arbitrable under these rules, provided the parties have consented to such arbitration.

(d) Waiver of Any Objection to Jurisdiction. Any Person who is not a Participant who submits a claim or grievance to arbitration or any Person who appeals any arbitration decision, or who takes any steps therein, shall be conclusively presumed to have voluntarily recognized and agreed to the jurisdiction of the NFA to hear and determine the claim or appeal.

(e) Referral to the NFA Arbitration Program. In the event that a complaint is received by the MarketAxess SEF from a Customer, it shall be referred to the Market Regulation Department, which shall inform the Customer of the NFA Arbitration Program.

**Rule 802. Initiating an Arbitration Claim**

(a) A claimant may initiate a claim by submitting the required documents and fees to the NFA Arbitration Program.

(b) A claimant shall provide notice of such arbitration claim to the MarketAxess SEF.

**Rule 803. Certain Claims against the MarketAxess SEF Involving Trading Systems or Services**

(a) General. All claims arising out of or relating to the following matters shall be arbitrated in accordance with the rules of this Chapter:

(1) receipt of an incorrect Order status or the failure to have received an appropriate Order status; or

(2) the negligence of MCC Personnel or any other MarketAxess SEF staff.

(b) Initial Liability Claim and Demand for Arbitration. The initial claim of loss, including a detailed description of any loss suffered, must be made to the NFA Arbitration Program within thirty (30) business days of the date of the incident that caused the loss.

(c) Related Claims. All claims arising out of the same system failure, event or alleged negligent act shall, to the extent practicable in the determination of the chairman, be consolidated for a single hearing.

(d) Award.

(1) Any award by the NFA Arbitration Program shall be limited to the lesser of the actual loss or the loss that would have been incurred if the claimant had used its best efforts to mitigate the loss. Punitive damages, loss of profits, loss of use, and indirect, incidental or consequential damages shall not be awarded.

(2) The decision of a majority of the NFA Arbitration Program shall be final and binding, and there shall be no appeal to a hearing committee of the MarketAxess SEF. A party may move, within three (3) business days of the award, that the award be corrected to remedy any miscalculation or misdescription or where the award is otherwise imperfect in a matter of form not affecting the merits of the award.

(e) Satisfaction of Award by MarketAxess SEF.

(1) The MarketAxess SEF shall satisfy any award against it subject to its limitation of liability rules and the rules respecting proration among claimants where damages allowed for a defined period of time exceed any limit imposed by MarketAxess SEF Rules.

(2) The MarketAxess SEF may delay paying any award until such time as any applicable proration or limitation can be finally calculated.

(f) Rules of Construction. Nothing in this Rule 803 or Rule 804 shall be construed to create a claim against the MarketAxess SEF, to limit a defense available to the MarketAxess SEF, or to obviate or modify any limitation of MarketAxess SEF liability imposed by any other rule.

#### **Rule 804. Claims Relating to Trade Cancellations or Price Adjustments**

All claims relating to price adjustments or trade busts pursuant to Rule 539 shall be arbitrated in accordance with this Chapter.

#### **Rule 805. Right to Counsel**

Every Person is entitled to represent his own interests, be represented by an attorney at law of his choosing and at his own expense who is admitted to practice before the highest court in any State, or be represented by any other non-compensated representative at any stage of an arbitration proceeding. An entity must be represented by an officer or owner of the entity or by an attorney at law.

#### **Rule 806. Governing Law**

The laws of the State of New York govern the MarketAxess SEF Rules. In the event that this Chapter 8 is held to be unenforceable in connection with any dispute, (i) exclusive jurisdiction for any such dispute will reside in any state or federal court sitting in the New York, NY metropolitan area, (ii) the MarketAxess SEF and the Participant involved in the dispute will be presumed to have submitted to the personal jurisdiction of any such court, and (iii) an action to enforce any judgment or decision of such court may be brought in the same court or in any other court with jurisdiction or venue. Finally, all Participants unconditionally and irrevocably waive any and all right to trial by jury in connection with any such dispute.

#### **Rule 807. Costs**

Each party to the dispute will bear its own costs and expenses in connection with any arbitration hereunder, as well as an equal share of the administrative fees and the fees of the arbitrator; provided, however, that the arbitrator will be entitled to include in any award a full reimbursement for the prevailing party's costs and expenses, such party's share of the administrative fees and the fees of the arbitrator, or any combination of any or all of the above.

## **CHAPTER 9: CLEARING**

### **Rule 901. Clearing of Swaps**

All Swaps that the CFTC has determined are required to be cleared under Section 2(h) of the CEA and those Swaps which will be voluntarily cleared shall be cleared through a Clearing House in accordance with the relevant Clearing House Rules and in conformity with the MarketAxess SEF rules specifically provided in this Chapter 9.

### **Rule 902. Reserved.**

### **Rule 903. Reserved.**

### **Rule 904. Clearing House Rules**

A MarketAxess SEF Swap submitted to a Clearing House for clearing shall be subject to the applicable Clearing House Rules. The clearing services provided by the Clearing House with respect to any MarketAxess SEF Swap, and the rights and obligations of purchasers and sellers under cleared Swaps resulting from Trades executed on MarketAxess SEF (including without limitation rights and obligations in respect of clearing and settlement, variation payments and performance at maturity), shall be governed by the Clearing House Rules, as applicable.

### **Rule 905. Submission of Trades to a Clearing House**

Promptly upon the execution of each Order which is designated on MarketAxess SEF to be cleared by a Clearing House, the MarketAxess SEF shall submit (either directly or indirectly) the Trade to the Clearing House for acceptance for clearing by the relevant FCM(s) and the Clearing House. Any Trade that is designated to be cleared and is executed on the MarketAxess SEF but is not accepted for clearing shall be deemed void *ab initio*. If a Trade is not accepted for clearing due to a clerical or operational error or omission resulting in a mismatch of the terms of the Trade, the MarketAxess SEF shall submit (either directly or indirectly) for clearing a new Trade with terms and conditions that match the terms and conditions of the Trade which was deemed void *ab initio* (except for any terms with errors and the time of execution), provided that:

- (a) both Participants to the voided Trade consent to the new Trade;
- (b) one of the Participants sends an RFQ to the other Participant (which shall not be sent to any other Participant) with terms and conditions that match the terms and conditions of the voided Trade (except for any terms with errors);

(c) each Participant's credit will be checked pre-execution in accordance with the MarketAxess SEF's standard credit checking processes (through which process each FCM shall consent to the new Trade); and

(d) the new Trade must be submitted for clearing no later than 30 minutes after the Clearing House issues to each relevant FCM a notice of rejection of the voided Trade.

**Rule 906. Reserved.**

## **CHAPTER 10: MISCELLANEOUS**

### **Rule 1001. MarketAxess SEF personnel – Trading and Misuse of Material, Non-Public Information**

(a) Except as provided by Rules 1001(b) and 1001(c), Officers and MarketAxess SEF employees are prohibited from buying or selling, directly or indirectly the following products:

- (1) any MarketAxess SEF Swap traded on a SEF or DCM; and
- (2) any product substantially similar to the MarketAxess SEF Swaps that are listed on a non-U.S. derivatives exchange or board of trade.

(b) The Chief Executive Officer may exempt, in whole or in part, an Officer or MarketAxess SEF employee from the prohibitions of Rule 1001(a), if such Officer or MarketAxess SEF employee applies in writing for an exemption and demonstrates to the satisfaction of the Chief Executive Officer that the Officer or MarketAxess SEF employee meets all of the following criteria:

- (1) the Officer or MarketAxess SEF employee does not have access to material, non-public information in the course of his or her employment;
- (2) the Officer and MarketAxess SEF employee agrees to provide the MarketAxess SEF with account statements and other documents relevant to the MarketAxess SEF Official's buying and selling of MarketAxess SEF Swaps directly or indirectly; and,
- (3) the Officer and MarketAxess SEF employee agrees to inform the Chief Executive Officer in writing of any material change that may affect the MarketAxess SEF Official's qualification for an exemption within one (1) Business Day of the change.

(c) With the Chief Executive Officer's written approval, Rule 1001(a) does not prohibit an Officer or MarketAxess SEF employee from participating in a pooled investment vehicle or other investment vehicle whose investments are directed by a third-party advisor if the MarketAxess SEF Official has no direct or indirect control over transactions executed by the investment vehicles.



(d) MarketAxess SEF Officials, agents and independent contractors of the MarketAxess SEF are prohibited from disclosing material, non-public information obtained as a result of his or her employment, agency relationship or engagement with the MarketAxess SEF where the MarketAxess SEF Official, agent or independent contractor expected or should have reasonably expected that the information disclosed may assist a Person in trading any MarketAxess SEF Swap, any MarketAxess SEF Swap traded on another SEF, or any related underlying commodity or security.

(e) Rule 1001(d) shall not prohibit a MarketAxess SEF Official, agent or independent contractor of the MarketAxess SEF from disclosing material, non-public information while discharging his or her official duties and responsibilities, including disclosures to another Self-Regulatory Organization, linked MarketAxess SEF, court of competent jurisdiction, or a representative of any agency or department of the federal or state government.

(f) For the purposes of this Rule 1001, the terms "material information," "non-public information," "linked MarketAxess SEF," and "pooled investment vehicle" each shall have the meaning set forth in CFTC Regulation 1.59(a).

#### **Rule 1002. Gifts and Gratuities**

Except as permitted in writing by the Chief Executive 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 any Director or Officer of, or individual employed directly or seconded to, the MarketAxess SEF.

#### **Rule 1003. Market Data**

(a) All Participants and all employees, agents, vendors, and other Persons affiliated with the foregoing understand and acknowledge that, subject to the Participant Documentation in place between the MarketAxess SEF and Participants, the MarketAxess SEF has a proprietary interest in:

(1) the price and quantity data from each and every transaction executed on the MarketAxess SEF Trading System, including the time at which the transaction was executed by, or submitted to the MarketAxess SEF Trading System;

(2) the price and quantity data for each and every bid and offer submitted for entry into the MarketAxess SEF Trading System, including the time at which the bid and offer was entered into the MarketAxess SEF Trading System;

(3) any data and information derived from (1) and (2) and the format and presentation thereof; and

(4) the transmissions and dissemination of the data and information to Participants and publisher of the data or information with whom the MarketAxess SEF has a written agreement, and any other Persons.



(b) Participants may not distribute, sell or retransmit information displayed on the MarketAxess SEF Trading System to any third party.

#### **Rule 1004. Extension or Waiver of Rules**

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

#### **Rule 1005. Effect of Amendment, Repeal or New Rule**

(a) The effective date of any amendment or repeal of a MarketAxess Rule or adoption of a new MarketAxess Rule relating to MarketAxess SEF Swaps will be binding on all MarketAxess SEF Swaps entered into on or after the effective date of such amendment, repeal or adoption.

(b) RESERVED

#### **Rule 1006. Uncleared Swaps**

If a MarketAxess SEF Swap: (i) is not required to be cleared pursuant to the clearing mandate in Section 2(h)(1) of the CEA and (ii) is not designated to be submitted voluntarily for clearing to a Clearing House, the MarketAxess SEF Swap may only be entered into by and between Participants with trading relationship documentation in place that meets the requirements of Applicable Law. In the event that the parties to such Trade have not previously entered into such documentation, such Trade shall be void as of execution, with no cost or other amount payable to either party. Upon becoming aware that such Trade is void, a party to such Trade shall promptly notify the other party and the MarketAxess SEF. If MarketAxess SEF submitted a report concerning such Trade to a SDR prior to receiving such notice, promptly upon receiving notice that the Trade is void, the MarketAxess SEF shall notify the SDR to which the execution of the Trade was reported that the Trade has been cancelled.

#### **Rule 1007. Issuance of SEF Confirmations for Uncleared Transactions**<sup>2</sup>

(a) The economic terms specific to the transaction agreed by the Participants on the MarketAxess SEF with respect to an uncleared transaction shall be reflected by the MarketAxess 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 transaction existing at the time of such commitment to which the Participants are party (the "Terms Incorporated by Reference") shall, taken together, for purposes of CFTC Regulation 37.6(b) comprise all of the terms of such transaction and

serve as a confirmation of such transaction (the Trade Communication and Terms Incorporated by Reference, together, the "SEF Confirmation").

(b) In satisfaction of the obligations imposed on the MarketAxess SEF under CFTC Regulation 37.6(b), (i) each Trade Communication is deemed to incorporate the Terms Incorporated by Reference set forth in this Rule 1007, and (ii) the Participants hereby agree that the provisions of Rule 1007(c) shall govern any conflicting terms.

(c) In the event of any conflict between (i) the Trade Communication and (ii) the Terms Incorporated by Reference, the Trade Communication shall prevail to the extent of any inconsistency.

<b>Summary report:</b>	
<b>Litéra® Change-Pro TDC 7.5.0.45 Document comparison done on 12/11/2013 11:45:23 AM</b>	
<b>Style name:</b> Option 3a Strikethrough Double Score No Moves	
<b>Intelligent Table Comparison:</b> Active	
<b>Original DMS:</b> dm://WASSR02A/1090042/15	
<b>Modified DMS:</b> dm://WASSR02A/1090042/16	
<b>Changes:</b>	
<u>Add</u>	28
<del>Delete</del>	21
<del>Move From</del>	0
<u>Move To</u>	0
<u>Table Insert</u>	0
<del>Table Delete</del>	0
Table moves to	0
Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format Changes	1
<b>Total Changes:</b>	<b>50</b>



## COMPLIANCE WITH CORE PRINCIPLES

All references herein to "Rule" shall refer to a rule included in the MarketAxess SEF Corporation Rulebook, provided in Exhibit M to the MarketAxess SEF Corporation Application for registration as a swap execution facility.

All references herein to "Question" shall refer to the response to a question in the Technology Questionnaire, provided in Exhibit V-1 to the MarketAxess SEF Corporation Application for registration as a swap execution facility.

CORE PRINCIPLES	MKTX SEF Compliance	Relevant Exhibit(s)
<b>Core Principle 1 (CEA 5h(f)(1)): Compliance with Core Principles</b>		
<p>§ 37.100 Core Principle 1—Compliance with core principles.</p> <p>(a) In general. To be registered, and maintain registration, as a swap execution facility, the swap execution facility shall comply with—</p> <p>(1) The core principles described in section 5h of the Act; and</p> <p>(2) Any requirement that the Commission may impose by rule or regulation pursuant to section 8a(5) of the Act.</p> <p>(b) Reasonable discretion of a swap execution facility. Unless otherwise determined by the Commission by rule or regulation, a swap execution facility described in paragraph (a) of this section shall have reasonable discretion in establishing the manner in which the swap execution facility complies with the core principles described in section 5h of the Act.</p>	<p>The MarketAxess SEF Corporation ("MKTX SEF") application illustrates how MKTX SEF will comply with the Core Principles for swap execution facilities and applicable CFTC rules.</p>	<p>Exhibit L – Core Principles Chart</p> <p>Exhibit M – MarketAxess SEF Rulebook ("Rulebook")</p> <p>Exhibit N – User License Agreement; Regulatory Service Provider Agreement; MKTX SEF Compliance Manual</p> <p>Exhibit O – NFA Compliance Manual; MKTX SEF Policies</p>
<b>Core Principle 2 (CEA 5h(f)(2)): Compliance with Rules</b>		
<p>§ 37.200 Core Principle 2—Compliance with rules.</p> <p>A swap execution facility shall:</p> <p>(a) Establish and enforce compliance with any rule of the swap execution facility, including the terms and conditions of the swaps traded or processed on or through the swap execution facility and any limitation on access to the swap execution facility;</p>	<p>The MarketAxess SEF Rulebook ("Rulebook") requires all participants to comply with MKTX SEF rules and obligations and establishes procedures to enforce its rules. See Rule 401(d); Rulebook Chapter 7. The MarketAxess SEF website shall set forth the terms and conditions of swaps to be traded or processed on or through MKTX SEF. See <a href="http://www.marketaxess.com">www.marketaxess.com</a>. The Rulebook requires participants to abide by the terms</p>	<p>Rule 401(d) (Requiring all participants to comply with the MarketAxess SEF rules and obligations)</p> <p>Chapter 7 (Disciplinary Rules)</p> <p><a href="http://www.marketaxess.com">www.marketaxess.com</a> (Will set forth Terms and Conditions)</p> <p>Rule 540 (Terms and Conditions)</p> <p>Rule 301 (Criteria for Becoming a Participant Firm)</p> <p>Rule 316 (Impartial Access)</p> <p>Rule 718 (Summary Suspensions and Other Summary</p>

CORE PRINCIPLES	MKTX SEF Compliance	Relevant Exhibit(s)
<p>(b) Establish and enforce trading, trade processing, and participation rules that will deter abuses and have the capacity to detect, investigate, and enforce those rules, including means to provide market participants with impartial access to the market and to capture information that may be used in establishing whether rule violations have occurred;</p> <p>(c) Establish rules governing the operation of the facility, including rules specifying trading procedures to be used in entering and executing orders traded or posted on the facility, including block trades; and</p> <p>(d) Provide by its rules that when a swap dealer or major swap participant enters into or facilitates a swap that is subject to the mandatory clearing requirement of section 2(h) of the Act, the swap dealer or major swap participant shall be responsible for compliance with the mandatory trading requirement under section 2(h)(8) of the Act.</p>	<p>and conditions of any swap traded or processed on or through MKTX SEF. See Rule 540. The Rulebook establishes, and MKTX SEF will impartially apply, qualifications a participant must meet to access the SEF. See Rule 316; 301. The Rulebook sets forth procedures for impartially deciding whether to revoke, suspend, limit, condition, restrict, or qualify access to the SEF, including when the decision is made as part of a disciplinary or emergency action taken by MKTX SEF. See Rule 718.</p> <p>MKTX SEF has established trading practices and business conduct standards that apply to all transactions on MKTX SEF and are designed to deter abuses. See Rulebook Chapter 5; Rulebook Chapter 7. MKTX SEF has the capacity to detect and investigate rule violations. See Regulatory Services Agreement; See Rules 216 and 702. MKTX SEF has the authority capacity to enforce its rules. See Rulebook Chapter 7.</p> <p>The Rulebook governs the operation of the facility, including specifying the trading procedures to be used in entering and executing orders traded or posted on MKTX SEF, including block trades. See Rulebook Chapters 5 and 6.</p> <p>The Rulebook provides that when a swap dealer or major swap participant enters into or facilitates a swap that is subject to the mandatory clearing requirement under CEA section 2(h), the swap dealer or major swap participant shall be responsible for complying with the mandatory trading requirement under CEA section 2(h)(8). See Rule 514.</p>	<p>Actions)</p> <p>Chapter 5 (Trading Practices and Business Conduct) Chapter 7 (Disciplinary Rules) Rule 216 (Services Agreement with a Regulatory Services Provider) Rule 702 (Inquiries and Investigation) See compliance with Core Principle 5 (addressing MKTX SEF's ability to obtain information) Exhibit N-1 -- Regulatory Services Agreement with NFA</p> <p>Chapter 5 (Trading Practices and Business Conduct) Chapter 6 (Privately Negotiated Transactions)</p> <p>Rule 514 (Execution of Required Transactions)</p>
<p>§ 37.201 Operation of swap execution facility and compliance with rules.</p> <p>(a) A swap execution facility shall establish rules governing the operation of the swap execution facility,</p>	<p>See compliance with 37.200(c) above.</p>	<p>See compliance with 37.200(c) above.</p>

CORE PRINCIPLES	MKTX SEF Compliance	Relevant Exhibit(s)
<p>including, but not limited to, rules specifying trading procedures to be followed by members and market participants when entering and executing orders traded or posted on the swap execution facility, including block trades, as defined in part 43 of this chapter, if offered.</p> <p>(b) A swap execution facility shall establish and impartially enforce compliance with the rules of the swap execution facility, including, but not limited to—</p> <p>(1) The terms and conditions of any swaps traded or processed on or through the swap execution facility;</p> <p>(2) Access to the swap execution facility;</p> <p>(3) Trade practice rules;</p> <p>(4) Audit trail requirements;</p> <p>(5) Disciplinary rules; and</p> <p>(6) Mandatory trading requirements.</p>	<p>MKTX SEF has rules regarding:</p> <ul style="list-style-type: none"> <li>• The terms and conditions of swaps traded or processed on or through MKTX SEF; Rule 540; Rule 601</li> <li>• Access to MKTX SEF; See Rule 301; Rule 718</li> <li>• Trade practices; See Rulebook Chapter 5</li> <li>• Audit trail requirements; See Rule 214; Rule 311(a)(5)</li> <li>• Disciplinary rules; See Rulebook Chapter 7</li> <li>• Mandatory trading requirements. See Rule 514.</li> </ul> <p>MKTX SEF will impartially enforce those rules.</p>	<p>Rule 540 (Terms and Conditions)  Rule 601 (Block Trades)  Rule 301 (Criteria for Becoming a Participant Firm)  Rule 718 (Summary Suspensions and Other Summary Actions)  Rulebook Chapter 5 (Trading Practices and Business Conduct)  Rule 214 (Maintenance of Books and Records)  Rule 311(a)(5) (Participant Audit Trail Requirements)  Rule 514 (Execution of Required Transactions)  Rulebook Chapter 7 (Disciplinary Rules)</p>
<p>§37.202 Access requirements.</p> <p>(a) Impartial access to markets and market services. A swap execution facility shall provide any eligible contract participant and any independent software vendor with impartial access to its market(s) and market services, including any indicative quote screens or any similar pricing data displays, provided that the facility has:</p> <p>(1) Criteria governing such access that are impartial, transparent, and applied in a fair and nondiscriminatory manner;</p> <p>(2) Procedures whereby eligible contract participants provide the swap execution facility with written or electronic confirmation of their status as eligible contract participants, as defined by the Act and Commission regulations, prior to obtaining access; and</p>	<p>MKTX SEF provides eligible contract participants impartial access to its market and market services. See Rules 316, 301, and 404(b).</p> <p>MKTX SEF's access criteria are transparent and available in the Rulebook. See Rule 301. MKTX SEF will apply access criteria in a fair and nondiscriminatory manner. See Rule 316.</p> <p>Each participant firm must demonstrate to MKTX SEF that it is an Eligible Contract Participant. See Rule 301(a)(1); See Section 2(b) of Schedule B of the User License Agreement.</p>	<p>Rule 316 (Impartial Access)  Rule 301 (Criteria for Becoming a Participant Firm)  404(b) (Participant Requirements as Eligible Contract Participants)</p> <p>Rule 301 (Criteria for Becoming a Participant Firm)  Rule 316 (Impartial Access)</p> <p>Rule 301(a)(1) (Requiring a participant firm to demonstrate to MKTX SEF that it is an Eligible Contract Participant)  Exhibit N-2 – Schedule B of the User License Agreement, Section 2(b) (Requiring a representation that the participant is an ECP)</p>

CORE PRINCIPLES	MKTX SEF Compliance	Relevant Exhibit(s)
<p>(3) Comparable fee structures for eligible contract participants and independent software vendors receiving comparable access to, or services from, the swap execution facility.</p> <p>(b) Jurisdiction. Prior to granting any eligible contract participant access to its facilities, a swap execution facility shall require that the eligible contract participant consent to its jurisdiction.</p> <p>(c) Limitations on access. A swap execution facility shall establish and impartially enforce rules governing any decision to allow, deny, suspend, or permanently bar eligible contract participants' access to the swap execution facility, including when such decisions are made as part of a disciplinary or emergency action taken by the swap execution facility.</p>	<p>MKTX SEF provides comparable fee structures for participants receiving comparable access to, or services from, MKTX SEF. See Rule 305(d); Exhibit K.</p> <p>MKTX SEF requires all participants to consent to MKTX SEF's jurisdiction. See Rule 302(a)(5).</p> <p>The Rulebook establishes procedures to impartially decide to revoke, suspend, limit, condition, restrict, or qualify access, including when the decision is made as part of a disciplinary or emergency action taken by MarketAxess. See Rule 718.</p>	<p>Exhibit K (Setting forth MKTX SEF fee structures) Rule 305(d) (ECPs and ISVs will have comparable fee structures for comparable access or services)</p> <p>Rule 302(a)(5) (Requiring a participant to consent to MKTX SEF's jurisdiction)</p> <p>Rule 718 (Summary Suspensions and Other Summary Actions)</p>
<p>§37.203 Rule enforcement program. A swap execution facility shall establish and enforce trading, trade processing, and participation rules that will deter abuses and it shall have the capacity to detect, investigate, and enforce those rules.</p> <p>(a) Abusive trading practices prohibited. A swap execution facility shall prohibit abusive trading practices on its markets by members and market participants. Swap execution facilities that permit intermediation shall prohibit customer-related abuses including, but not limited to, trading ahead of customer orders, trading against customer orders, accommodation trading, and improper cross trading. Specific trading practices that shall be prohibited include front-running, wash trading, pre-arranged trading (except for block trades permitted by part 43 of this chapter or other types of transactions certified to or approved by the Commission pursuant to the procedures under part 40 of this chapter), fraudulent trading, money passes, and any other trading practices that a swap execution facility deems to be abusive. A swap execution facility shall also prohibit any other manipulative or disruptive trading practices prohibited by the Act or by the Commission pursuant to Commission regulation.</p>	<p>MKTX SEF prohibits abusive trading practices. See Rulebook Chapter 5.</p> <p>Specifically, MKTX SEF prohibits:</p> <ul style="list-style-type: none"> <li>• Trading ahead of customer orders; Rule 529(a)</li> <li>• Trading against customer orders; Rule 529(b); Rule 520</li> <li>• Accommodation trading; Rule 529(c)</li> <li>• Improper cross-trading; Rule 529(d)</li> <li>• Front-running; Rule 528</li> <li>• Wash trades; Rule 506</li> <li>• Pre-arranged trades; Rule 525</li> <li>• Fraudulent acts; Rule 505</li> <li>• Money passes; Rule 525(d)</li> <li>• Fictitious, wash, or non-competitive transactions; Rule 506</li> </ul>	<p>See Chapter 5 (Trading Practices and Business Conduct)</p>

CORE PRINCIPLES	MKTX SEF Compliance	Relevant Exhibit(s)
<p>(b) Capacity to detect and investigate rule violations. A swap execution facility shall have arrangements and resources for effective enforcement of its rules. Such arrangements shall include the authority to collect information and documents on both a routine and non-routine basis, including the authority to examine books and records kept by the swap execution facility's members and by persons under investigation. A swap execution facility's arrangements and resources shall also facilitate the direct supervision of the market and the analysis of data collected to determine whether a rule violation has occurred.</p> <p>(c) Compliance staff and resources. A swap execution facility shall establish and maintain sufficient compliance staff and resources to ensure that it can conduct effective audit trail reviews, trade practice surveillance, market surveillance, and real-time market monitoring. The swap execution facility's compliance staff shall also be sufficient to address unusual market or trading events as they arise, and to conduct and complete investigations in a timely manner, as set forth in § 37.203(f).</p> <p>(d) Automated trade surveillance system. A swap execution facility shall maintain an automated trade surveillance system capable of detecting potential trade practice violations. The automated trade surveillance system shall load and process daily orders and trades no later than 24 hours after the completion of the trading day. The automated trade surveillance system shall have the capability to detect and flag specific trade execution patterns and trade anomalies; compute, retain, and compare trading statistics; compute trade gains, losses, and swap-equivalent positions; reconstruct the sequence of market activity; perform market analyses; and support system users to perform in-depth analyses and ad hoc queries of trade-related data.</p> <p>(e) Real-time market monitoring. A swap execution facility</p>	<ul style="list-style-type: none"> <li>• Market manipulation; Rule 508</li> <li>• Disruptive trading practices. Rule 509</li> </ul> <p>MKTX SEF can delegate to NFA, on an ad hoc basis, the obligation to detect and investigate rule violations. See Rule 216; Regulatory Services Agreement with NFA.</p> <p>MKTX has established and will maintain sufficient compliance staff and resources. See Rule 210.</p> <p>NFA will maintain an automated trade surveillance system capable of detecting potential trade practice violations. See Regulatory Services Agreement with NFA.</p> <p>MKTX SEF will conduct real-time market monitoring of</p>	<p>Rule 216 (Services Agreement with a Regulatory Services Provider) Exhibit N-1 Regulatory Services Agreement with NFA</p> <p>Rule 210 (Compliance Staff and Resources)</p> <p>Exhibit N-1 Regulatory Services Agreement with NFA</p> <p>Exhibit N-3 (MKTX SEF Compliance Manual)</p>



CORE PRINCIPLES	MKTX SEF Compliance	Relevant Exhibit(s)
<p>shall conduct real-time market monitoring of all trading activity on its system(s) or platform(s) to identify disorderly trading and any market or system anomalies. A swap execution facility shall have the authority to adjust trade prices or cancel trades when necessary to mitigate market disrupting events caused by malfunctions in its system(s) or platform(s) or errors in orders submitted by members and market participants. Any trade price adjustments or trade cancellations shall be transparent to the market and subject to standards that are clear, fair, and publicly available.</p> <p>(f) Investigations and investigation reports—</p> <p>(1) Procedures. A swap execution facility shall establish and maintain procedures that require its compliance staff to conduct investigations of possible rule violations. An investigation shall be commenced upon the receipt of a request from Commission staff or upon the discovery or receipt of information by the swap execution facility that indicates a reasonable basis for finding that a violation may have occurred or will occur.</p> <p>(2) Timeliness. Each compliance staff investigation shall be completed in a timely manner. Absent mitigating factors, a timely manner is no later than 12 months after the date that an investigation is opened. Mitigating factors that may reasonably justify an investigation taking longer than 12 months to complete include the complexity of the investigation, the number of firms or individuals involved as potential wrongdoers, the number of potential violations to be investigated, and the volume of documents and data to be examined and analyzed by compliance staff.</p> <p>(3) Investigation reports when a reasonable basis exists for finding a violation. Compliance staff shall submit a written investigation report for disciplinary action in every instance in which compliance staff determines from surveillance or from an investigation that a reasonable basis exists for finding a rule violation. The investigation report shall include the reason the investigation was initiated; a summary of the complaint, if any; the relevant facts; compliance staff's analysis and conclusions; and a recommendation as to whether disciplinary action should be pursued.</p> <p>(4) Investigation reports when no reasonable basis</p>	<p>all trading activity on its system to identify disorderly trading and any market or system anomalies. See Exhibit N-3; Exhibit O-2. MKTX SEF has the authority to adjust trade prices or cancel trades when necessary to mitigate market disrupting events caused by malfunctions in its systems or platforms. See Rule 212; Exhibit N-3.</p> <p>The Market Regulation Department will investigate any matter within MKTX SEF's jurisdiction of which it becomes aware. See Rule 702(a). It will commence an investigation upon receipt of a request by CFTC staff or upon the discovery or receipt of information by MKTX SEF that indicates a possible basis for finding that a violation has occurred or may occur. See Rule 702(a).</p> <p>Any investigation will be completed in a timely manner in accordance with CFTC regulation 37.203(f)(2). See Rule 702(e).</p> <p>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 forms a reasonable basis to believe that a violation has occurred or is about to occur. See Rule 703(a). The report will include the reasons for initiating the investigation (including a summary of the complaint, if any), all relevant facts, the Market Regulation Department staff's analysis and conclusions, the participant's disciplinary history at MKTX SEF, and the recommendation of the Market</p>	<p>Exhibit O-2 (MKTX SEF in-house compliance functions) Rule 212 (Emergency Rules)</p> <p>Rule 702(a) (Providing for the initiation of an investigation) Rule 702(e) (Requiring an investigation to be completed in a timely manner)</p> <p>Rule 703(a) (Regarding written logs of investigations) Rule 703(b) (Describing the substance of an investigative report)</p>

CORE PRINCIPLES	MKTX SEF Compliance	Relevant Exhibit(s)
<p>exists for finding a violation. If after conducting an investigation, compliance staff determines that no reasonable basis exists for finding a rule violation, it shall prepare a written report including the reason the investigation was initiated; a summary of the complaint, if any; the relevant facts; and compliance staff's analysis and conclusions.</p> <p>(5) Warning letters. No more than one warning letter may be issued to the same person or entity found to have committed the same rule violation within a rolling twelve month period.</p> <p>(g) Additional sources for compliance. A swap execution facility may refer to the guidance and/or acceptable practices in Appendix B of this part to demonstrate to the Commission compliance with the requirements of § 37.203.</p>	<p>Regulation Department. See Rule 703(b).</p> <p>No more than one warning letter for the same potential violation may be issued to the same participant during a rolling 12 month period. Rule 715(a)(7).</p>	<p>Rule 715(a)(7) (Limiting the number of times a warning letter may be issued)</p>
<p>§37.204 Regulatory services provided by a third party.</p> <p>(a) Use of regulatory service provider permitted. A swap execution facility may choose to contract with a registered futures association or another registered entity, as such terms are defined under the Act, or the Financial Industry Regulatory Authority (collectively, "regulatory service providers"), for the provision of services to assist in complying with the Act and Commission regulations thereunder, as approved by the Commission. Any swap execution facility that chooses to contract with a regulatory service provider shall ensure that such provider has the capacity and resources necessary to provide timely and effective regulatory services, including adequate staff and automated surveillance systems. A swap execution facility shall at all times remain responsible for the performance of any regulatory services received, for compliance with the swap execution facility's obligations under the Act and Commission regulations, and for the regulatory service provider's performance on its behalf.</p> <p>(b) Duty to supervise regulatory service provider. A swap execution facility that elects to use the service of a regulatory service provider shall retain sufficient compliance staff to supervise the quality and effectiveness of the regulatory services provided on its behalf. Compliance staff</p>	<p>NFA will provide regulatory services to MKTX SEF, including trade practice surveillance, market surveillance, real time monitoring, and enforcement of audit trail and recordkeeping requirements. See NFA Regulatory Service Agreement.</p> <p>MKTX SEF shall remain responsible for the performance of regulatory services received, compliance with its obligations, and for NFA's performance on its behalf. See Rule 216(c).</p> <p>MKTX SEF shall retain sufficient compliance staff to supervise the quality and effectiveness of the regulatory services being provided by NFA. See Rule 216(c); Exhibit N-3.</p>	<p>Exhibit N-1 NFA Regulatory Services Agreement Rule 216(c) (Describing MKTX SEF's supervision of a regulatory services provider)</p> <p>Rule 216(c) (Describing MKTX SEF's supervision of a regulatory services provider) Exhibit N-3 (MKTX SEF Compliance Manual)</p>

CORE PRINCIPLES	MKTX SEF Compliance	Relevant Exhibit(s)
<p>of the swap execution facility shall hold regular meetings with the regulatory service provider to discuss ongoing investigations, trading patterns, market participants, and any other matters of regulatory concern. A swap execution facility shall also conduct periodic reviews of the adequacy and effectiveness of services provided on its behalf. Such reviews shall be documented carefully and made available to the Commission upon request.</p> <p>(c) Regulatory decisions required from the swap execution facility. A swap execution facility that elects to use the service of a regulatory service provider shall retain exclusive authority in all substantive decisions made by its regulatory service provider, including, but not limited to, decisions involving the cancellation of trades, the issuance of disciplinary charges against members or market participants, and denials of access to the trading platform for disciplinary reasons. A swap execution facility shall document any instances where its actions differ from those recommended by its regulatory service provider, including the reasons for the course of action recommended by the regulatory service provider and the reasons why the swap execution facility chose a different course of action.</p>	<p>MKTX SEF shall retain ultimate decision-making authority with respect to any functions that are contracted to the NFA and document where the MarketAxess SEF's actions differ from NFA's recommendation. See Rule 216(b); Exhibit N-3.</p>	<p>Rule 216(b) (Retaining ultimate decision-making authority) Exhibit N-3 (MKTX SEF Compliance Manual)</p>
<p>§ 37.205 Audit trail. A swap execution facility shall establish procedures to capture and retain information that may be used in establishing whether rule violations have occurred.</p> <p>(a) Audit trail required. A swap execution facility shall capture and retain all audit trail data necessary to detect, investigate, and prevent customer and market abuses. Such data shall be sufficient to reconstruct all indications of interest, requests for quotes, orders, and trades within a reasonable period of time and to provide evidence of any violations of the rules of the swap execution facility. An acceptable audit trail shall also permit the swap execution facility to track a customer order from the time of receipt through fill, allocation, or other disposition, and shall include both order and trade data.</p> <p>(b) Elements of an acceptable audit trail program— (1) Original source documents. A swap execution facility's</p>	<p>MKTX SEF shall keep, or cause to be kept, complete audit trails for all swaps executed on or subject to the rules of MKTX SEF. See Rules 214(a) and 311(a)(5); See Exhibit V Response to Question 5(m)(3); Exhibit S.</p> <p>MKTX SEF's audit trail will include original source</p>	<p>Rule 214 (Maintenance of Books and Records) Rule 311(a)(5) (Participant Audit Trail Requirements) Exhibit V Question 5(m)(3) Exhibit S (Discussion of how trading data will be maintained)</p> <p>Exhibit S (Discussion of how trading data will be maintained)</p>

CORE PRINCIPLES	MKTX SEF Compliance	Relevant Exhibit(s)
<p>audit trail shall include original source documents. Original source documents include unalterable, sequentially-identified records on which trade execution information is originally recorded, whether recorded manually or electronically. Records for customer orders (whether filled, unfilled, or cancelled, each of which shall be retained or electronically captured) shall reflect the terms of the order, an account identifier that relates back to the account(s) owner(s), the time of order entry, and the time of trade execution. Swap execution facilities shall require that all orders, indications of interest, and requests for quotes be immediately captured in the audit trail.</p> <p>(2) Transaction history database. A swap execution facility's audit trail program shall include an electronic transaction history database. An adequate transaction history database includes a history of all indications of interest, requests for quotes, orders, and trades entered into a swap execution facility's trading system or platform, including all order modifications and cancellations. An adequate transaction history database also includes:</p> <ul style="list-style-type: none"> <li>(i) All data that are input into the trade entry or matching system for the transaction to match and clear;</li> <li>(ii) The customer type indicator code;</li> <li>(iii) Timing and sequencing data adequate to reconstruct trading; and</li> <li>(iv) Identification of each account to which fills are allocated.</li> </ul> <p>(3) Electronic analysis capability. A swap execution facility's audit trail program shall include electronic analysis capability with respect to all audit trail data in the transaction history database. Such electronic analysis capability shall ensure that the swap execution facility has the ability to reconstruct indications of interest, requests for quotes, orders, and trades, and identify possible trading violations with respect to both customer and market abuse.</p> <p>(4) Safe storage capability. A swap execution facility's audit trail program shall include the capability to safely store all audit trail data retained in its transaction history database. Such safe storage capability shall include the capability to store all data in the database in a manner that protects it</p>	<p>documents. See Exhibit S.</p> <p>MKTX SEF's audit trail program shall include an electronic history database. See Exhibit S.</p> <p>MKTX SEF's audit trail program shall include electronic analysis capability with respect to all audit trail data in the transaction history database. See Exhibit S. MKTX SEF will have the ability to reconstruct indications of interest, requests for quotes, orders, and trades and identify possible trading violations. See Exhibit O-2. MKTX SEF will ensure that all audit trail information is captured and securely stored for five years. See Exhibit V Response to Question 5(m)(3).</p> <p>MKTX SEF can safely store all audit trail data retained in its transaction history database. See Exhibit V Response to Question 5(m)(3).</p>	<p>Exhibit S (Discussion of how trading data will be maintained)</p> <p>Exhibit S (Discussion of how trading data will be maintained) Exhibit O-2 (MKTX SEF in-house compliance functions) Exhibit V Question 5(m)(3)</p> <p>Exhibit V Question 5(m)(3)</p>

CORE PRINCIPLES	MKTX SEF Compliance	Relevant Exhibit(s)
<p>from unauthorized alteration, as well as from accidental erasure or other loss. Data shall be retained in accordance with the recordkeeping requirements of Core Principle 10 for swap execution facilities and the associated regulations in subpart K of this part.</p> <p>(c) Enforcement of audit trail requirements—(1) Annual audit trail and recordkeeping reviews. A swap execution facility shall enforce its audit trail and recordkeeping requirements through at least annual reviews of all members and persons and firms subject to the swap execution facility's recordkeeping rules to verify their compliance with the swap execution facility's audit trail and recordkeeping requirements. Such reviews shall include, but are not limited to, reviews of randomly selected samples of front-end audit trail data for order routing systems; a review of the process by which user identifications are assigned and user identification records are maintained; a review of usage patterns associated with user identifications to monitor for violations of user identification rules; and reviews of account numbers and customer type indicator codes in trade records to test for accuracy and improper use.</p> <p>(2) Enforcement program required. A swap execution facility shall establish a program for effective enforcement of its audit trail and recordkeeping requirements. An effective program shall identify members and persons and firms subject to the swap execution facility's recordkeeping rules that have failed to maintain high levels of compliance with such requirements, and impose meaningful sanctions when deficiencies are found. Sanctions shall be sufficient to deter recidivist behavior. No more than one warning letter shall be issued to the same person or entity found to have committed the same violation of audit trail or recordkeeping requirements within a rolling twelve month period.</p>	<p>NFA will enforce MKTX SEF's audit trail and recordkeeping requirements through at least annual reviews of all members subject to MKTX SEF's recordkeeping requirements. See Exhibit N-1; Exhibit N-3; Rule 210; Rulebook Chapter 7.</p> <p>MKTX SEF will rely on NFA to enforce the MKTX SEF audit trail and recordkeeping requirements. See Exhibit N-1. MarketAxess SEF Corporation will impose meaningful sanctions when deficiencies are found. See Exhibit N-3; Rule 715. No more than one warning letter shall be issued to the same person or entity found to have committed the same violation of MKTX SEF audit trail or recordkeeping requirements within a rolling twelve month period. See Exhibit N-3; Rule 715(a)(7).</p>	<p>Exhibit N-1 Regulatory Services Agreement with NFA Exhibit N-3 (MKTX SEF Compliance Manual) Rule 210 (Compliance Staff and Resources) Chapter 7 (Disciplinary Rules)</p> <p>Exhibit N-1 – Regulatory Services Agreement with NFA Exhibit N-3 (MKTX SEF Compliance Manual) Rule 715 (Sanctions)</p>

CORE PRINCIPLES	MKTX SEF Compliance	Relevant Exhibit(s)
<p>§ 37.206 Disciplinary procedures and sanctions.</p> <p>A swap execution facility shall establish trading, trade processing, and participation rules that will deter abuses and have the capacity to enforce such rules through prompt and effective disciplinary action, including suspension or expulsion of members or market participants that violate the rules of the swap execution facility.</p> <p>(a) Enforcement staff. A swap execution facility shall establish and maintain sufficient enforcement staff and resources to effectively and promptly prosecute possible rule violations within the disciplinary jurisdiction of the swap execution facility.</p> <p>(b) Disciplinary panels. A swap execution facility shall establish one or more disciplinary panels that are authorized to fulfill their obligations under the rules of this subpart. Disciplinary panels shall meet the composition requirements of part 40 of this chapter, and shall not include any members of the swap execution facility's compliance staff or any person involved in adjudicating any other stage of the same proceeding.</p> <p>(c) Hearings. A swap execution facility shall adopt rules that provide for the following minimum requirements for any hearing:</p> <p>(1) The hearing shall be fair, shall be conducted before members of the disciplinary panel, and shall be promptly convened after reasonable notice to the respondent; and</p> <p>(2) If the respondent has requested a hearing, a copy of the hearing shall be made and shall become a part of the record of the proceeding. The record shall not be required to be transcribed unless:</p> <p>(i) The transcript is requested by Commission staff or the respondent;</p> <p>(ii) The decision is appealed pursuant to the rules of the swap execution facility; or</p> <p>(iii) The decision is reviewed by the Commission pursuant to section 8c of the Act or part 9 of this chapter. In all other instances, a summary record of a hearing is permitted.</p>	<p>The Rulebook establishes trading, trade processing, and participation rules that will deter abuses. See Rulebook Chapter 5. MKTX SEF has the capacity to enforce those rules through prompt disciplinary action. See Rulebook Chapter 7.</p> <p>MKTX SEF has and will maintain sufficient enforcement staff and resources to promptly prosecute possible rule violations within its disciplinary jurisdiction. See Rule 210.</p> <p>MKTX SEF will establish one or more disciplinary panels. See Rule 710. The disciplinary panel shall not include the Chief Compliance Officer ("CCO"), any employee of the Market Regulation Department, or any person involved in adjudicating any other stage of the same proceeding. See Rule 710(b).</p> <p>After reasonable notice to each respondent, MKTX SEF will promptly convene a fair hearing. See Rule 711(b)</p> <p>MKTX SEF will arrange for any hearing conducted in connection with disciplinary proceedings to be recorded. See Rule 713(g). If the respondent requests a copy of the recording, MKTX SEF may require the respondent to pay the costs for transcribing the recording of the hearing. See Rule 713(g).</p>	<p>Chapter 5 (Trade Practices and Business Conduct) Chapter 7 (Disciplinary Rules)</p> <p>Rule 210 (Compliance Staff and Resources)</p> <p>Rule 710 (Disciplinary Panel)</p> <p>Rule 711 (Convening Hearings of Disciplinary Proceedings)</p> <p>Rule 713(g) (Providing for all hearings to be recorded)</p>

CORE PRINCIPLES	MKTX SEF Compliance	Relevant Exhibit(s)
<p>(d) Decisions. Promptly following a hearing conducted in accordance with the rules of the swap execution facility, the disciplinary panel shall render a written decision based upon the weight of the evidence contained in the record of the proceeding and shall provide a copy to the respondent. The decision shall include:</p> <p>(1) The notice of charges or a summary of the charges;</p> <p>(2) The answer, if any, or a summary of the answer;</p> <p>(3) A summary of the evidence produced at the hearing or, where appropriate, incorporation by reference of the investigation report;</p> <p>(4) A statement of findings and conclusions with respect to each charge, and a complete explanation of the evidentiary and other basis for such findings and conclusions with respect to each charge;</p> <p>(5) An indication of each specific rule that the respondent was found to have violated; and</p> <p>(6) A declaration of all sanctions imposed against the respondent, including the basis for such sanctions and the effective date of such sanctions.</p>	<p>As promptly as reasonable after a hearing, MKTX SEF will issue a written order rendering its decision based upon the weight of the evidence contained in the record and serve a copy on the respondent and the Market Regulation Department. See Rule 714(a); Rule 714(b). The order shall include all information required by § 37.206(d). See Rule 714(b).</p>	<p>Rule 714 (Decision of a Hearing Panel)</p>
<p>(e) Disciplinary sanctions. All disciplinary sanctions imposed by a swap execution facility or its disciplinary panels shall be commensurate with the violations committed and shall be clearly sufficient to deter recidivism or similar violations by other market participants. All disciplinary sanctions, including sanctions imposed pursuant to an accepted settlement offer, shall take into account the respondent's disciplinary history. In the event of demonstrated customer harm, any disciplinary sanction shall also include full customer restitution, except where the amount of restitution or to whom it should be provided cannot be reasonably determined.</p>	<p>MKTX SEF will impose sanctions commensurate with the violations committed and sufficient to deter recidivism or similar violations by other market participants. See Rule 715. All sanctions shall take into account the respondent's disciplinary history. See Rule 715(a). In the event of demonstrated customer harm, any sanction shall include full customer restitution, except where the amount of restitution or to whom it should be provided cannot be reasonably determined. See Rule 715(a).</p>	<p>Rule 715 (Sanctions)</p>
<p>(f) Warning letters. Where a rule violation is found to have occurred, no more than one warning letter may be issued per rolling twelve month period for the same violation.</p>	<p>The Rulebook provides that no more than one warning may be issued to the same participant for the same violation in a rolling 12 month period. Rule 715(a)(7).</p>	<p>Rule 715(a)(7) (Limiting the number of times a warning letter may be issued)</p>
<p>(g) Additional sources for compliance. A swap execution facility may refer to the guidance and/or acceptable</p>	<p>MKTX SEF provides the following additional opportunities to participants:</p>	<p>Rule 706 (Notice of Charges) Rule 707 (Answer to Notice of Charges)</p>

CORE PRINCIPLES	MKTX SEF Compliance	Relevant Exhibit(s)
<p>practices in Appendix B of this part to demonstrate to the Commission compliance with the requirements of § 37.206.</p>	<p>Before a disciplinary proceeding, the Market Regulation Department will prepare a notice of charges. See Rule 706. A respondent may respond in writing to a notice of charges within 20 days. See Rule 707. If a respondent does not timely answer a notice of charges, that will be deemed an admission to the allegations in such notice. See Rule 707(c).</p> <p>Any participant may be represented by counsel or another representative of its choosing during any disciplinary action. See Rule 701(d).</p> <p>A respondent may propose an offer of settlement at any time. See Rule 709.</p> <p>Before a hearing, each respondent will be given the opportunity to review all books, records, documents, papers, transcripts of testimony, and other tangible evidence under the control of the MarketAxess SEF that the Market Regulation Department will use to support its allegations and proposed sanctions. See Rule 712. At a hearing, the Market Regulation Department will present its case to the hearing panel, and the respondent may present evidence, call and examine witnesses, and cross-examine witnesses called by other parties. See Rule 713. All persons within MKTX SEF's jurisdiction called as witnesses are required to appear at the hearing and, where applicable, produce evidence. See Rule 713(d). MKTX SEF may summarily sanction any person within its jurisdiction that impedes a hearing. See Rule 713(f).</p> <p>As promptly as reasonable after a hearing, the hearing panel will issue a written order. See Rule 714(a).</p> <p>The MarketAxess SEF may take summary action against a participant if the participant's activities are not in the best interests of the MarketAxess SEF or the marketplace. See Rule 718.</p>	<p>Rule 701(d) (Providing right to representation)  Rule 709 (Settlements)  Rule 712 (Respondent Review of Evidence)  Rule 713 (Conducting Hearings of Disciplinary Proceedings)  Rule 714 (Decision of Hearing Panel)  Rule 718 (Summary Suspensions and Other Summary Actions)</p>
<p><b>Core Principle 3 (CEA 5h(f)(3)): Swaps Not Readily Susceptible to Manipulation</b></p>		



CORE PRINCIPLES	MKTX SEF Compliance	Relevant Exhibit(s)
<p>§ 37.300 Core Principle 3—Swaps not readily susceptible to manipulation. The swap execution facility shall permit trading only in swaps that are not readily susceptible to manipulation.</p>	<p>MKTX SEF will only list broad-based index credit default swaps that identify as a reference price a reliable third-party index. <i>See Exhibit O-3.</i></p> <p>Any cash settled swaps will be settled based on a reference price that is publicly available on a timely basis. <i>See Exhibit O-3.</i> Such swaps will not be subject to manipulation or distortion. <i>See Exhibit O-3.</i></p> <p>MKTX SEF will not list swaps that are settled by physical delivery. <i>See Exhibit O-3.</i></p>	<p>Exhibit O-3 (MKTX SEF Policy Regarding the Listing of Swaps)</p>
<p>§ 37.301 General requirements. To demonstrate to the Commission compliance with the requirements of § 37.300, a swap execution facility shall, at the time it submits a new swap contract in advance to the Commission pursuant to part 40 of this chapter, provide the applicable information as set forth in Appendix C to part 38 of this chapter—Demonstration of Compliance That a Contract is not Readily Susceptible to Manipulation. A swap execution facility may also refer to the guidance and/or acceptable practices in Appendix B of this part.</p>	<p>Pursuant to CFTC Rule 37.4, MKTX SEF shall submit a swap's terms and conditions to the CFTC prior to offering the swap for the CFTC's approval or certification. <i>See Exhibit O-3.</i></p> <p>MKTX SEF will only list broad-based index credit default swaps that identify as a reference price a reliable third-party index. <i>See Exhibit O-3.</i></p>	<p>Exhibit O-3 (MKTX SEF Policy Regarding the Listing of Swaps)</p>
<b>Core Principle 4 (CEA 5h(f)(4)): Monitoring of Trading and Trade Processing</b>		
<p>§ 37.400 Core Principle 4—Monitoring of trading and trade processing. The swap execution facility shall: (a) Establish and enforce rules or terms and conditions defining, or specifications detailing: (1) Trading procedures to be used in entering and executing orders traded on or through the facilities of the swap execution facility; and (2) Procedures for trade processing of swaps on or through the facilities of the swap execution facility; and  (b) Monitor trading in swaps to prevent manipulation, price distortion, and disruptions of the delivery or cash settlement process through surveillance, compliance, and disciplinary practices and procedures, including methods for conducting real-time monitoring of trading and comprehensive and</p>	<p>The trading procedures are set forth in Rule 538.</p> <p>MKTX SEF will comply with requirements set forth by the DCOs and FCMs with respect to swaps to be cleared. MKTX SEF will process trades on uncleared swaps as described in Exhibit O-2.</p> <p>MKTX SEF will conduct, or cause to be conducted, real-time monitoring to prevent manipulation, price distortion, and disruptions of the delivery or cash settlement process. <i>See Exhibits N-1; N-3; and O-2.</i> NFA will provide monitoring on a T+1 basis. <i>See</i></p>	<p>Rule 538 (The MarketAxess SEF Trading System)</p> <p>Exhibit O-2 (MKTX SEF in-house compliance functions)</p> <p>Exhibit N-1 – Regulatory Services Agreement with NFA Exhibit N-3 (MKTX SEF Compliance Manual) Exhibit O-2 (MKTX SEF in-house compliance functions)</p>

CORE PRINCIPLES	MKTX SEF Compliance	Relevant Exhibit(s)
accurate trade reconstructions.	Regulatory Services Agreement with NFA. MKTX SEF has the ability to create comprehensive and accurate trade reconstructions. See Exhibit O-2. The MarketAxess SEF disciplines Participants that have violated its trading practices. See Chapter 7.	
<p>§ 37.401 General requirements. A swap execution facility shall:</p> <p>(a) Collect and evaluate data on its market participants' market activity on an ongoing basis in order to detect and prevent manipulation, price distortions, and, where possible, disruptions of the physical-delivery or cash-settlement process;</p> <p>(b) Monitor and evaluate general market data in order to detect and prevent manipulative activity that would result in the failure of the market price to reflect the normal forces of supply and demand;</p> <p>(c) Demonstrate an effective program for conducting real-time monitoring of trading for the purpose of detecting and resolving abnormalities; and</p> <p>(d) Demonstrate the ability to comprehensively and accurately reconstruct daily trading activity for the purpose of detecting instances or threats of manipulation, price distortion, and disruptions.</p>	<p>MKTX SEF will cause data on its market participants' market activity to be collected and evaluated on an ongoing basis. See Regulatory Service Agreement with NFA; Rule 214(e); Exhibit O-2.</p> <p>MKTX SEF will cause general market data to be evaluated to detect and prevent manipulative activity. See Regulatory Service Agreement with NFA; Exhibit O-2.</p> <p>MKTX SEF will conduct, or cause to be conducted, real-time trade monitoring. See Exhibit O-2.</p> <p>MKTX SEF is able to comprehensively and accurately reconstruct daily trading activity to detect manipulation, price distortion, and disruptions. See Exhibit N-1; Exhibit O-2.</p>	<p>Exhibit N-1 - Regulatory Service Agreement with NFA Rule 214(e) (Maintenance of Books and Records) Exhibit O-2 (MKTX SEF in-house compliance functions)</p>
<p>§ 37.402 Additional requirements for physical-delivery swaps. For physical-delivery swaps, the swap execution facility shall demonstrate that it:</p> <p>(a) Monitors a swap's terms and conditions as they relate to the underlying commodity market; and (b) Monitors the availability of the supply of the commodity specified by the delivery requirements of the swap.</p>	MKTX SEF will not list swaps that are settled by physical delivery. See Exhibit O-3.	Exhibit O-3 (MKTX SEF Policy Regarding the Listing of Swaps)
<p>§37.403 Additional requirements for cash-settled swaps. (a) For cash-settled swaps, the swap execution facility shall demonstrate that it monitors the pricing of the</p>	Any cash settled swaps will be settled based on a reference price that is a reliable third-party index and for which pricing information is publicly available on a	Exhibit O-3 (MKTX SEF Policy Regarding the Listing of Swaps)

CORE PRINCIPLES	MKTX SEF Compliance	Relevant Exhibit(s)
<p>reference price used to determine cash flows or settlement;</p> <p>(b) For cash-settled swaps listed on the swap execution facility where the reference price is formulated and computed by the swap execution facility, the swap execution facility shall demonstrate that it monitors the continued appropriateness of its methodology for deriving that price; and</p> <p>(c) For cash-settled swaps listed on the swap execution facility where the reference price relies on a third-party index or instrument, including an index or instrument traded on another venue, the swap execution facility shall demonstrate that it monitors the continued appropriateness of the index or instrument.</p>	<p>timely basis. See Exhibit O-3. MKTX SEF will conduct due diligence on an ongoing basis to ensure the reference price of the third-party indices on which the listed broad-based index credit default swaps are based are not susceptible to manipulation. See Exhibit O-3.</p> <p>MKTX SEF will not formulate or compute the reference price. See Exhibit O-3.</p> <p>See response to §37.403(a).</p>	
<p>§37.404 Ability to obtain information.</p> <p>(a) A swap execution facility shall demonstrate that it has access to sufficient information to assess whether trading in swaps listed on its market, in the index or instrument used as a reference price, or in the underlying commodity for its listed swaps is being used to affect prices on its market.</p> <p>(b) A swap execution facility shall have rules that require its market participants to keep records of their trading, including records of their activity in the index or instrument used as a reference price, the underlying commodity, and related derivatives markets, and make such records available, upon request, to the swap execution facility or, if applicable, to its regulatory service provider, and the Commission.</p>	<p>MKTX SEF can obtain position and trading information of its market participants directly from the market participants. See Rule 214(e).</p> <p>MKTX SEF requires participants to keep records of activity in the index or instrument used as a reference price and related derivatives markets and make such records available, upon request, to MKTX SEF, NFA, and the CFTC. See Rule 214(e).</p>	<p>Rule 214(e) (Maintenance of Books and Records)</p>
<p>§ 37.405 Risk controls for trading.</p> <p>The swap execution facility shall establish and maintain risk control mechanisms to prevent and reduce the potential risk of market disruptions, including, but not limited to, market restrictions that pause or halt trading under market conditions prescribed by the swap execution facility.</p>	<p>To prevent and reduce the potential risk of market disruptions in the event of an emergency, MKTX SEF can suspend or curtail trading. See Rule 212(a)(1).</p> <p>MKTX has the ability to pause or halt trading for the purpose of preventing market disruptions or price</p>	<p>Rule 212(a)(1) (Emergency Rules) Rule 541 (Trading Pauses and Halts)</p>

CORE PRINCIPLES	MKTX SEF Compliance	Relevant Exhibit(s)
	distortions or in response to a request to do so from the CFTC or an FCM. See Rule 541.	
<p>§ 37.406 Trade reconstruction. The swap execution facility shall have the ability to comprehensively and accurately reconstruct all trading on its facility. All audit-trail data and reconstructions shall be made available to the Commission in a form, manner, and time that is acceptable to the Commission.</p>	MKTX SEF can comprehensively and accurately reconstruct all trading on its facility. See Exhibit O-2. All audit trail data and reconstructions shall be made available to the CFTC in a form and manner acceptable to the CFTC. See Rule 214(d).	Exhibit O-2 (MKTX SEF in-house compliance functions) Rule 214(d) (Requiring reports to be in a form and manner acceptable to the CFTC)
<p>§ 37.407 Regulatory service provider. A swap execution facility shall comply with the regulations in this subpart through a dedicated regulatory department or by contracting with a regulatory service provider pursuant to § 37.204.</p>	MKTX SEF has contracted with NFA to be its regulatory service provider pursuant to § 37.204. See Rule 216; Regulatory Services Agreement with NFA.	Rule 216 (Services Agreement with a Regulatory Services Provider) Exhibit N-1 Regulatory Services Agreement with NFA
<p>§ 37.408 Additional sources for compliance. A swap execution facility may refer to the guidance and/or acceptable practices in Appendix B of this part to demonstrate to the Commission compliance with the requirements of § 37.400.</p>		
<b>Core Principle 5 (CEA 5h(f)(5)): Ability to Obtain Information</b>		
<p>§ 37.500 Core Principle 5—Ability to obtain information. The swap execution facility shall:</p> <p>(a) Establish and enforce rules that will allow the facility to obtain any necessary information to perform any of the functions described in section 5h of the Act;</p> <p>(b) Provide the information to the Commission on request; and</p> <p>(c) Have the capacity to carry out such international information-sharing agreements as the Commission may require.</p>	<p>The Rulebook requires participants to maintain, or to cause to be maintained, books and records and to make the books and records available for inspection by the SEF, CFTC or DOJ. See Rules 214(d) and (e); 401(o); 403(a).</p> <p>Upon request, MKTX SEF will provide to the CFTC such information as required to be provided pursuant to the CEA or CFTC regulations. See Rules 214(d) and (e); Rule 213(j).</p> <p>MarketAxess may also enter into other arrangements, including international information-sharing agreements, as the Commission may require. See Rule 215(b).</p>	<p>Rule 401(o) (Requiring participants to keep complete and accurate books and records) Rule 403(a) (Permitting the MKTX SEF to inspect a Participant's books and records) Rule 214(d) (Requiring MKTX SEF to provide to the CFTC information required to be provided by the CEA or CFTC regulations) Rule 214(e) (Maintenance of Books and Records) Rule 213(j) (Permitting MKTX SEF to share non-public data with the CFTC and CFTC registered SROs when necessary for regulatory purposes) Rule 215(b) (Permitting MKTX SEF to enter into information-sharing agreements with foreign regulatory authorities)</p>
<p>§ 37.501 Establish and enforce rules. A swap execution facility shall establish and enforce rules that will allow the swap execution facility to have the ability</p>	The Rulebook authorizes MKTX SEF to obtain sufficient information to allow it to fully perform its duties. See	Rule 215 (Information-Sharing Agreements) Rule 401(o) (Requiring participants to keep books and records)

CORE PRINCIPLES	MKTX SEF Compliance	Relevant Exhibit(s)
and authority to obtain sufficient information to allow it to fully perform its operational, risk management, governance, and regulatory functions and any requirements under this part, including the capacity to carry out international information-sharing agreements as the Commission may require.	Rule 215; Rule 401(o); Rule 403; Rule 702(c); 717(a)(3); Rule 214(e).	Rule 403 (Inspections by the MarketAxess SEF) Rule 702(c) (Obligating participants to produce records) Rule 717(a)(3) (Authorizing imposition of fines for failing to keep requisite books and records) Rule 214(e) (Maintenance of Books and Records)
§ 37.502 Collection of information. A swap execution facility shall have rules that allow it to collect information on a routine basis, allow for the collection of non-routine data from its market participants, and allow for its examination of books and records kept by the market participants on its facility.	The Rulebook requires participants to keep books and records and keep those books and records available for inspection by MKTX SEF, the CFTC, and the DOJ. See Rule 213(j); Rule 214; Rule 401(o); Rule 403; Rule 702(c)(2).	Rule 214 (Maintenance of Books and Records) Rule 213(j) (Permitting MKTX SEF to share non-public data with the CFTC and CFTC registered SROs when necessary for regulatory purposes) Rule 401(o) (Requiring participants to keep books and records) Rule 403 (Inspections by the MarketAxess SEF) Rule 702(c)(2) (Obligating participants to produce records)
§ 37.503 Provide information to the Commission. A swap execution facility shall provide information in its possession to the Commission upon request, in a form and manner that the Commission approves.	See response to 37.500(b) above.	See response to 37.500(b) above.
§ 37.504 Information-sharing agreements. A swap execution facility shall share information with other regulatory organizations, data repositories, and third-party data reporting services as required by the Commission or as otherwise necessary and appropriate to fulfill its self-regulatory and reporting responsibilities. Appropriate information-sharing agreements can be established with such entities or the Commission can act in conjunction with the swap execution facility to carry out such information sharing.	MKTX SEF may enter into information sharing agreements with any person including, without limitation, the CFTC, the NFA, any SRO market, any clearing organization, or any foreign regulatory authority if MKTX SEF considers such arrangement to be in furtherance of MKTX SEF's purpose or duties under the Rules (as defined in Rule 101) or applicable law. See Rule 215.	Rule 215 (Information-Sharing Agreements)
<b>Core Principle 6 (CEA 5h(f)(6)): Position Limits or Accountability</b>		
§ 37.600 Core Principle 6—Position limits or accountability. (a) In general. To reduce the potential threat of market manipulation or congestion, especially during trading in the delivery month, a swap execution facility that is a trading facility shall adopt for each of the contracts of the facility, as is necessary and appropriate, position limitations or position accountability for speculators. (b) Position limits. For any contract that is subject to a position limitation established by the Commission pursuant to section 4a(a) of the Act, the swap execution facility shall: (1) Set its position limitation at a level no higher than the Commission limitation; and	MKTX SEF will establish and enforce, as is necessary and appropriate, position accountability levels for swaps that trade on its SEF. See Rule 531.  MKTX SEF has reserved the authority to adopt speculative position limits, as is necessary and appropriate. See Rule 530(a).  MKTX SEF will monitor positions established on or	Rule 530 (Position Limits and Exemptions) Rule 531 (Position Accountability)

CORE PRINCIPLES	MKTX SEF Compliance	Relevant Exhibit(s)
(2) Monitor positions established on or through the swap execution facility for compliance with the limit set by the Commission and the limit, if any, set by the swap execution facility.	through the MKTX SEF for compliance with the limit set by the CFTC and the limit, if any, set by MKTX SEF. See Rule 530(b)(2).	
§ 37.601 Additional sources for compliance. Until such time that compliance is required under part 151 of this chapter, a swap execution facility may refer to the guidance and/or acceptable practices in Appendix B of this part to demonstrate to the Commission compliance with the requirements of § 37.600.	See response to § 37.600 immediately above.	
<b>Core Principle 7: Financial Integrity of Transactions</b>		
§ 37.700 Core Principle 7—Financial integrity of transactions. The swap execution facility shall establish and enforce rules and procedures for ensuring the financial integrity of swaps entered on or through the facilities of the swap execution facility, including the clearance and settlement of the swaps pursuant to section 2(h)(1) of the Act.	See response to § 37.701 and § 37.702 below.	See response to § 37.701 and § 37.702 below.
§ 37.701 Required clearing. Transactions executed on or through the swap execution facility that are required to be cleared under section 2(h)(1)(A) of the Act or are voluntarily cleared by the counterparties shall be cleared through a Commission-registered derivatives clearing organization, or a derivatives clearing organization that the Commission has determined is exempt from registration.	All MKTX SEF swaps subject to the clearing mandate under CEA 2(h)(1) and all MKTX SEF swaps that are voluntarily cleared will be cleared through a DCO that is CFTC-registered or exempt from such registration. See Rule 901.	Rule 901 (Clearing of Swaps);
§ 37.702 General financial integrity. A swap execution facility shall provide for the financial integrity of its transactions: (a) By establishing minimum financial standards for its members, which shall, at a minimum, require that members qualify as an eligible contract participant as defined in section 1a(18) of the Act;	MKTX SEF requires each participant and customer of a participant to be, and to remain, an eligible contract participant. See Rules 301, 407, and 404(b). MKTX SEF further requires its participant firms to be and to remain of good reputation and business integrity and to maintain adequate financial resources and credit. See Rule 301.	Rule 301 (Criteria for Becoming a Participant Firm) Rule 407 (Customers) Rule 404(b) (Requiring each Participant to be and remain an eligible contract participant)
(b) For transactions cleared by a derivatives clearing organization: (1) By ensuring that the swap execution facility has the capacity to route transactions to the derivatives clearing organization in a manner acceptable to the derivatives clearing organization for purposes of clearing and; (2) By coordinating with each derivatives clearing	MKTX SEF has the capacity to route transactions to a DCO in a manner acceptable to the DCO for purposes of clearing. See Rule 901. MKTX SEF will coordinate with each DCO to which it submits transactions for clearing, in the development of rules and procedures to ensure prompt and efficient transaction processing. See Rule 901.	Rule 901 (Clearing of Swaps)

CORE PRINCIPLES	MKTX SEF Compliance	Relevant Exhibit(s)
organization to which it submits transactions for clearing, in the development of rules and procedures to facilitate prompt and efficient transaction processing in accordance with the requirements of § 39.12(b)(7) of this chapter.		
<p>§37.703 Monitoring for financial soundness.</p> <p>A swap execution facility shall monitor its members to ensure that they continue to qualify as eligible contract participants as defined in section 1a(18) of the Act.</p>	See response to § 37.702 immediately above.	
<b>Core Principle 8: Emergency Authority</b>		
<p>§ 37.800 Core Principle 8—Emergency authority.</p> <p>The swap execution facility shall adopt rules to provide for the exercise of emergency authority, in consultation or cooperation with the Commission, as is necessary and appropriate, including the authority to liquidate or transfer open positions in any swap or to suspend or curtail trading in a swap.</p>	MKTX SEF has adopted rules that provide for the exercise of emergency authority, in consultation or cooperation with the Commission, as is necessary and appropriate, including the authority to order the liquidation or transfer of open positions in any swap or to suspend or curtail trading in a swap. See Rules 212 and 101.	Rule 212 (Emergency Rules) Rule 101 (defining Emergency)
<p>§ 37.801 Additional sources for compliance.</p> <p>A swap execution facility may refer to the guidance and/or acceptable practices in Appendix B of this part to demonstrate to the Commission compliance with the requirements of § 37.800.</p>	<p>See response to § 37.800 immediately above.</p> <p>In addition, the Rulebook provides for procedures and guidelines for decision-making and implementation of emergency intervention that avoids conflicts of interest. See rule 213.</p>	Rule 213 (Conflicts of Interest and Misuse of Material, Non-Public Information)
<b>Core Principle 9: Timely Publication of Trading Information</b>		
<p>§ 37.900 Core Principle 9—Timely publication of trading information.</p> <p>(a) In general. The swap execution facility shall make public timely information on price, trading volume, and other trading data on swaps to the extent prescribed by the Commission.</p> <p>(b) Capacity of swap execution facility. The swap execution facility shall be required to have the capacity to electronically capture and transmit trade information with</p>	<p>MKTX SEF will transmit swap transaction and pricing data to a swap data repository registered with the CFTC as soon as technologically practicable after a publicly reportable swap transaction has been executed on or pursuant to the rules of MKTX SEF in accordance with CFTC Rule 43.3(b)(1). See Rule 533.</p> <p>MKTX SEF has the capacity to electronically capture and transmit trade information with respect to transactions executed on MKTX SEF. See Exhibit S.</p>	<p>Rule 533 (SDR Reporting)</p> <p>Exhibit S (Discussion of how trading data will be maintained)</p>

CORE PRINCIPLES	MKTX SEF Compliance	Relevant Exhibit(s)
respect to transactions executed on the facility.		
<p>§ 37.901 General requirements.</p> <p>With respect to swaps traded on or through a swap execution facility, each swap execution facility shall:</p> <p>(a) Report specified swap data as provided under part 43 and part 45 of this chapter; and</p> <p>(b) Meet the requirements of part 16 of this chapter.</p>	<p>MKTX SEF will report all data as required by parts 43 and 45 of the CFTC's regulations. See Rule 533.</p> <p>MKTX SEF will record and report all data required by part 16 of the CFTC's regulations. See Rule 532.</p>	<p>Rule 533 (SDR Reporting)</p> <p>Rule 532 (Publication of Market Data)</p>
<b>Core Principle 10: Recordkeeping and Reporting</b>		
<p>§ 37.1000 Core Principle 10— Recordkeeping and reporting.</p> <p>(a) In general. A swap execution facility shall:</p> <p>(1) Maintain records of all activities relating to the business of the facility, including a complete audit trail, in a form and manner acceptable to the Commission for a period of five years;</p> <p>(2) Report to the Commission, in a form and manner acceptable to the Commission, such information as the Commission determines to be necessary or appropriate for the Commission to perform the duties of the Commission under the Act; and</p> <p>(3) Keep any such records relating to swaps defined in section 1a(47)(A)(v) of the Act open to inspection and examination by the Securities and Exchange Commission.</p> <p>(b) Requirements. The Commission shall adopt data collection and reporting requirements for swap execution facilities that are comparable to corresponding requirements for derivatives clearing organizations and swap data</p>	<p>MKTX SEF will keep, or cause to be kept, complete and accurate books and records of all activities relating to the business of MKTX SEF, including complete audit trails, for at least five years and will make such books and records readily accessible for inspection during the first two years of such five year period. See Rules 214(a) and (b).</p> <p>MKTX SEF will report to the CFTC in a form and manner acceptable to the CFTC, information required by the CEA or CFTC regulations. See Rule 214(d).</p> <p>MKTX SEF will keep, or cause to be kept, records relating to security-based swap agreements open to inspection and examination by the SEC. See Rule 214(c).</p>	<p>Rule 214 (Maintenance of Books and Records)</p>



CORE PRINCIPLES	MKTX SEF Compliance	Relevant Exhibit(s)
repositories.		
<p>§ 37.1001 Recordkeeping. A swap execution facility shall maintain records of all activities relating to the business of the facility, in a form and manner acceptable to the Commission, for a period of at least five years. A swap execution facility shall maintain such records, including a complete audit trail for all swaps executed on or subject to the rules of the swap execution facility, investigatory files, and disciplinary files, in accordance with the requirements of § 1.31 and part 45 of this chapter.</p>	See response to 37.1000 immediately above.	See response to 37.1000 immediately above.
<b>Core Principle 11: Antitrust Considerations</b>		
<p>§37.1100 Core Principle 11—Antitrust considerations. Unless necessary or appropriate to achieve the purposes of the Act, the swap execution facility shall not:</p> <p>(a) Adopt any rules or take any actions that result in any unreasonable restraint of trade; or</p> <p>(b) Impose any material anticompetitive burden on trading or clearing.</p>	<p>MKTX SEF is independent and is not affiliated with any DCO, DCM, other SEF or SDR. MKTX SEF has not adopted any rules or taken any actions that result in any unreasonable restraint of trade. MKTX SEF has not imposed any material anticompetitive burden on trading or clearing.</p>	
<p>§ 37.1101 Additional sources for compliance. A swap execution facility may refer to the guidance and/or acceptable practices in Appendix B of this part to demonstrate to the Commission compliance with the requirements of § 37.1100.</p>	See response to 37.1100 immediately above.	
<b>Core Principle 12: Conflicts of Interest</b>		
<p>§ 37.1200 Core Principle 12—Conflicts of interest. The swap execution facility shall:</p> <p>(a) Establish and enforce rules to minimize conflicts of interest in its decision-making process; and</p> <p>(b) Establish a process for resolving the conflicts of interest.</p>	<p>Rules 209(b)(4) and 213 minimize conflicts of interest in decision-making processes and establish a process for identifying and resolving conflicts of interest.</p> <p>Rule 202 requires that has elected for at least 35% of the MKTX SEF Board be composed of public directors. See Rule 202.</p> <p>The Regulatory Oversight Committee shall resolve any conflicts of interest that may arise involving the Chief Compliance Officer. See Rule 208(d)(3).</p>	<p>Rule 209(b)(4) (Providing that the CCO shall have a duty to resolve certain conflicts of interest that may arise) Rule 213 (Conflicts of Interest and Misuse of Material, Non-Public Information) Rule 202 (Board) Rule 208(d)(3) (Conflicts of Interest involving the CCO)</p>
<b>Core Principle 13: Financial Resources</b>		

CORE PRINCIPLES	MKTX SEF Compliance	Relevant Exhibit(s)
<p>§ 37.1300 Core Principle 13—Financial resources.</p> <p>(a) In general. The swap execution facility shall have adequate financial, operational, and managerial resources to discharge each responsibility of the swap execution facility.</p> <p>(b) Determination of resource adequacy. The financial resources of a swap execution facility shall be considered to be adequate if the value of the financial resources exceeds the total amount that would enable the swap execution facility to cover the operating costs of the swap execution facility for a one-year period, as calculated on a rolling basis.</p>	<p>MKTX SEF is adequately capitalized and has adequate financial, operational, and managerial resources to discharge each of its responsibilities. See Exhibits I-1 and I-2.</p> <p>MKTX SEF's resources exceed, and will continue to exceed, its operating costs for a one-year period (calculated on a rolling basis). See Exhibits I-1 and I-2.</p>	<p>Exhibits I-1 and 2 (<i>pro forma</i> financial statements and accompanying narrative)</p>
<p>§ 37.1301 General requirements.</p> <p>(a) A swap execution facility shall maintain financial resources sufficient to enable it to perform its functions in compliance with the core principles set forth in section 5h of the Act.</p> <p>(b) An entity that operates as both a swap execution facility and a derivatives clearing organization shall also comply with the financial resource requirements of § 39.11 of this chapter.</p> <p>(c) Financial resources shall be considered sufficient if their value is at least equal to a total amount that would enable the swap execution facility to cover its operating costs for a period of at least one year, calculated on a rolling basis.</p>	<p>See response to § 37.1300 above.</p> <p>(MKTX SEF is not a DCO.)</p> <p>See response to § 37.1300 above.</p>	
<p>§ 37.1302 Types of financial resources.</p> <p>Financial resources available to satisfy the requirements of § 37.1301 may include:</p> <p>(a) The swap execution facility's own capital, meaning its assets minus its liabilities calculated in accordance with U.S. generally accepted accounting principles; and</p> <p>(b) Any other financial resource deemed acceptable by the Commission.</p>	<p>MKTX SEF will rely upon MKTX SEF's own capital to satisfy the requirements of § 37.1301. See Exhibits I-1 and I-2.</p>	<p>Exhibits I-1 and I-2 (<i>pro forma</i> financial statements and accompanying narrative)</p>
<p>§ 37.1303 Computation of projected operating costs to meet financial resource requirement.</p> <p>A swap execution facility shall, each fiscal quarter, make a reasonable calculation of its projected operating costs over a twelve-month period in order to determine the amount needed to meet the requirements of § 37.1301. The swap execution facility shall have reasonable discretion in</p>	<p>Each quarter, MKTX SEF will make a reasonable calculation of its projected operating costs over a twelve-month period to determine the amount of financial resources needed to meet the requirements of § 37.1301. See Exhibit I-2.</p>	<p>Exhibit I-2 (<i>pro forma</i> financial statements and accompanying narrative)</p>

CORE PRINCIPLES	MKTX SEF Compliance	Relevant Exhibit(s)
determining the methodology used to compute such projected operating costs. The Commission may review the methodology and require changes as appropriate.		
<p>§37.1304 Valuation of financial resources.</p> <p>No less than each fiscal quarter, a swap execution facility shall compute the current market value of each financial resource used to meet its obligations under § 37.1301. Reductions in value to reflect market and credit risk ("haircuts") shall be applied as appropriate.</p>	<p>For information on the financial resources used and requisite valuation thereof, please see Exhibits I-1 and I-2.</p>	<p>Exhibits I-1 and I-2 (<i>pro forma</i> financial statements and accompanying narrative)</p>
<p>§37.1305 Liquidity of financial resources.</p> <p>The financial resources allocated by the swap execution facility to meet the requirements of § 37.1301 shall include unencumbered, liquid financial assets (i.e., cash and/or highly liquid securities) equal to at least six months' operating costs. If any portion of such financial resources is not sufficiently liquid, the swap execution facility may take into account a committed line of credit or similar facility for the purpose of meeting this requirement.</p>	<p>The financial resources allocated by MKTX SEF to meet the requirements of § 37.1301 include sufficient unencumbered, liquid financial assets. See Exhibits I-1 and I-2.</p>	<p>Exhibits I-1 and I-2 (<i>pro forma</i> financial statements and accompanying narrative)</p>
<p>§37.1306 Reporting to the Commission.</p> <p>(a) Each fiscal quarter, or at any time upon Commission request, a swap execution facility shall:</p> <p>(1) Report to the Commission:</p> <p>(i) The amount of financial resources necessary to meet the requirements of § 37.1301; and</p> <p>(ii) The value of each financial resource available, computed in accordance with the requirements of § 37.1304;</p> <p>(2) Provide the Commission with a financial statement, including the balance sheet, income statement, and statement of cash flows of the swap execution facility or of its parent company;</p> <p>(b) The calculations required by paragraph (a) of this section shall be made as of the last business day of the swap execution facility's fiscal quarter.</p> <p>(c) The swap execution facility shall provide the Commission with:</p> <p>(1) Sufficient documentation explaining the methodology used to compute its financial requirements</p>	<p>MKTX SEF will provide reports to the CFTC as required by § 37.1306. See Exhibit O-4. Such reports shall include the statements and documentation as prescribed in § 37.1306. See Exhibit O-4.</p>	<p>Exhibit O-4 (MKTX SEF Policy Regarding Reporting to the CFTC)</p>

CORE PRINCIPLES	MKTX SEF Compliance	Relevant Exhibit(s)
<p>under § 37.1301;</p> <p>(2) Sufficient documentation explaining the basis for its determinations regarding the valuation and liquidity requirements set forth in §§ 37.1304 and 37.1305; and</p> <p>(3) Copies of any agreements establishing or amending a credit facility, insurance coverage, or other arrangement evidencing or otherwise supporting the swap execution facility's conclusions.</p> <p>(d) The reports required by this section shall be filed not later than 40 calendar days after the end of the swap execution facility's first three fiscal quarters, and not later than 60 calendar days after the end of the swap execution facility's fourth fiscal quarter, or at such later time as the Commission may permit, in its discretion, upon request by the swap execution facility.</p>		
<p>§ 37.1307 Delegation of authority.</p> <p>(a) The Commission hereby delegates, until it orders otherwise, to the Director of the Division of Market Oversight or such other employee or employees as the Director may designate from time to time, authority to:</p> <p>(1) Determine whether a particular financial resource under § 37.1302 may be used to satisfy the requirements of § 37.1301;</p> <p>(2) Review and make changes to the methodology used to compute projected operating costs under § 37.1303;</p> <p>(3) Request reports, in addition to fiscal quarter reports, under § 37.1306(a); and</p> <p>(4) Grant an extension of time to file fiscal quarter reports under § 37.1306(d).</p> <p>(b) The Director may submit to the Commission for its consideration any matter that has been delegated in this section. Nothing in this section prohibits the Commission, at its election, from exercising the authority delegated in this section.</p>		
<b>Core Principle 14: System Safeguards</b>		
<p>§ 37.1400 Core Principle 14—System safeguards.</p> <p>The swap execution facility shall:</p> <p>(a) Establish and maintain a program of risk analysis and oversight to identify and minimize sources of operational</p>	<p>MarketAxess has established and will maintain a program of risk analysis and oversight to identify and minimize sources of operational risk. See Exhibit V Response to Question 2.</p>	<p>Exhibit V-1 Technology Questionnaire Question 2</p>

CORE PRINCIPLES	MKTX SEF Compliance	Relevant Exhibit(s)
<p>risk, through the development of appropriate controls and procedures, and automated systems, that:</p> <p>(1) Are reliable and secure; and</p> <p>(2) Have adequate scalable capacity;</p> <p>(b) Establish and maintain emergency procedures, backup facilities, and a plan for disaster recovery that allow for:</p> <p>(1) The timely recovery and resumption of operations; and</p> <p>(2) The fulfillment of the responsibilities and obligations of the swap execution facility; and</p> <p>(c) Periodically conduct tests to verify that the backup resources of the swap execution facility are sufficient to ensure continued:</p> <p>(1) Order processing and trade matching;</p> <p>(2) Price reporting;</p> <p>(3) Market surveillance; and</p> <p>(4) Maintenance of a comprehensive and accurate audit trail.</p>	<p>MarketAxess has established and will maintain emergency procedures, backup facilities, and a plan for disaster recovery. See Exhibit V Response to Question 7(d); Response to Question 8.</p> <p>MarketAxess will periodically conduct tests to verify that its backup resources are sufficient. See Exhibit V Response to Question 8(q); Response to Question 8(s); Response to Question 8(t).</p>	<p>Question 7(d) Question 8</p> <p>Question 8(q) Question 8(s) Question 8(t)</p>
<p>§ 37.1401 Requirements.</p> <p>(a) A swap execution facility's program of risk analysis and oversight with respect to its operations and automated systems shall address each of the following categories of risk analysis and oversight:</p> <p>(1) Information security;</p> <p>(2) Business continuity-disaster recovery planning and resources;</p> <p>(3) Capacity and performance planning;</p> <p>(4) Systems operations;</p> <p>(5) Systems development and quality assurance; and</p> <p>(6) Physical security and environmental controls.</p>	<p>MKTX SEF's risk analysis and oversight program addresses the categories enumerated in CFTC regulation 37.1401(a).</p> <ul style="list-style-type: none"> <li>• Information Security: See Exhibit V Response to Question 5.</li> <li>• Business continuity-disaster recovery planning and resources: See Exhibit V Response to Question 8.</li> <li>• Capacity and performance planning: See Exhibit V Response to Question 1(a); Response to Question 4(a); Response to Question 7.</li> <li>• Systems operations: See Exhibit V Response to Question 2(d)(4); Response to Question 3.</li> <li>• Systems development and quality assurance: See Exhibit V Response to Question 2(d)(2); Response to Question 3(b); Response to Question 4.</li> <li>• Physical security and environmental</li> </ul>	<p>Question 5 Question 8 Question 1(a) Question 4(a) Question 7 Question 2(d)(4) Question 3 Question 2(d)(2) Question 3(b) Question 4 Question 6 Question 2(d)(6)</p>

CORE PRINCIPLES	MKTX SEF Compliance	Relevant Exhibit(s)
<p>(b) A swap execution facility shall maintain a business continuity-disaster recovery plan and resources, emergency procedures, and backup facilities sufficient to enable timely recovery and resumption of its operations and resumption of its ongoing fulfillment of its responsibilities and obligations as a swap execution facility following any disruption of its operations. Such responsibilities and obligations include, without limitation, order processing and trade matching; transmission of matched orders to a designated clearing organization for clearing, where appropriate; price reporting; market surveillance; and maintenance of a comprehensive audit trail. The swap execution facility's business continuity-disaster recovery plan and resources generally should enable resumption of trading and clearing of swaps executed on the swap execution facility during the next business day following the disruption. Swap execution facilities determined by the Commission to be critical financial markets pursuant to Appendix E to part 40 of this chapter are subject to more stringent requirements in this regard, set forth in § 40.9 of this chapter.</p>	<p>controls: See Exhibit V Response to Question 6; Response to Question 2(d)(6).</p> <p>MKTX SEF will maintain a business continuity-disaster recovery plan and resources, emergency procedures, and backup facilities sufficient to be able to resume its operations and resume its ongoing fulfillment of its responsibilities and obligations during the next business day following any disruption of its operations. See Exhibit V Response to Question 8.</p>	<p>Question 8</p>
<p>(c) A swap execution facility that is not determined by the Commission to be a critical financial market satisfies the requirement to be able to resume its operations and resume its ongoing fulfillment of its responsibilities and obligations during the next business day following any disruption of its operations by maintaining either:</p> <p>(1) Infrastructure and personnel resources of its own that are sufficient to ensure timely recovery and resumption of its operations and resumption of its ongoing fulfillment of its responsibilities and obligations as a swap execution facility following any disruption of its operations; or</p> <p>(2) Contractual arrangements with other swap execution facilities or disaster recovery service providers, as appropriate, that are sufficient to ensure continued trading and clearing of swaps executed on the swap execution facility, and ongoing fulfillment of all of the swap execution</p>	<p>MKTX SEF will maintain infrastructure and personnel resources of its own that are sufficient to ensure timely recovery and resumption of its operations and resumption of its ongoing fulfillment of its responsibilities and obligations as a swap execution facility following any disruption of its operations. See Exhibit V Response to Question 8.</p>	<p>Question 8</p>

CORE PRINCIPLES	MKTX SEF Compliance	Relevant Exhibit(s)
<p>facility's responsibilities and obligations with respect to such swaps, in the event that a disruption renders the swap execution facility temporarily or permanently unable to satisfy this requirement on its own behalf.</p> <p>(d) A swap execution facility shall notify Commission staff promptly of all:</p> <p>(1) Electronic trading halts and material system malfunctions;</p> <p>(2) Cyber security incidents or targeted threats that actually or potentially jeopardize automated system operation, reliability, security, or capacity; and</p> <p>(3) Activations of the swap execution facility's business continuity-disaster recovery plan.</p> <p>(e) A swap execution facility shall provide Commission staff timely advance notice of all material:</p> <p>(1) Planned changes to automated systems that may impact the reliability, security, or adequate scalable capacity of such systems; and</p> <p>(2) Planned changes to the swap execution facility's program of risk analysis and oversight.</p> <p>(f) A swap execution facility shall provide to the Commission, upon request, current copies of its business continuity-disaster recovery plan and other emergency procedures, its assessments of its operational risks, and other documents requested by Commission staff for the purpose of maintaining a current profile of the swap execution facility's automated systems.</p> <p>(g) A swap execution facility shall conduct regular, periodic, objective testing and review of its automated systems to ensure that they are reliable, secure, and have adequate scalable capacity. A swap execution facility shall also conduct regular, periodic testing and review of its business continuity-disaster recovery capabilities. Pursuant to Core Principle 10 under section 5h of the Act (Recordkeeping and Reporting) and §§ 37.1000 through 37.1001, the swap execution facility shall keep records of all such tests, and make all test results available to the Commission upon request.</p>	<p>MKTX SEF will notify CFTC staff promptly upon the occurrence of any event enumerated in CFTC regulation 37.1401(d). See Exhibit O-2.</p> <p>MKTX SEF will provide CFTC staff timely advance notice of all material planned changes to MKTX SEF's (i) automated systems that may impact the reliability, security, or adequate scalable capacity of such systems, and (ii) program of risk analysis and oversight. See Exhibit O-2.</p> <p>MKTX SEF will provide to the CFTC documents requested by CFTC staff for the purpose of maintaining a current profile of MKTX SEF's automated systems. See Exhibit V Response to Question 8.</p> <p>MKTX SEF will conduct regular, periodic, objective testing and review of its automated systems. See Exhibit V Response to Question 3(b)(1); Response to Question 3(c)(4); Response to Question 3(e)(5); Response to Question 5(k); Response to Question 6(b); Response to Question 7; Response to Question 8(f); Response to Question 8(q). MKTX SEF will keep records of such tests, and make the results available to the CFTC upon request. See Rule 214.</p>	<p>Exhibit O-2 (MKTX SEF in-house compliance functions)</p> <p>Exhibit O-2 (MKTX SEF in-house compliance functions)</p> <p>Question 8</p> <p>Question 3(b)(1) Question 3(c)(4) Question 3(e)(5) Question 5(k) Question 6(b) Question 7 Question 8(f) Question 8(q) Rule 214 (Maintenance of Books and Records)</p>

CORE PRINCIPLES	MKTX SEF Compliance	Relevant Exhibit(s)
<p>(h) Part 40 of this chapter governs the obligations of those registered entities that the Commission has determined to be critical financial markets, with respect to maintenance and geographic dispersal of disaster recovery resources sufficient to meet a same-day recovery time objective in the event of a wide-scale disruption. Section 40.9 establishes the requirements for core principle compliance in that respect.</p>		
<b>Core Principle 15: Designation of Chief Compliance Officer</b>		
<p>§ 37.1500 Core Principle 15—Designation of chief compliance officer.</p> <p>(a) In general. Each swap execution facility shall designate an individual to serve as a chief compliance officer.</p> <p>(b) Duties. The chief compliance officer shall:</p> <p>(1) Report directly to the board or to the senior officer of the facility;</p> <p>(2) Review compliance with the core principles in this subsection;</p> <p>(3) In consultation with the board of the facility, a body performing a function similar to that of a board, or the senior officer of the facility, resolve any conflicts of interest that may arise;</p> <p>(4) Be responsible for establishing and administering the policies and procedures required to be established pursuant to this section;</p> <p>(5) Ensure compliance with the Act and the rules and regulations issued under the Act, including rules prescribed by the Commission pursuant to section 5h of the Act; and</p>	<p>The Rulebook requires the Board of Directors to appoint a CCO. See Rule 209(a).</p> <p>The CCO shall report to the Chief Executive Officer. See Rule 209(d)(1).</p> <p>The CCO shall oversee, review, and reasonably ensure MKTX SEF's compliance with the CEA and CFTC regulations, including the core principles for SEFs. See Rule 209(b)(3).</p> <p>In consultation with the Chief Executive Officer and the Regulatory Oversight Committee, the CCO shall resolve conflicts of interest. See Rule 209(b)(4).</p> <p>The CCO is responsible for establishing and administering the requisite policies and procedures. See Rule 209(b)(2).</p> <p>The CCO will oversee, review, and reasonably ensure MKTX SEF's compliance with the CEA and CFTC regulations. See Rule 209(b)(3).</p>	<p>Rule 209 (Chief Compliance Officer)</p>



CORE PRINCIPLES	MKTX SEF Compliance	Relevant Exhibit(s)
<p>(6) Establish procedures for the remediation of noncompliance issues found during compliance office reviews, look backs, internal or external audit findings, self-reported errors, or through validated complaints.</p> <p>(c) Requirements for procedures. In establishing procedures under paragraph (b)(6) of this section, the chief compliance officer shall design the procedures to establish the handling, management response, remediation, retesting, and closing of noncompliance issues.</p> <p>(d) Annual reports—(1) In general. In accordance with rules prescribed by the Commission, the chief compliance officer shall annually prepare and sign a report that contains a description of:</p> <p>(i) The compliance of the swap execution facility with the Act; and</p> <p>(ii) The policies and procedures, including the code of ethics and conflict of interest policies, of the swap execution facility.</p> <p>(2) Requirements. The chief compliance officer shall:</p> <p>(i) Submit each report described in paragraph (d)(1) of this section with the appropriate financial report of the swap execution facility that is required to be submitted to the Commission pursuant to section 5h of the Act; and</p> <p>(ii) Include in the report a certification that, under penalty of law, the report is accurate and complete.</p>	<p>The CCO will establish procedures for the remediation of noncompliance issues identified by the CCO through a compliance office review, look back, internal or external audit finding, self-reported error, or through validated complaint. See Rule 209(b)(5)(i).</p> <p>The CCO will establish and administer procedures addressing the handling, management response, remediation, retesting, and closing of noncompliance issues. See Rule 209(b)(5)(ii).</p> <p>The CCO shall prepare and sign an annual compliance report as prescribed in CEA Section 5h(f)(15) and submit it to the Board of Directors and the CFTC. See Rule 209(d)(4).</p>	
<p>§ 37.1501 Chief compliance officer.</p> <p>(a) Definition of board of directors. For purposes of this part, the term “board of directors” means the board of directors of a swap execution facility, or for those swap execution facilities whose organizational structure does not include a board of directors, a body performing a function similar to a board of directors.</p> <p>(b) Designation and qualifications of chief compliance officer—</p> <p>(1) Chief compliance officer required. Each swap execution facility shall establish the position of chief compliance officer and designate an individual to serve in that capacity.</p>	<p>See Rule 101 (defining “Board”).</p> <p>The Rulebook requires the Board of Directors to appoint a CCO. See Rule 209(a)(1).</p>	<p>Rule 101 (Definitions)  Rule 209 (Chief Compliance Officer)  Rule 210 (Compliance Staff and Resources)  Rule 204 (Qualifications of Directors, Disciplinary Panel Members, Appeal Panel Members, Committee Members, Owners and Officers)  Rule 214 (Maintenance of Books and Records)</p>

CORE PRINCIPLES	MKTX SEF Compliance	Relevant Exhibit(s)
<p>(i) The position of chief compliance officer shall carry with it the authority and resources to develop and enforce policies and procedures necessary to fulfill the duties set forth for chief compliance officers in the Act and Commission regulations.</p> <p>(ii) The chief compliance officer shall have supervisory authority over all staff acting at the direction of the chief compliance officer.</p> <p>(2) Qualifications of chief compliance officer. The individual designated to serve as chief compliance officer shall have the background and skills appropriate for fulfilling the responsibilities of the position. No individual disqualified from registration pursuant to sections 8a(2) or 8a(3) of the Act may serve as a chief compliance officer.</p> <p>(c) Appointment, supervision, and removal of chief compliance officer—</p> <p>(1) Appointment and compensation of chief compliance officer.</p> <p>(i) A swap execution facility's chief compliance officer shall be appointed by its board of directors or senior officer. A swap execution facility shall notify the Commission within two business days of appointing any new chief compliance officer, whether interim or permanent.</p> <p>(ii) The board of directors or the senior officer shall approve the compensation of the chief compliance officer.</p> <p>(iii) The chief compliance officer shall meet with the board of directors at least annually and the regulatory oversight committee at least quarterly.</p> <p>(iv) The chief compliance officer shall provide any information regarding the swap execution facility's self-regulatory program that is requested by the board of directors or the regulatory oversight committee.</p> <p>(2) Supervision of chief compliance officer. A swap execution facility's chief compliance officer shall report directly to the board of directors or to the senior officer of the swap execution facility, at the swap execution facility's discretion.</p>	<p>The CCO has the authority to fulfill the duties set forth in the CEA and CFTC regulations, as described above in connection with 37.1500.</p> <p>The CCO shall have supervisory authority over all staff acting at his direction. See Rule 209; Rule 210.</p> <p>The Rulebook requires the Board of Directors to appoint a CCO that the Board has determined has the background and skills appropriate for fulfilling the responsibilities of the position. See Rule 209(a)(1). No individual disqualified from registration pursuant to sections 8a(2) or 8a(3) of the Act may serve as a CCO. See Rule 204(b)(8).</p> <p>The Rulebook provides that the Board of Directors will appoint the CCO of MKTX SEF and approve his compensation. See Rule 209(a). Rule 209(a)(4) provides that MKTX will notify the CFTC within 2 business days of appointing any new CCO.</p> <p>The CCO shall meet with the Board of Directors at least annually and shall meet with the Regulatory Oversight Committee at least quarterly. See Rule 209(d).</p> <p>The CCO shall provide the Board of Directors or the Regulatory Oversight Committee information regarding MKTX SEF's self-regulatory program upon request. See Rule 209(d)(3).</p> <p>The CCO shall report to the Chief Executive Officer of MKTX SEF. See Rule 209(d)(1).</p>	

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<p>(3) Removal of chief compliance officer.</p> <p>(i) Removal of a swap execution facility's chief compliance officer shall require the approval of a majority of the swap execution facility's board of directors. If the swap execution facility does not have a board of directors, then the chief compliance officer may be removed by the senior officer of the swap execution facility.</p> <p>(ii) The swap execution facility shall notify the Commission of such removal within two business days.</p> <p>(d) Duties of chief compliance officer. The chief compliance officer's duties shall include, but are not limited to, the following:</p> <p>(1) Overseeing and reviewing the swap execution facility's compliance with section 5h of the Act and any related rules adopted by the Commission;</p> <p>(2) In consultation with the board of directors, a body performing a function similar to the board of directors, or the senior officer of the swap execution facility, resolving any conflicts of interest that may arise, including:</p> <p>(i) Conflicts between business considerations and compliance requirements;</p> <p>(ii) Conflicts between business considerations and the requirement that the swap execution facility provide fair, open, and impartial access as set forth in § 37.202; and;</p> <p>(iii) Conflicts between a swap execution facility's management and members of the board of directors;</p> <p>(3) Establishing and administering written policies and procedures reasonably designed to prevent violations of the Act and the rules of the Commission;</p> <p>(4) Taking reasonable steps to ensure compliance with the Act and the rules of the Commission;</p> <p>(5) Establishing procedures for the remediation of noncompliance issues identified by the chief compliance officer through a compliance office review, look-back, internal or external audit finding, self-reported error, or validated complaint;</p> <p>(6) Establishing and following appropriate procedures for the handling, management response, remediation, retesting, and closing of noncompliance issues;</p> <p>(7) Establishing and administering a compliance</p>	<p>Only the Board of Directors may remove the CCO which shall require the approval by a majority of the Board, and MKTX SEF must notify the CFTC of such removal within two business days. See Rules 209(a)(3) and (4).</p> <p>The Rulebook sets forth the duties of the CCO, which include all of the duties enumerated in CFTC regulation 37.1501(d). See Rule 209(b).</p>	

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<p>manual designed to promote compliance with the applicable laws, rules, and regulations and a written code of ethics designed to prevent ethical violations and to promote honesty and ethical conduct;</p> <p>(8) Supervising the swap execution facility's self-regulatory program with respect to trade practice surveillance; market surveillance; real-time market monitoring; compliance with audit trail requirements; enforcement and disciplinary proceedings; audits, examinations, and other regulatory responsibilities with respect to members and market participants (including ensuring compliance with, if applicable, financial integrity, financial reporting, sales practice, recordkeeping, and other requirements); and</p> <p>(9) Supervising the effectiveness and sufficiency of any regulatory services provided to the swap execution facility by a regulatory service provider in accordance with § 37.204.</p> <p>(e) Preparation of annual compliance report. The chief compliance officer shall, not less than annually, prepare and sign an annual compliance report that, at a minimum, contains the following information covering the time period since the date on which the swap execution facility became registered with the Commission or since the end of the period covered by a previously filed annual compliance report, as applicable:</p> <p>(1) A description of the swap execution facility's written policies and procedures, including the code of ethics and conflict of interest policies;</p> <p>(2) A review of applicable Commission regulations and each subsection and core principle of section 5h of the Act, that, with respect to each:</p> <p>(i) Identifies the policies and procedures that are designed to ensure compliance with each subsection and core principle, including each duty specified in section 5h(f)(15)(B) of the Act;</p> <p>(ii) Provides a self-assessment as to the effectiveness of these policies and procedures; and</p> <p>(iii) Discusses areas for improvement and recommends potential or prospective changes or improvements to its compliance program and resources;</p> <p>(3) A list of any material changes to compliance</p>	<p>The CCO must prepare an annual compliance report as prescribed in CFTC regulation 37.1501(e). See Rule 209(d)(4).</p>	

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<p>policies and procedures since the last annual compliance report;</p> <p>(4) A description of the financial, managerial, and operational resources set aside for compliance with respect to the Act and Commission regulations, including a description of the swap execution facility's self-regulatory program's staffing and structure, a catalogue of investigations and disciplinary actions taken since the last annual compliance report, and a review of the performance of disciplinary committees and panels;</p> <p>(5) A description of any material compliance matters, including noncompliance issues identified through a compliance office review, look-back, internal or external audit finding, self-reported error, or validated complaint, and an explanation of how they were resolved; and</p> <p>(6) A certification by the chief compliance officer that, to the best of his or her knowledge and reasonable belief, and under penalty of law, the annual compliance report is accurate and complete.</p> <p>(f) Submission of annual compliance report.</p> <p>(1) Prior to submission to the Commission, the chief compliance officer shall provide the annual compliance report to the board of directors of the swap execution facility for its review. If the swap execution facility does not have a board of directors, then the annual compliance report shall be provided to the senior officer for his or her review. Members of the board of directors and the senior officer shall not require the chief compliance officer to make any changes to the report. Submission of the report to the board of directors or the senior officer, and any subsequent discussion of the report, shall be recorded in board minutes or a similar written record, as evidence of compliance with this requirement.</p> <p>(2) The annual compliance report shall be submitted electronically to the Commission not later than 60 calendar days after the end of the swap execution facility's fiscal year, concurrently with the filing of the fourth fiscal quarter financial report pursuant to § 37.1306.</p> <p>(3) Promptly upon discovery of any material error or omission made in a previously filed annual compliance report, the chief compliance officer shall file an amendment</p>	<p>The CCO must submit an annual compliance report to the Board of Directors and the CFTC as prescribed in CFTC regulation 37.1501(f). See Rule 209(d)(4).</p>	

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<p>with the Commission to correct the material error or omission. An amendment shall contain the certification required under paragraph (e)(6) of this section.</p> <p>(4) A swap execution facility may request from the Commission an extension of time to file its annual compliance report based on substantial, undue hardship. Extensions of the filing deadline may be granted at the discretion of the Commission.</p> <p>(g) Recordkeeping.</p> <p>(1) The swap execution facility shall maintain:</p> <p>(i) A copy of the written policies and procedures, including the code of ethics and conflicts of interest policies adopted in furtherance of compliance with the Act and Commission regulations;</p> <p>(ii) Copies of all materials created in furtherance of the chief compliance officer's duties listed in paragraphs (d)(8) and (d)(9) of this section, including records of any investigations or disciplinary actions taken by the swap execution facility;</p> <p>(iii) Copies of all materials, including written reports provided to the board of directors or senior officer in connection with the review of the annual compliance report under paragraph (f)(1) of this section and the board minutes or a similar written record that documents the review of the annual compliance report by the board of directors or senior officer; and</p> <p>(iv) Any records relevant to the swap execution facility's annual compliance report, including, but not limited to, work papers and other documents that form the basis of the report, and memoranda, correspondence, other documents, and records that are</p> <p>(A) Created, sent, or received in connection with the annual compliance report and</p> <p>(B) Contain conclusions, opinions, analyses, or financial data related to the annual compliance report.</p> <p>(2) The swap execution facility shall maintain records in accordance with § 1.31 and part 45 of this chapter.</p> <p>(h) Delegation of authority. The Commission hereby delegates, until it orders otherwise, to the Director of the Division of Market Oversight or such other employee or</p>	<p>MKTX SEF shall keep, or cause to be kept, complete and accurate books and records of all activities relating to the business of MKTX SEF. See Rule 214.</p>	

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employees as the Director may designate from time to time, authority to grant or deny a swap execution facility's request for an extension of time to file its annual compliance report under paragraph (f)(4) of this section.		