

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): _____

Organization: _____

Filing as a: **DCM** **SEF** **DCO** **SDR** Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): _____ Filing Description: SEF Rulebook Amendment Certification

SPECIFY FILING TYPE

Please note only ONE choice allowed per Submission.

Organization Rules and Rule Amendments

Certification	§ 40.6(a)
Approval	§ 40.5(a)
Notification	§ 40.6(d)
Advance Notice of SIDCO Rule Change	§ 40.10(a)
SIDCO Emergency Rule Change	§ 40.10(h)

Rule Numbers: _____

New Product

Please note only ONE product per Submission.

Certification	§ 40.2(a)
Certification Security Futures	§ 41.23(a)
Certification Swap Class	§ 40.2(d)
Approval	§ 40.3(a)
Approval Security Futures	§ 41.23(b)
Novel Derivative Product Notification	§ 40.12(a)
Swap Submission	§ 39.5

Official Product Name: _____

Product Terms and Conditions (product related Rules and Rule Amendments)

Certification	§ 40.6(a)
Certification Made Available to Trade Determination	§ 40.6(a)
Certification Security Futures	§ 41.24(a)
Delisting (No Open Interest)	§ 40.6(a)
Approval	§ 40.5(a)
Approval Made Available to Trade Determination	§ 40.5(a)
Approval Security Futures	§ 41.24(b)
Approval Amendments to enumerated agricultural products	§ 40.4(a), § 40.5(a)
“Non-Material Agricultural Rule Change”	§ 40.4(b)(5)
Notification	§ 40.6(d)

Official Name(s) of Product(s) Affected: _____

Rule Numbers: _____

June 29, 2015

Sent via email to: submissions@cftc.gov

Christopher Kirkpatrick
Office of the Secretariat
U.S. Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street NW
Washington, DC 20581

RE: Clear Markets North America, Inc. – Rule Amendments

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission (“CFTC” or “Commission”) Regulation 40.6(a), Clear Markets North America, Inc. (“Clear Markets”) hereby notifies the Commission that it has amended its Rulebook.

Clear Markets is amending the Rulebook to enhance compliance with the Commodity Exchange Act (the “Act”) and CFTC Regulations, including the swap execution facility (“SEF”) Core Principles, and to provide clarity for Participants on the SEF.

The amendments to the Rulebook, as well as explanations, are attached as Exhibit A. A copy of the amended Rulebook is also attached, as Exhibit B.

Clear Markets hereby certifies that: (i) the amended Rulebook complies with the Act and the CFTC Regulations thereunder, and (ii) this submission is being concurrently posted on the Clear Markets website. There were no opposing views expressed by the Board of Directors or Regulatory Oversight Committee.

* * * * *

If you have any questions regarding the above, please contact me at king@clear-markets.com or 980-819-1170.

Respectfully submitted,



Zachary J. King
Chief Compliance Officer
Clear Markets North America, Inc.

Attachments:

Exhibit A: Clear Markets SEF Rulebook Amendments and Explanations
Exhibit B: Clear Markets SEF Rulebook

Exhibit A: Clear Markets SEF Rulebook Amendments and Explanations

(~~Deletions Struck Through and Red~~, [Additions in Brackets and Blue])

* * *

Chapter 1. Definitions

Unless otherwise specified, the following are defined terms and shall have the meanings specified below.

* * *

Authorized User means any Person who is an agent or employee of a Participant or customer of a Participant and is authorized by such Participant to access the SEF [or a Customer designated to receive DMA by a Sponsoring Broker. For the avoidance of doubt, any Authorized User of a Customer shall not be considered an Authorized User of the Sponsoring Broker providing DMA to the Customer by virtue of the DMA relationship between the two parties].

* * *

Clearing Member means a member of a Clearing House that is authorized to clear trades for Participants or on behalf of a Participant or ~~customer of a Participant under the Rules of CMSEF~~ [Authorized Users].

* * *

[**Direct Market Access or DMA** means an arrangement among a Sponsoring FCM, its Customer and CMSEF that allows one or more representatives of that Customer to have Trading Access using the Participant ID of the Sponsoring FCM.]

* * *

[**DMA Customer** means a Customer of a Sponsoring FCM where representatives of the Customer that are natural persons are designated by the Sponsoring FCM to have Trading Access to the SEF Platform using the Participant ID of the Sponsoring FCM and where such Customer signs the DMA Customer Documentation.

DMA Customer Documentation means the agreements (together with any applicable schedules, exhibits or appendices thereto required by CMSEF) in form and substance acceptable to CMSEF, that are required to be executed and delivered to CMSEF before a DMA Customer may access the SEF Platform.

DMA Order means an Order or RFQ placed by a DMA Customer using the Participant ID of the Sponsoring FCM.]

* * *

[**Sponsoring Broker** means a Participant that designates one or more of its Customers as DMA Customers under the CMSEF Rules.]

* * *

Rule 303B Eligibility Criteria for Independent Software Vendors

An Independent Software Vendor (ISV) seeking to provide access to CMSEF must be an entity that is duly organized and in good standing, have no legal restrictions that would prohibit it from operating as an ISV, satisfy CMSEF's technological integrity requirements, complete the necessary ISV access documentation, agree to abide by the Rules and Applicable Law, consent to the jurisdiction of CMSEF, pay the fees that may be established by CMSEF from time to time, and not adversely affect CMSEF's ability to comply with Applicable Law. Access to CMSEF's Platform by an ISV shall be provided in a fair and non-discriminatory manner. Persons seeking access to CMSEF or a Platform through an ISV must be a Participant or a qualified person authorized by a Participant to have such access.

ISVs affiliated with a SEF or swap broking operation must ~~themselves~~ also agree to grant ISV access to CMSEF or a CMSEF affiliate chosen by CMSEF.

[Rule 303C Direct Market Access

Only a Sponsoring Broker may sponsor a DMA Customer.

All trades in Cleared Swaps executed via DMA connection must be guaranteed by a Sponsoring Broker that assumes financial responsibility for all activity through the DMA connection.

Each DMA Customer must execute the DMA Customer Documentation as a condition of being granted access to CMSEF.

A Sponsoring Broker shall assist CMSEF in any investigation into potential violations of the CMSEF Rules, CFTC Regulations or the Act, which occur through or with respect to a DMA connection guaranteed by such Sponsoring Broker. Such assistance must be timely and may include requiring any DMA Customer to produce documents, to answer questions from CMSEF, and/or to appear in connection with an investigation.

A Sponsoring Broker shall suspend or terminate the Trading Access of a DMA Customer or any Authorized Trader associated with such DMA Customer if CMSEF determines that the actions of the DMA Customer or any of its Authorized Traders threaten the integrity of CMSEF or liquidity of any Swap or violate any CMSEF Rule or if the DMA Customer or any of its Authorized Traders fails to cooperate in an investigation.

If a Sponsoring Broker has actual or constructive notice of a violation of the CMSEF Rules in connection with Direct Market Access by its DMA Customer and the Sponsoring Broker fails to take appropriate action, CMSEF may consider that the Sponsoring Broker has committed an act detrimental to the interest or welfare of CMSEF.]

* * *

Rule 309A Minimum Financial Standards

Each Participant shall (i) maintain an account with a Clearing Member that provides for the clearing of all Trades that such Participant executes on CMSEF for its own account; and (ii) cause each customer on whose behalf it acts to maintain an account with a Clearing Member that provides for the clearing of all Trades that Participant executes on CMSEF on behalf of such customer.

Each Participant or ~~customer of a Participant~~ [Authorized User] shall stay within the Trading Limits established for their own account by their Clearing Member. Each Participant or ~~customer of a Participant~~ [Authorized User] shall provide notice to CMSEF of such Trading Limits. Each Participant or ~~customer of a Participant~~ [Authorized User] shall provide CMSEF with immediate written notice of any change in such Trading Limits.

At least once a year, each Participant or ~~customer of a Participant~~ [Authorized User] shall provide CMSEF with a written certification that (a) Participant is and continues to be an ECP, and, (b) as applicable, all the customers on whose behalf the Participant has executed or will execute trades are also ECPs.

* * *

Rule 406 Execution of Swaps on CMSEF

The following are the methods CMSEF provides Participants in order to execute Swaps on CMSEF:

- (i) Anonymous Central Limit Order Book (Minimum Functionality):
 - a. Acceptable Orders. The following kinds of orders may be entered into the Central Limit Order Book (CLOB) of the CMSEF Platform.
 - I. Market Orders. A “Market Order” is an order to purchase or sell a contract at the best price on the CMSEF Platform at the time the order is entered in to the CMSEF Platform.
 - II. Limit Orders. A “Limit Order” is an order to buy or sell a contract at a specified price or better.
 - b. Entry of Orders. An anonymous order may be submitted directly by the Participant for its own account or on behalf of a Customer on whose behalf such a Participant is authorized to act.
 - c. Time Delay Requirement. All Participants who, in connection with the execution of a Required Transaction, seek to either execute against a Customer’s order or execute two Customers against each other through the CMSEF’s CLOB shall use the following procedure:
 - I. If a Participant seeks to execute an order against a Customer order, then such Participant must enter the Customer order into the CMSEF CLOB and then wait at least 15 seconds before entering the Participant’s order; or
 - II. If a Participant seeks to execute two Customer orders against each other, then such Participant shall enter one side of the trade into the CMSEF CLOB and wait at least 15 seconds before entering the second side of the trade for execution.
 - d. [Time Delay Exception. There is no time delay requirement with respect to any DMA Order.]
 - e. Price-Time Priority. All prices received in the CLOB are sorted based on strict price-time priority protocol.
 - f. Trading Limits. Participants shall only enter orders for such Contracts and for such amounts as is permitted within the scope of their trading limits.
 - g. Matching of Orders. Orders submitted will be matched as follows:
 - I. Market Orders. Matching orders will be matched against all pending bids and offers in accordance with a price-time priority protocol. If any portion of the market order is not filled, the unfilled remainder will be canceled.
 - II. Limit Orders. Limit orders will be matched with bids and offers that have a price that is at or better than the price of the limit order, in accordance with the price-time protocol. If any portion of the limit order is not filled, the unfilled portion of the order will remain in the market at the price and time that the order was entered.
 - h. Unfilled Orders.
 - I. After the close of trading each Trading Day, all unfilled bids and offers will be cancelled
 - II. Upon a Participant’s logging out from the CMSEF Platform during the Trading Day, all unfilled bids and offers entered by such Participant will be cancelled.
- (ii) Request for Quote (RFQ)
 - a. Entry of Orders. Participants may submit RFQ inquiries on a name disclosed basis. Submission of RFQ inquiries must be sent to minimum of three counterparties none of which shall be;
 - i. affiliated of or controlled by the counterparty requesting the RFQ inquiry; or
 - ii. affiliates of or controlled by each other.
 - b. Anonymous RFQ. In the future CMSEF may enable Participants to submit and respond to RFQ inquiries on an anonymous basis.

[Each order submitted on the SEF shall include the following:

- (i) The Legal Entity Identifier of the Participant or Client placing the order;
- (ii) A yes/no indication of whether the Participant or Client is a swap dealer with respect to the product with respect to which the order is placed.
- (iii) A yes/no indication of whether the Participant or Client is a major swap participant with respect to the product with respect to which the order is placed.
- (iv) A yes/no indication of whether the Participant or Client is a Financial Entity.
- (v) A yes/no indication of whether the Participant or Client is a U.S. person.
- (vi) If applicable, an indication that the Participant or Client will elect the clearing requirement exception in CEA section (2)(h)(7) for any swap resulting from the order.
- (vii) If the swap will be allocated:
 - a. An indication that the swap will be allocated.
 - b. The Legal Entity Identifier of each Participant or Client.
 - c. An indication of whether the swap is a post-allocation swap.
- (viii) If the swap is a post-allocation swap, the unique swap identifier of the original transaction between the reporting counterparty and the agent.]

* * *

Rule 409 Modification or Cancellation of Orders by CMSEF

CMSEF may adjust trade prices or cancel trades when such action is necessary to mitigate market[-] disrupting events caused by improper conduct or erroneous trading actions. In the event that CMSEF adjusts or cancels a trade, it will do so in accordance with CMSEF Rules.

CMSEF at its sole discretion may also adjust trade prices or cancel any trade if CMSEF determines that allowing the trade to stand would have a material or adverse effect on the integrity of the market. Any such determination regarding and an adjustment or cancellation shall be final. Notwithstanding any provision of these Rules, in no event shall any action be taken by or on behalf of CMSEF that would (a) adjust trade prices once such trades are submitted to the Clearing House, or (b) cancel any trade or otherwise cause any trade to be deemed void *ab initio* until after receipt of a clearing rejection notice from the Clearing House.

CMSEF may review trades if a Participant requests a review provided that CMSEF receive a request within five minutes of the execution of the trade. Once a request for review has been received by CMSEF shall determine whether the trade will be subject to review. If the trade is selected for review, an alert to all Participants on CMSEF indicating that the trade is under review.

CMSEF may also choose to review trades and make adjustments based upon its own analysis of market trading conditions and the process on which trades are executed. If the trade is selected for review, an alert to all Participants on CMSEF indicating that the trade is under review.

Rule 410[A] Pre-execution Credit Checks

CMSEF will verify prior to the execution of any Order that the Participants or ~~customer of a Participant~~ [Authorized User] have sufficient credit limits with their Clearing Members so that the trade will be able to be accepted by the Clearing House for Clearing. CMSEF will not permit Participants or ~~customer of a Participant~~ [Authorized User] to execute transactions if their credit limits are insufficient.

All Orders will be prescreened on an order-by-order basis. Any order which is rejected by a Clearing Member shall be *void ab initio*.

It is the responsibility of the Participants or ~~customer of a Participant~~ [Authorized User] to evaluate the credit quality of their Prime Broker, FCM, and or Clearinghouse, and their counterparty on uncleared swaps.

[Rule 410B Incorporation of Previously-Negotiated Agreements Between Counterparties

A Swap that is entered into on CMSEF shall contain a record of all of the terms of the Swap, which shall legally supersede any previous agreement and serve as a confirmation of the transaction. Such terms shall legally supersede any previous agreement and serve as a confirmation of the Swap transaction (CMSEF's Swap confirmation will state the preceding).

SEF confirmation must state, where applicable, that it incorporates by reference the terms of the underlying previously negotiated freestanding agreements between the Counterparties to the Swap.

Upon request, Participants must provide CMSEF or the Commission with copies of any underlying previously-negotiated freestanding agreements as soon they are available.]

* * *

[Rule 412 Position Limits or Accountability

To reduce the potential threat of market manipulation or congestion, SEF shall adopt for each of the contracts of the facility, as is deemed necessary and appropriate by SEF, position limitations or position accountability levels for speculators.]

~~Rule 412~~ [Rule 413A] Position Limits

In accordance with CFTC Regulations, CMSEF may from time to time adopt position limits and grant exceptions from position limits as may be necessary.

CMSEF shall not set position limits in excess of CFTC limits.

In the event CMSEF adopts position limits, Participants may request and exemption from such limits by filing an application with CMSEF's Market Monitor Team. Participants may not exceed such limits until they have received Written approval from CMSEF. Applications to exceed position limits must be filed in a form acceptable to CMSEF and must at a minimum include:

- (i) the name and contact information of the Participant;
- (ii) a description of the exemption being requested;
- (iii) whether the exemption is for
 - a. bona fide hedging as defined in CFTC Regulation §1.3(z)(1),
 - b. risk management, or
 - c. arbitrage/spread positions; and
- (iv) a description of the complete underlying exposure related to the exemption request.

In the event that CMSEF agrees to provide the requested exemption, the Participant must agree to:

- (i) provide CMSEF with any information or documentation requested by CMSEF;
- (ii) to comply with any and all terms, conditions or limitations imposed by CMSEF;
- (iii) permit CMSEF modify or revoke the exemption at any time;
- (iv) agree to initiate and liquidate positions in an orderly manner; and
- (v) agree to immediately notify CMSEF of any material change to the information provided to CMSEF.

CMSEF reserves the right to take any actions necessary in response to any Emergency situation that may arise including forcing any Participant to reduce any outstanding positions.

Rule 413[B] Position Accountability

All Participants shall be bound by ~~CMSEF~~ [CMSEF's] position accountability levels for Required Transactions. CMSEF will set these levels in accordance with appropriate CFTC Regulations.

In the event a Participant holds or controls aggregate positions in a Swap in excess of CMSEF position accountability levels, the Participant shall be subject to the following:

- (i) The Participant shall promptly provide any information requested by CMSEF concerning size and type of the position and any efforts to hedge the position.
- (ii) The Participant shall, if directed by CMSEF, liquidate in an orderly manner, or not increase further the positions, which exceed CMSEF's position accountability levels.
- (iii) The Participant shall, upon request by CMSEF, identify the beneficial owner and or any controlling parties for such positions.

CMSEF reserves the right to take any actions necessary in response to any Emergency situation that may arise including forcing any Participant to reduce any outstanding positions.

* * *

[Rule 417 Pre-trade Communications]

In any case in which a Participant or Participants pre-arrange or pre-negotiate a transaction prior to entering a bid or offer on the SEF, either directly or through a broker, the Participant or Participants must allow a 15-second delay between orders entered on the SEF.]

~~Rule 417~~ [Rule 418] Dissemination of Prices and Trading Information

CMSEF shall publish information daily on its website regarding prices, volume, and other data as required by the CFTC Regulations.

CMSEF will also make available a central pricing screen on CMSEF with a real-time view of resting orders and any indicative bids and offers.

CMSEF may make available to Participants an indicative, non-attributed pricing page on CMSEF for certain types of Swaps of the most commonly traded tenors within such type of Swap.

CMSEF shall choose, at its sole discretion, a SDR. As required by CFTC Regulation 37.901(a), CMSEF shall transmit Required Swap Creation Data for each Swap executed pursuant to these Rules to the appropriate SDR in the form and manner required.

CMSEF may provide such Required Swap Creation Data to Participants and Authorized Users no earlier than the time it transmits such information to an SDR and in a form that does not disclose the identities, or otherwise facilitate identification, of the parties to the Swap.

~~Rule 418~~ [Rule 419] Emergencies

An Emergency may include but not be limited to manipulative activity or attempted manipulative activity, disruptions of the relevant DCOs, governmental action, trading abuses, physical threats such as fire or terrorist acts, inclement weather, power failures, communications or computer system failures and other events which are unforeseen or adverse circumstances in which it is impracticable for CMSEF to continue to operate in a normal manner.

An Emergency may include any of the following:

- (i) any manipulative activity or attempted manipulative activity;

- (ii) any actual, attempted or threatened corner, squeeze, congestion or undue concentration of positions;
- (iii) circumstance that may materially adversely affect the performance of Swaps, including any failure or disruption of the relevant DCO or the payment system;
- (iv) any action taken by the U.S. federal or any foreign government, any other governmental body, or any other entity or trading facility (foreign or domestic), in each case that may have a direct adverse effect on trading on CMSEF;
- (v) circumstances that may have a severe, adverse effect upon the physical functions of the CMSEF, including fire or other casualty, bomb threats, terrorist acts, substantial inclement weather, power failures, communications breakdowns, computer system breakdowns, malfunctions of plumbing, heating, ventilation and air conditioning systems and transportation breakdowns;
- (vi) a bankruptcy or insolvency of any Participant or Clearing Member or the imposition of any injunction or other restraint by any government agency, court or arbitrator upon a Participant, that may affect the ability of such Participant or Clearing Member to perform its obligations;
- (vii) circumstances in which it appears that the financial or operational condition of a Participant or one or more of its Affiliates is such that to allow that Participant to continue its operation would jeopardize the integrity of CMSEF, or negatively impact the financial markets by introducing an unacceptable level of uncertainty, volatility or risk, whether or not the Participant continues to meet CMSEF requirements; and
- (viii) any other unusual, unforeseeable or adverse circumstance with respect to which it is impracticable for the CMSEF to submit in a timely fashion a reviewable rule to the CFTC.

In the event of an Emergency, CMSEF reserves the right, at its sole discretion, to take any action CMSEF deems necessary to reduce market disruptions including canceling Orders or Trades, halting markets, limiting CMSEF Platform access if CMSEF believes that such action is necessary and in the best interests of CMSEF, Participants, or the market in general. Such actions may include:

- (i) imposing or modifying position or price limits;
- (ii) extending, limiting or changing the Trading Hours in respect of one or more Swaps;
- (iii) suspending or curtailing trading, or limiting trading to liquidation only, in any or all Swaps;
- (iv) ordering the liquidation of Swaps or the reduction of positions;
- (v) modifying or suspending any provision of these Rules; and/or
- (vi) taking market actions as may be directed by the CFTC.

CMSEF's Board shall review any action taken during an Emergency to ensure that it was proper and appropriate and the Board may revoke, suspend or modify such action at its discretion.

If, in the judgment of the CMSEF, the physical functions of CMSEF are, or are threatened to be, severely and adversely affected by a physical emergency, CMSEF may take any action necessary or appropriate to respond to such physical emergency, including closing the CMSEF Platform, delaying the opening of trading in one or more Swaps or suspending trading in or extending Trading Hours for one or more Swaps. In the event that trading is suspended in any or all Swaps, any unexecuted Orders or RFQs for the suspended Swaps that are currently resting in the CMSEF Platform will automatically be cancelled and must be resubmitted upon resumption of trading in the affected Swaps.

CMSEF will make reasonable efforts to notify the CFTC prior to implementing, modifying or terminating a rule pursuant to this Rule. If CMSEF is not able to notify the CFTC before implementing such action, CMSEF will notify the CFTC as soon as reasonably practicable, but in all circumstances within 24 hours of the implementation, modification or termination of such Emergency action.

If the Emergency is related to a Swap that is fungible with financial products traded on another swap execution facility or a designated contract market, CMSEF will try to coordinate its response with any directions received from the CFTC.

Rule Number	Rule Amendment	Explanation
Definitions	<p>Authorized User definition amended to include Customers that have direct market access ("DMA") through a Sponsoring Broker.</p> <p>Clearing Member definition amended to provide clarity that Clearing Members clear trades for Participants and their Authorized Users, which includes Customers of Participants.</p> <p>Definitions for DMA, DMA Customer, DMA Customer Documentation, DMA Order and Sponsoring Broker created in connection with new DMA Rule – Rule 303C.</p>	<p>For clarity</p> <p>Compliance with Core Principals 2 and 4</p> <p>Compliance with Core Principals 2 and 4</p>
Rule 303B	Non-substantive edit	For clarity
Rule 303C	Addition of rules for DMA	Compliance with Core Principals 2 and 4
Rule 309A	Provide clarity regarding applicability to Authorized Users	For clarity
Rule 406	<p>Excuse DMA orders from time delay requirement</p> <p>Add requirement for information to be included in each order on the SEF</p>	<p>Compliance with Commission Regulation 37.9(b)(3)</p> <p>Compliance with CFTC Regulations Part 45</p>
Rule 409	Non-substantive edit	For clarity
Rule 410A	Provide clarity regarding applicability to Authorized Users and renumbering	For clarity
Rule 410B	Add rule for incorporation of previously-negotiated agreements between counterparties.	Compliance with Commission Regulation 37.9(a)(2) and 37.203 pursuant to CFTC Staff Letter 15-25.
Rule 412	Add rule for position limits or accountability rules to be issued by the SEF	Compliance with Core Principle 6
Rule 413A	Renumbering	For clarity
Rule 413B	Renumbering and non-substantive edit	For clarity
Rule 417	Add rule for pre-trade communications	Compliance with Commission Regulation 37.9(b)(3)
Rule 418	Renumbering	For clarity
Rule 419	Renumbering	For clarity

Exhibit B: Clear Markets SEF Rule Book

[See Next Page]

Swaps Execution Facility Rulebook

June 2015
Revision 1.7

ALL CLEAR MARKETS SWAPS EXECUTION PARTICIPANTS HEREBY AGREE THAT THESE RULES ARE BINDING UPON ANY PERSON OR ENTITY OR ITS EMPLOYEES AND CUSTOMERS. IT IS FURTHER AGREED THAT THESE RULES ARE APPLICABLE AND THAT PARTICIPANTS ARE SUBJECT TO THE JURISDICTION OF CMSEF, THE CFTC, AND ANY RELEVANT SELF-REGULATORY ORGANIZATION. ALL PARTICIPANTS HEREBY AGREE TO COOPERATE FULLY IN THE EVENT CMSEF, THE CFTC, OR A SELF-REGULATORY ORGANIZATION CONDUCTS ANY INQUIRY, INVESTIGATION, OR AUDIT OF ANY PARTICIPANT OR ACTIVITY CONDUCTED ON THIS SWAPS EXECUTION FACILITY.

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Chapter 1. Definitions

Unless otherwise specified, the following are defined terms and shall have the meanings specified below.

Account Manager means a person that meets the criteria set forth in CFTC Rule 43.6(h)(6).

Affiliate means an affiliate of a Participant or a Person or entity who controls, is controlled or is directed, either directly or indirectly by another Person or Participant.

ACT or CEA means the Commodity Exchange Act, as amended from time to time.

API means application programming interface.

Appeals Panel means a panel appointed by the Chief Compliance Officer under Rule 519.

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

Authorized Person means any Person who is authorized by a Participant to represent the Participant in CMSEF matters.

Authorized User means any Person who is an agent or employee of a Participant or customer of a Participant and is authorized by such Participant to access the SEF or a Customer designated to receive DMA by a Sponsoring Broker. For the avoidance of doubt, any Authorized User of a Customer shall not be considered an Authorized User of the Sponsoring Broker providing DMA to the Customer by virtue of the DMA relationship between the two parties.

Block Trade means a transaction in a swap transacted in under Rule 415

Board means the Board of Directors of CMSEF constituted in accordance with these Rules and Applicable Law.

Business Day means any day on which CMSEF is open for trading.

By-Laws mean the By-Laws of CMSEF.

CEA means the Commodity Exchange Act, as amended.

CFTC or Commission means the Commodity Futures Trading Commission and any successor regulatory agency or authority.

CFTC Regulations means the rules and regulations of the CFTC, as amended.

Chief Compliance Officer is described under Rule 209.

Cleared Swap means a Swap that is required to be cleared under Section 2(h)(1)(A) of the CEA and CFTC Regulation 39.5 or is accepted for clearing by a Derivatives Clearing Organization even though such Swap is not required to be cleared.

Clearing House means a Derivatives Clearing Organization or non-US central clearing house approved by the CFTC that provides clearing services for Swaps traded on CMSEF.

Clearing Member means a member of a Clearing House that is authorized to clear trades for Participants or on behalf of a Participant or Authorized Users.

Client means a Person, other than an individual, that has provided written authority to an Account Manager to execute Swaps on CMSEF on behalf of and in the name of that Person.

CMSEF means Clear Markets North America, Inc.

Compliance Department means anyone that assists CMSEF in the surveillance and enforcement of the CMSEF Rules. This includes employees and agents of CMSEF, including employees and agents of the Regulatory Services Provider.

Control means the possession, direct or indirect, or the power or ability to influence or direct or cause the direction of the management and policies of a person, whether through the ownership of securities or otherwise.

Customer has the meaning set forth in CFTC Regulation 1.3(k).

Customer Account means an account held by a Participant on behalf of a Customer.

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

Direct Market Access or DMA means an arrangement among a Sponsoring FCM, its Customer and CMSEF that allows one or more representatives of that Customer to have Trading Access using the Participant ID of the Sponsoring FCM.

Director means any member of the Board of CMSEF.

Disciplinary Panel means a panel appointed by the CCO pursuant to Rule 513 to conduct hearings, render decisions, and impose sanctions involving disciplinary matters pursuant to these Rules.

DMA Customer means a Customer of a Sponsoring FCM where representatives of the Customer that are natural persons are designated by the Sponsoring FCM to have Trading Access to the SEF Platform using the Participant ID of the Sponsoring FCM and where such Customer signs the DMA Customer Documentation.

DMA Customer Documentation means the agreements (together with any applicable schedules, exhibits or appendices thereto required by CMSEF) in form and substance acceptable to CMSEF, that are required to be executed and delivered to CMSEF before a DMA Customer may access the SEF Platform.

DMA Order means an Order or RFQ placed by a DMA Customer using the Participant ID of the Sponsoring FCM.

Eligible Contract Participant or ECP means a Participant as defined by Section 1a(18) of the CEA.

Emergency means any situation, or circumstance that, in the opinion of the Board, the CEO or the CCO, requires immediate action may threaten the fair and orderly trading and operation of CMSEF.

Emergency Rules means rules that CMSEF may implement in the event of an Emergency.

Exchange Act means the Securities Exchange Act of 1934, as amended.

Financial Entity means any Participant meeting the criteria set forth in Section 2(h)(7)(C) of the CEA.

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

Independent Software Vendor or ISV means a Person that provides Participants with a system or platform to route orders to CMSEF but does not provide Participants with the ability to execute swaps on system or platform. An ISV cannot be a Participant.

Investigation Report has the meaning as described in Rule 504.

Legal Entity Identifier has the meaning described in Part 45 of the CFTC Regulations

Major Swap Participant is defined in Part 45 of the CEA.

Market Data means any data or other information contained in, displayed on, or generated by transactions entered into or executed on CMSEF.

Market Data Vendor means a vendor who has entered into an agreement with CMSEF to distribute Market Data.

NFA means the National Futures Association.

Officer means an officer of CMSEF.

Order means an actionable bid or offer (i) in response to a Request For Quote, (ii) displayed in the Order Book, or (iii) modification of an RFQ or price displayed in the Order Book.

Order Book means the Central Limit Order book part of the CMSEF trading system in which all Participants have the ability to enter multiple bids or offers, observe or receive bids and offers entered by other Participants, and execute such bids and offers.

Participant means any Person that has been granted Trading Privileges under the CMSEF Rules and who may trade for its own account or for or on behalf of a Customer.

Participant Documentation means any such agreements and subsequent addenda or amendments required by CMSEF before a Participant will be granted Trading Privileges.

Participant Data means any and all data and other information submitted to CMSEF by the Participant.

Participant ID is a unique identifier assigned to each Participant by CMSEF.

Person means any natural person or entity.

President means the person appointed by the Board as CMSEF's chief executive officer in accordance with CMSEF's By Laws and duties as determined by the Board.

Proprietary Account is defined by CFTC Regulation 1.3(y).

Proprietary Data means any information with respect to any Person or the identity of such person or their transactions or trading positions.

Public Director means a director of CMSEF who is not an employee or agent of CMSEF and whose compensation is not tied to the performance of CMSEF.

Regulatory Oversight Committee or ROC means the committee of the Board as described in Rule 203.

Regulatory Services Agreement means the agreement by which CMSEF delegates certain market surveillance, trade practice surveillance, and other regulatory compliance related services to a Regulatory Services Provider.

Regulatory Services Provider means the organization which provides regulatory services to CMSEF under a Regulatory Services Agreement.

Reporting Counterparty means a Participant that is designated as such under Part 45 of the CFTC Regulations.

Request for Quote or RFQ means a request for quote sent by a Participant to other Participants for the purpose of getting bids or offers under these Rules.

Required Swap Creation Data is defined under CFTC Regulation 45.1.

Required Transaction means any Swap transaction that is required under Section 2(h)(8) of the CEA to be executed on a SEF.

Review Panel means a panel formed for the purpose of deciding whether there has been a violation of CMSEF Rules.

Rules mean any rule adopted from time to time by CMSEF relating to the operation of or conduct of trading on CMSEF.

Swap Data Repository or SDR means any swap data repository registered with the CFTC as defined by Section 1a(48) of the CEA.

SEC means the Securities and Exchange Commission and any successor agency or regulatory authority.

SEF means a swap execution facility as registered with the CFTC and defined in Section 1a(50) of the CEA. CMSEF is a SEF.

Sponsoring Broker means a Participant that designates one or more of its Customers as DMA Customers under the CMSEF Rules.

Swap means any instrument defined as a swap under Section 1a(47) of the CEA and as defined in further CFTC Regulations, and is traded on CMSEF.

Swap Dealer means a swap dealer as defined in Section 1a(49) of the CEA.

Trade means any executed transaction for the purchase or sale of a Swap on CMSEF.

Trading Hours means the hours during which Participants may regularly execute trades on CMSEF.

Trading Privileges means the rights granted to a Participant to enter Orders and execute Swap transactions on CMSEF.

User ID means a unique identifier issued to each Authorized User which enables CMSEF to identify each individual accessing the CMSEF system.

Chapter 2 Governance

Rule 201 Board

- (a) CMSEF shall be governed by the Board according to the Bylaws of the Clear Markets North America, Inc.
- (b) At all times following the CFTC granting CMSEF permission to operate as a SEF the Board shall be composed of at least 35%, but in no case less than two, or fewer than the minimum number or percentage of Public Directors required by CFTC Regulations.
- (c) Public Directors can only be appointed or removed by an absolute majority of the members of the Board or Stockholders, either:
 - a. in a meeting;
 - b. by written consent of all Directors in lieu of a meeting; and
 - c. by written consent of a majority of Stockholders in lieu of a meeting.
- (d) Public Directors shall serve for two year terms from their date of election.
- (e) Members of the Board, including Public Directors must be of sufficient integrity and have relevant experience in financial markets.
- (f) Non-executive Directors and Public Directors compensation shall not be linked to the performance of CMSEF.

Rule 202 Nominating Committee

The Board shall create a Nominating Committee to identify and nominate qualified individuals to serve on the Board as required by Applicable Law. The Board shall take this action no later than the date set for compliance as set by the CFTC in order for CMSEF to operate as a SEF. The Committee shall include no fewer than the minimum number of Public Directors required by the CFTC at all times following the compliance date set by the CFTC.

Rule 203 Regulatory Oversight Committee

The Board shall create a Regulatory Oversight Committee chaired by the Chief Compliance Officer. A majority of the members of the Regulatory Oversight Committee shall be Public Directors. The Regulatory Oversight Committee shall report to the Board and shall be responsible for:

- (i) overseeing CMSEF's regulatory program, including but not limited to audits, examinations, investigations, financial reporting, market surveillance and record keeping;
- (ii) monitoring compliance with all regulatory requirements, including those of the CFTC and SEC;
- (iii) review the performance of the Chief Compliance Officer and the Compliance Department;
- (iv) review and approve the annual compliance budget and resources;
- (v) review and approve all proposed regulatory changes or changes to CMSEF's regulatory program;
- (vi) review any investigations conducted by CMSEF;
- (vii) prepare an annual report to the Board and the CFTC on CMSEF's regulatory program;
- (viii) monitoring the sufficiency, independence and effectiveness of the CMSEF's regulatory program; and
- (ix) undertake any additional duties required under these Rules or assigned to it by the Board.

Rule 204 Additional Standing Committees

The Board may create additional standing committees as may be necessary from time to time.

Rule 205 Ability of the Board to Review Decisions

The Board has the authority to review and affirm, modify, or overrule any and all actions taken by any Committees of the Board.

Rule 206 Ability of the Board to Amend these Rules

Subject to any required approval or filing required by the CFTC, the Board may from time to time amend, repeal or adopt new Rules. All such amendments, repeals, or new Rules shall become effective on the date specified by the Board unless otherwise directed by the CFTC.

Rule 207 Eligibility

An individual may not serve on the Board or a Disciplinary Panel, or be an Officer or employees of CMSEF if the individual:

- (i) has been convicted of a felony listed in Section 8a(2)(D)(ii) through (iv) of the CEA;
- (ii) is 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 was defined in the Securities Exchange Act of 1934;
- (iii) was found by final decision in the past three (3) years of a self-regulatory organization, administrative law judge, a court of competent jurisdiction, the CFTC or the SEC to have committed a disciplinary offence;
- (iv) entered into a settlement agreement within the past three years in which any of the findings or, in absence of such findings, any of the acts charged, included a disciplinary offense;
- (v) is currently suspended from trading on any contract market, is suspended or expelled from membership with any self-regulatory organization, is serving any sentence of probation or owes any portion of any fine imposed pursuant to either (A) a finding by a final decision of a self-regulatory organization, an administrative law judge, a court of competent jurisdiction or the CFTC or SEC that the person committed a disciplinary offence, or (B) a settlement agreement in which any of the findings or, in absence of such findings, any of the acts charged, included a disciplinary offence;
- (vi) is subject to an agreement with any self-regulatory organization not to apply for membership; or
- (vii) is subject to an agreement with the CFTC not to apply for registration.

In the event any of the above events occur with respect to a Board Member, Officer, or Employee of CMSEF, the individual shall disclose the occurrence to the Chief Compliance Officer.

Rule 208 Officers

The Board shall appoint a President, Chief Compliance Officer, Chief Financial Officer, Chief Technology Officer and other such officers and the Board may deem necessary from time to time. The President shall be the Chief Executive Officer. Any Officer may also be a board member, employee or officer of any of CMSEF's Affiliates or subsidiaries.

Rule 209 Chief Compliance Officer

The Board shall appoint an individual to serve as the Chief Compliance Officer (CCO) of CMSEF. The CCO shall be an individual who:

- (i) has the background and experience necessary to handle the responsibilities of the position;
- (ii) would not be disqualified from serving as a Director of CMSEF; and
- (iii) is not a member of CMSEF's legal department or legal services team.

The CCO shall:

- (i) report directly to the Chief Executive Officer or President of CMSEF;
- (ii) be responsible for implementing and overseeing the SEF's compliance with the Core Principles set forth in Section 5h of the CEA and Part 37 of the CFTC Regulations;
- (iii) establish and implement written policies and procedures designed to prevent violations of CFTC, and CEA regulations and take reasonable steps to ensure compliance with such regulations;
- (iv) establish and administer a compliance manual which ensures compliance with all applicable laws and rules and is designed to prevent ethical violations;
- (v) supervise CMSEF's self-regulatory program. This includes market surveillance, trade practice surveillance, real-time market monitoring, compliance with CFTC and CEA regulations; and
- (vi) oversee and manage the CMSEF Compliance Department.

Rule 210 Conflicts of Interest

Officers, members of the Board or Disciplinary Panels shall not knowingly participate in deliberations or voting in any matter involving a situation where they have a conflict of interest.

A conflict of interest shall include situations where such individual apart from his interest in CMSEF or an affiliate, is an employer, or employee of an employer, of a party in interest, has any other significant, ongoing business relationship with a party in interest, or has a family relationship with a named party in interest. It shall also include situations where the individual has a direct financial interest in the result of the deliberations or vote or has any other personal interests which may be affected by the outcome of the vote or deliberations.-

Prior to the commencement of deliberations, each member of the deliberating body shall disclose to the CCO whether such member has or believes that he may have a conflict of interest. All conflicts of interest must be documented by the CCO.

The CCO shall then determine whether any member of the relevant deliberating body has a conflict of interest unless the CCO has a conflict of interest, in which case the Board, by majority vote, shall designate an individual to determine if any other member has a conflict of interest.

Regardless of the determination of the CCO, no Officer, member of the Board or Disciplinary Panel shall take part in deliberations and voting on any significant action if such person knows or reasonably should know that he or she has a direct or indirect substantial financial interest in the result of the deliberation or vote.

Individuals who are required to abstain from deliberations and voting pursuant to this paragraph may participate in discussions and provide information if the other members determine that such individual's information is relevant but such individual but may not vote nor be present for voting.

Rule 211 Non-Public Information

No Officer, employee, member of the Board, Committee, or Disciplinary Panel shall use or knowingly disclose any non-public information obtained in connection with his or her official duties for an purpose other than the performance of his or her official duties.

When necessary or required by the CFTC or other regulators, CMSEF may share non-public information with one or more regulators, or SEFs, DCMs, or DCOs registered with the CFTC with which the member has a connection.

Rule 212 Reporting to the CFTC

The Board shall submit a written report about any of the following to the CFTC;

- (i) Board rejection of a recommendation or action of the Regulatory Oversight Committee; or
- (ii) the removal of a member of the Board or an Officer due to his becoming ineligible under Rule 207.

Rule 213 Reserved

Rule 214 Reserved

Rule 215 Reserved

Rule 216 Information Sharing Agreements

CMSEF shall enter into information sharing agreements or other arrangements necessary to permit CMSEF to obtain necessary information which will enable CMSEF to establish and enforce rules which will enable the motoring of trading and trade processing. CMSEF will provide information to the CFTC upon request. CMSEF will also participate in international information sharing agreements as may be required by the CFTC from time to time. As part of any information sharing agreements, CMSEF may:

- (i) share information and documents concerning current and past Participants as necessary for SEF to comply with its SRO obligations, to other markets;
- (ii) assist in market surveillance with other markets as necessary for SEF to comply with its SRO obligations, to other markets;
- (iii) share information and documents concerning current and past investigations; and/or
- (iv) require current and past Participants to provide information and documents which have been requested by other markets or regulators with which CMSEF has an information sharing agreement.

Rule 217 Agreements with Regulatory Services Providers

In the future, as permitted by CEA and CFTC Rules and Regulations, CMSEF may contract with a Regulatory Services Provider (RSP) to provide some regulatory services to CMSEF. In the event CMSEF contracts with an RSP, the terms and conditions under which an RSP will provide Regulatory Services to CMSEF will be governed by a written Regulatory Services Agreement (RSA) between CMSEF and the RSP being contracted. CEA and CFTC Rules and Regulations permit CMSEF to outsource certain investigative, regulatory, and surveillance functions to an RSP. If CMSEF chooses to outsource such services, CMSEF shall retain the ultimate decision making authority with respect to any regulatory functions that are contracted to an RSP.

Rule 218 Maintenance of Books and Records

- (i) CMSEF and all CMSEF Participants shall maintain all books and records required to be maintained pursuant to the CEA and CFTC Regulations.
- (ii) Such books and records shall be kept for the life of each Swap transacted pursuant to these Rules and five years following the termination of such Swap. Participants shall make such books and records readily accessible to CMSEF for inspection, in each case in the form and manner required under the CEA and CFTC Regulations.
- (iii) CMSEF may disclose information it obtains from Participants books and records, to any government agency, self-regulatory organization or ~~other Person~~, information concerning or associated with a Participant or other Person if the CMSEF believes such disclosure is necessary and appropriate in exercising a legal or regulatory function, whether or not a formal arrangement governing the disclosure exists or a request for information was made.

Chapter 3 Participants

Rule 301 Jurisdiction

ALL CLEAR MARKETS SWAPS EXECUTION PARTICIPANTS HEREBY AGREE THAT THESE RULES ARE BINDING UPON ANY PERSON OR ENTITY OR ITS EMPLOYEES AND CUSTOMERS. IT IS FURTHER AGREED THAT THESE RULES ARE APPLICABLE AND THAT PARTICIPANTS ARE SUBJECT TO THE JURISDICTION OF CMSEF, THE CFTC, AND ANY RELEVANT SELF-REGULATORY ORGANIZATION. ALL PARTICIPANTS HEREBY AGREE TO COOPERATE FULLY IN THE EVENT CMSEF, THE CFTC, OR A SELF-REGULATORY ORGANIZATION CONDUCTS ANY INQUIRY, INVESTIGATION, OR AUDIT OF ANY PARTICIPANT OR ACTIVITY CONDUCTED ON THIS SWAPS EXECUTION FACILITY.

Rule 302 Trading Privileges

Subject to the requirements, procedures and conditions set forth in this Chapter and any limitation, restriction or revocation from time to time imposed by CMSEF, trading privileges and electronic access to the Platform shall be offered to Participants. Trading privileges are non-transferable, non-assignable and may not be sold or leased. By virtue of obtaining trading privileges, a Participant shall not obtain any equity or other interest in CMSEF, including voting rights or rights to receive any dividends or other distributions, whether arising from a dissolution, merger, consolidation involving the Company or otherwise.

Subject to this Rule, CMSEF deny Trading Privileges to any Person:

- (i) if such Person is unable satisfactorily to demonstrate a capacity to adhere to all applicable Rules and Applicable Law;
- (ii) if such Person would bring CMSEF into disrepute; or
- (iii) for such other cause as the CMSEF may decide.

Subject to this Rule, CMSEF may determine not to permit any Person to keep its Trading Privileges, or may suspend, remove or limit such Trading Privileges if such Person:

- (i) fails to meet any of the qualification requirements for Trading Privileges after such Trading Privileges have been approved;
- (ii) fails to meet any condition placed by CMSEF on such Trading Privileges;
- (iii) violates any agreement with the CMSEF, a Clearing Member or a DCO; or
- (iv) has summary action taken against it by CMSEF under these Rules.

In the case of any suspension, revocation or limitation of the Trading Privileges of any Participant pursuant to this Rule, the CMSEF, may also suspend, revoke or limit the Trading Privileges of such Participant's Authorized Users as CMSEF deems necessary to protect other Participants and the integrity of CMSEF.

In the case of any suspension, revocation or limitation of the Trading Privileges of any Authorized User of any Participant pursuant to this Rule, CMSEF, in its sole discretion, may also suspend, revoke or limit the Trading Privileges of such Participant or such Participant's other Authorized Users as CMSEF deems necessary to protect other Participants and the integrity of the CMSEF.

Any decision by CMSEF to deny, suspend, revoke or limit the Trading Privileges of any Person will be exercised by CMSEF in an impartial, transparent, fair and nondiscriminatory manner.

Rule 303A Eligibility Criteria for Participants and Access

To be eligible to be a Participant, an applicant must demonstrate to the satisfaction of CMSEF that it;

- (i) is an ECP that is eligible to enter into Swaps it wishes to trade on CMSEF;

- (ii) completed and submitted the Participant Documentation and any other documentation requested by CMSEF;
- (iii) is validly organized, in good standing, and authorized to trade Swaps on CMSEF;
- (iv) not in bankruptcy;
- (v) is not an affiliate of CMSEF;
- (vi) holds all necessary licenses and registrations required by applicable law;
- (vii) is in compliance with all registration or authorization requirements of its home country,
- (viii) is in compliance with all recordkeeping requirements in these Rules and Applicable Law;
- (ix) is not disqualified under Section 8a(2) of the CEA;
- (x) distributed the Rules to its Authorized Persons and Authorized Users;
- (xi) is not an ISV or automated trading system;
- (xii) is a reputable business;
- (xiii) is not an individual;
- (xiv) meets any other CMSEF or CFTC criteria; and
- (xv) is not disqualified in any other way.

Once admitted, the Participant shall continue to comply with all eligibility criteria and shall notify CMSEF if it ceases to meet any of the applicable eligibility criteria.

CMSEF shall monitor all Participants to ensure that each Participant continues to remain an ECP. Upon request, all Participants shall provide the names of its Customers and Authorized Users to CMSEF.

All Participants must be members of or have entered into an agreement with a DCO or registered clearing organization to clear Swaps that are executed on or pursuant to the Rules of CMSEF.

Participants that are not Clearing Members shall be eligible to enter an Order in the Order Book pursuant to these Rules, only if:

- (i) the Participant (if the Participant is an Account Manager, only if the Account Manager on behalf of its client account(s)) can verify on a pre-trade basis that a Clearing Member has assumed the financial responsibility to clear such Cleared Swaps for the Participant with the applicable DCO;
- (ii) the Participant has entered into any necessary documentation with its counterparty; and
- (iii) the Participant otherwise meets the criteria set forth in these Rules.

A Participant that is registered as a Swap Dealer must undertake and be able to discharge:

- (i) any pre-trade disclosure it may owe to such other Participant when engaging in a Swap transaction on a disclosed basis; and
- (ii) any due diligence and analysis obligations it may owe to its counterparty.

Rule 303B Eligibility Criteria for Independent Software Vendors

An Independent Software Vendor (ISV) seeking to provide access to CMSEF must be an entity that is duly organized and in good standing, have no legal restrictions that would prohibit it from operating as an ISV, satisfy CMSEF's technological integrity requirements, complete the necessary ISV access documentation, agree to abide by the Rules and Applicable Law, consent to the jurisdiction of CMSEF, pay the fees that may be established by CMSEF from time to time, and not adversely affect CMSEF's ability to comply with Applicable Law. Access to CMSEF's Platform by an ISV shall be provided in a fair and non-discriminatory manner. Persons seeking access to CMSEF or a Platform through an ISV must be a Participant or a qualified person authorized by a Participant to have such access. ISVs affiliated with a SEF or swap broking operation must also agree to grant ISV access to CMSEF or a CMSEF affiliate chosen by CMSEF.

Rule 303C Direct Market Access

Only a Sponsoring Broker may sponsor a DMA Customer.

All trades in Cleared Swaps executed via DMA connection must be guaranteed by a Sponsoring Broker that assumes financial responsibility for all activity through the DMA connection.

Each DMA Customer must execute the DMA Customer Documentation as a condition of being granted access to CMSEF.

A Sponsoring Broker shall assist CMSEF in any investigation into potential violations of the CMSEF Rules, CFTC Regulations or the Act, which occur through or with respect to a DMA connection guaranteed by such Sponsoring Broker. Such assistance must be timely and may include requiring any DMA Customer to produce documents, to answer questions from CMSEF, and/or to appear in connection with an investigation.

A Sponsoring Broker shall suspend or terminate the Trading Access of a DMA Customer or any Authorized Trader associated with such DMA Customer if CMSEF determines that the actions of the DMA Customer or any of its Authorized Traders threaten the integrity of CMSEF or liquidity of any Swap or violate any CMSEF Rule or if the DMA Customer or any of its Authorized Traders fails to cooperate in an investigation.

If a Sponsoring Broker has actual or constructive notice of a violation of the CMSEF Rules in connection with Direct Market Access by its DMA Customer and the Sponsoring Broker fails to take appropriate action, CMSEF may consider that the Sponsoring Broker has committed an act detrimental to the interest or welfare of CMSEF.

Rule 304 Authorized Users

All Participants must appoint at least one employee as an Authorized User. Participants may appoint additional employees, agents or authorized contractors who are individuals to act as Authorized Users. Participants must specify whether additional Authorized Users are entitled:

- (i) to exercise Trading Privileges on behalf of the Participant; or
- (ii) to access CMSEF on "view only" basis.

Participants wanting to add Authorized Users shall notify the CMSEF in the form and manner prescribed by CMSEF. All Authorized Users must consent to abide by these Rules and Applicable Law prior to accessing the SEF. CMSEF may also require each Authorized User to satisfy additional requirements as CMSEF may prescribe from time to time. All Authorized Users shall be subject to the disciplinary authority of CMSEF and subject to possible fine or restriction or revocation of Trading Privileges if they are found to have violated any of these Rules or the Regulations of the CFTC or the CEA as they apply to swaps trading on CMSEF.

CMSEF may, in its sole discretion, revoke, suspend, or limit the designation of a Person as an Authorized User, and shall promptly notify the Participant in accordance with the procedures established by CMSEF.

Participants may at any time revoke an authorization granted to an Authorized User or a User ID granted to any other Person by the Participant by providing written notice of such revocation to CMSEF.

Participants shall take immediate and appropriate measures to ensure that, after any such revocation, the affected Authorized User shall not have access to the SEF and the affected Person shall not utilize its User ID.

All Participants agree to be bound by these Rules and these Rules shall also apply to each of a Participant's Authorized Users.

Each Participant shall be responsible for the actions of its Authorized Users.

Rule 305 CMSEF Platform Security

Each CMSEF Participant shall:

- (i) be solely responsible for controlling and monitoring the use of all User IDs issued to it, or its Authorized Users by CMSEF;
- (ii) ensure that each Person accessing the SEF using such User IDs is assigned a unique password and that each password is used only by the Person to whom it is assigned; and
- (iii) notify the CMSEF promptly upon becoming aware of any unauthorized disclosure or use of the User IDs or passwords or of any other reason for deactivating User IDs or passwords. Each Participant shall be bound by any actions taken through the use of its User IDs or passwords, including the execution of transactions, whether or not such actions were authorized by such Participant or any of its Supervised Persons or executed by anyone other than an Authorized User of such Participant.

Rule 306 Participant Application Process

CMSEF shall require Persons who wish to become a Participant on CMSEF to:

- (i) submit a complete and signed CMSEF User Agreement;
- (ii) agree in writing to abide by CMSEF Rules and applicable law;
- (iii) appoint a third party agent acceptable to CMSEF as its US representative if the Person is located outside the United States as required under CFTC Regulation 15.05; and
- (iv) provide any additional information requested by CMSEF.

CMSEF may conduct an investigation or verify any information provided by a potential Participant.

CMSEF at its sole discretion, may reject a potential Participant's application or terminate a Participant's status if:

- (i) such Person is unable to satisfy the Eligibility Criteria in these Rules;
- (ii) such Person is unable to demonstrate that they can adhere to all applicable CMSEF Rules and applicable law; and
- (iii) would reflect badly upon CMSEF or its other Participants.

Rule 307 Authorized Representatives

All Participants shall designate one or more individuals as Authorized Representatives who will be the official points of contact for CMSEF. Authorized Representatives shall:

- (i) meet the eligibility criteria for Rule 207
- (ii) represent the Participant on CMSEF committees;
- (iii) receive CMSEF notices on behalf of the Participant; and
- (iv) be empowered to act on behalf of the Participant.

Participants are required to keep CMSEF advised of the most current contact information for their Authorized Representatives and to notify CMSEF if an Authorized Representative is no longer qualified under Rule 207.

Rule 308 Customers of Participants

All CMSEF Participants are required to know their Customers and are required to act in the best interests of their Customers at all times. CMSEF Participants found to not to be acting in the best interests of their Customers shall be subject to suspension or revocation of their access privileges.

Participants shall not enter an Order in the name of a Customer unless that Customer has entered into a Written agreement with the Participant authorizing the Participant to enter Orders on terms that may be decided by CMSEF from time to time.

Written agreements between Participants and their Customers must contain at least:

- (i) the full legal name and identifying information of the Customer;
- (ii) a description of the Customer's business if acting as agent;
- (iii) a representation from the Customer that it is an ECP;
- (iv) that the Customer consents to the jurisdiction of CMSEF;
- (v) that the Customer will comply with any applicable CMSEF Rules;
- (vi) that the Customer will maintain and make available for inspection its books and records as required to enforce CMSEF Rules as they apply to CMSEF; and
- (vii) consent to monitoring of its trading activities by CMSEF and CMSEF's Regulatory Services provider.

Rule 309A Minimum Financial Standards

Each Participant shall (i) maintain an account with a Clearing Member that provides for the clearing of all Trades that such Participant executes on CMSEF for its own account; and (ii) cause each customer on whose behalf it acts to maintain an account with a Clearing Member that provides for the clearing of all Trades that Participant executes on CMSEF on behalf of such customer.

Each Participant or Authorized User shall stay within the Trading Limits established for their own account by their Clearing Member. Each Participant or Authorized User shall provide notice to CMSEF of such Trading Limits. Each Participant or Authorized User shall provide CMSEF with immediate written notice of any change in such Trading Limits.

At least once a year, each Participant or Authorized User shall provide CMSEF with a written certification that (a) Participant is and continues to be an ECP, and, (b) as applicable, all the customers on whose behalf the Participant has executed or will execute trades are also ECPs.

Rule 309B Minimum Financial Standards Reporting

Each Participant must maintain all records required by the CFTC, CEA or these Rules, including all records of trading activity in the underlying commodity and related markets as it applies to swaps traded on CMSEF. Participants must make this information available to CMSEF, the CFTC or the Department of Justice.

Each Participant must notify CMSEF immediately upon becoming aware that it fails to satisfy the minimum financial requirements applicable to it, including the requirement to qualify as an Eligible Contract Participant.

Participants shall submit financial and related information to CMSEF and the RSP in the form and manner requested. A Participant that is unable to demonstrate to CMSEF that it is in compliance with such minimum financial requirements shall not engage in transactions subject to these Rules except for the purpose of closing open positions.

Participants that are registered with any SRO shall comply with all Applicable Law related to minimum financial reporting and recordkeeping requirements. Participants shall provide CMSEF with copies of any reports they are required to file with the CFTC pursuant to CFTC Regulation 1.12 as it applies to swaps traded on CMSEF.

Rule 310 Authority to Impose Restrictions

In order to ensure the protection of CMSEF, Customers and other Participants, CMSEF may impose restrictions on any Participants subject to early warning requirements under CFTC Regulation 1.12.

Rule 311 Mandatory Trading

CMSEF Participants that are Swap Dealers or Major Swap Participants are responsible for complying with the mandatory trading requirement as defined under Section 2(h)(8) of the CEA and shall not enter into any Required Transaction outside a SEF that lists a Swap which is Required to Trade.

Rule 312 Uncleared Swaps

CMSEF only permits Participants to place orders for, and execute Cleared Swaps. Uncleared Swaps are not permitted to be traded on CMSEF.

Rule 313 Fees

CMSEF shall set the fees and payment terms Participants shall be charged when using CMSEF. CMSEF shall have the right, at its sole discretion, to terminate or suspend a Participant's access or privileges in the event a Participant fails to satisfy such payment obligation within thirty (30) days after its due date.

In the event that CMSEF suspends a Participant's access to CMSEF, a Participant shall continue to be bound by any and all other applicable Rules.

Rule 314 Communications between CMSEF and Participants

Each Participant must provide CMSEF with current contact information for each of its Authorized Persons and Authorized Users. Such information must include the individual's full name, electronic mail address, and a telephone number for use during business hours.

CMSEF may, at its sole discretion, record communications between CMSEF and Participants, provided that such recording complies with all applicable regulations. This recording may include, but is not limited to, recorded telephone conversations, email, copies of faxes or other documents exchanged between CMSEF and CMSEF Participants. CMSEF's RSO shall have access to such electronic records in the event it is required pursuant to a Regulatory Services Agreement.

Rule 315 Notices

CMSEF shall publish on its website and electronically notify each Participant of each addition to, modification of, or clarification of, these Rules or of any action to implement any Rules. Participants shall be notified prior to CMSEF notifying with the CFTC or the effective date. In the event of an Emergency, CMSEF shall have the right to take actions without notifying each Participant in advance of such action.

Rule 316 Compliance with the Commodity Exchange Act

CMSEF requires that all Participants comply with all applicable rules and regulations of the CFTC and the CEA. This includes, but is not limited to, maintaining books and records as required and in a form that permits inspection by authorized representatives of the CFTC or the Department of Justice.

Rule 317 Continuing Applicability of Jurisdiction and Rules

In the event CMSEF suspends or terminates, a Participant or Authorized User access or privileges, such Participant or Authorized User shall continue to be subject to and bound by these Rules, Applicable Law,

and the jurisdiction of CMSEF for all acts arising from before the Participant or Authorized User's access or privileges were terminated. Participants and Authorized Users who have had access or privileges suspended shall cooperate with any investigations or disciplinary proceedings related to the termination of their access.

Rule 318 Participant Trading Records

Required Records. Each Participant shall (i) prepare and keep current full, complete and systematic records and information which include all pertinent data and memoranda relating to the complete audit trail all of the Trades it executes and attempts to execute on CMSEF as are required to be kept by it pursuant to applicable law and regulation including, without limitation, all records required by CFTC Regulation 37.404, and (ii) shall keep current such other records and information and adopt such forms as CMSEF may from time to time require ("Trading Records").

Participants are required to make available to CMSEF or CMSEF's RSP (if any) any and all position and trading information relating to orders placed and trades executed on CMSEF.

Participants are also required to keep and provide records of their trading activity in the index or instrument used as a reference price, the underlying commodity and related derivatives markets for any swaps they trade on CMSEF as it applies to those swaps traded on CMSEF. CMSEF may limit the application this requirement to Participants who conduct substantial trading on CMSEF.

Rule 319 Participant Maintenance of Records

- (i) All CMSEF Participants shall maintain all books and records required to be maintained pursuant to the CEA and CFTC Regulations. This includes all records related to the trading of Swaps.
- (ii) Such books and records shall be kept for the life of each Swap transacted pursuant to these Rules and five years following the termination of such Swap. Participants shall make copies of such books and records readily accessible to CMSEF for inspection, in each case in the form and manner required under the CEA and CFTC Regulations. During the first two years copies of such Trading Records shall be readily accessible.
- (iii) CMSEF may disclose information it obtains from Participants books and records, to any government agency (foreign or domestic), self-regulatory organization or other Person as required by law, information concerning or associated with a Participant or other Person if the CMSEF believes such disclosure is necessary and appropriate in exercising a legal or regulatory function, whether or not a formal arrangement governing the disclosure exists or a request for information was made.
- (iv) Participants shall make Trading Records available to the CFTC upon request and/or permit on-site inspection by duly authorized CFTC personnel.

Chapter 4 Trading Standards and Practices

Rule 401 Swaps Traded on CMSEF

CMSEF shall determine which Swaps can be traded pursuant to these Rules and shall submit such Swaps to the CFTC as required by the CEA and CFTC Regulations. At this time CMSEF only permits the trading of Cleared Swaps.

CMSEF shall determine the rules and procedures for trading Swaps on CMSEF. This includes Rules and procedures to:

- (i) determine which Swaps can be traded on CMSEF;
- (ii) determine the criteria for listing a Swap for trade;
- (iii) disseminate bids and offers and other trading information;
- (iv) recording and accounting for Swaps traded on CMSEF;
- (v) monitoring the trading activities of Participants and their Customers on CMSEF;
- (vi) establishing limits on the size and number of Orders that a Participant may enter into CMSEF;
- (vii) establish limits on the maximum daily price movements;
- (viii) establish a minimum price quoting increment for each Swap; and
- (ix) regulate any administrative matters affecting actives on CMSEF.
- (x) All orders shall contain the following information:
 - a. the name of the Participant;
 - b. the name of Authorized User (Trader);
 - c. the Contract Name (description);
 - d. the Price;
 - e. the Quantity;
 - f. the Clearinghouse to which it will be set for clearing;
 - g. the Customer name, if applicable; and
 - h. the Account number

CMSEF may amend, at its sole discretion any of these Rules or procedures at any time.

Rule 402 Prohibited Trading Activities

No Participant or any of its Authorized Users or Account Managers shall use the CMSEF Platform to knowingly:

- (i) wash or enter or execute non-competitive Swaps transactions;
- (ii) engage in front running, trading ahead of Customers, trading against Customers;
- (iii) disclose information about Customer orders; and
- (iv) take any action which will disrupt the trading on CMSEF or another SEF.

Rule 403 Fraudulent Acts and Misstatements

No Participant or any of its Authorized Persons or Users or Account Managers shall knowingly:

- (i) use CMSEF to engage in any fraudulent acts or schemes to defraud or mislead other Participants or CMSEF;
- (ii) withhold Customer orders;
- (iii) engage in fraudulent trading of any form; or
- (iv) engage in an attempt to manipulate the market in any form.

Misstatements by Participants and their Authorized Representatives and Authorized Users shall be grounds for termination of CMSEF access and privileges.

Rule 404 Misuse of the CMSEF Trading Platform

CMSEF strictly prohibits misuse of the CMSEF trading platform. No Participant or any of its Authorized Users or Account Managers shall knowingly engage in unauthorized use or misuse the CMSEF platform or to assist any Person or individual from gaining access for the purposes of misuse or take any actions which will be detrimental to CMSEF.

Misuse by Participants and their Authorized Representatives and Authorized Users shall be grounds for termination of CMSEF access and privileges.

Rule 405 Trading Hours

CMSEF shall in its sole discretion determine:

- (ii) the Business Days on which CMSEF will be open for trading;
- (iii) the Trading Hours on such Business Days during which CMSEF will be open for trading; and
- (iv) the Time Zone in which CMSEF Rules shall apply.

Unless otherwise specified in these Rules:

- (i) all references to time shall be based upon local time in New York, New York;
- (ii) opening times start on the first second of the minute cited; and
- (iii) closing times end on the last second of the minute cited.

CMSEF reserves the right to modify all of the above without advance notice in the event of an Emergency.

Rule 406 Execution of Swaps on CMSEF

The following are the methods CMSEF provides Participants in order to execute Swaps on CMSEF:

- (iii) Anonymous Central Limit Order Book (Minimum Functionality):
 - i. Acceptable Orders. The following kinds of orders may be entered into the Central Limit Order Book (CLOB) of the CMSEF Platform.
 - III. Market Orders. A "Market Order" is an order to purchase or sell a contract at the best price on the CMSEF Platform at the time the order is entered in to the CMSEF Platform.
 - IV. Limit Orders. A "Limit Order" is an order to buy or sell a contract at a specified price or better.
 - j. Entry of Orders. An anonymous order may be submitted directly by the Participant for its own account or on behalf of a Customer on whose behalf such a Participant is authorized to act.
 - k. Time Delay Requirement. All Participants who, in connection with the execution of a Required Transaction, seek to either execute against a Customer's order or execute two Customers against each other through the CMSEF's CLOB shall use the following procedure:
 - I. If a Participant seeks to execute an order against a Customer order, then such Participant must enter the Customer order into the CMSEF CLOB and then wait at least 15 seconds before entering the Participant's order; or
 - II. If a Participant seeks to execute two Customer orders against each other, then such Participant shall enter one side of the trade into the CMSEF CLOB and wait at least 15 seconds before entering the second side of the trade for execution.
 - l. Time Delay Exception. There is no time delay requirement with respect to any DMA Order.
 - m. Price-Time Priority. All prices received in the CLOB are sorted based on strict price-time priority protocol.
 - n. Trading Limits. Participants shall only enter orders for such Contracts and for such amounts as is permitted within the scope of their trading limits.
 - o. Matching of Orders. Orders submitted will be matched as follows:
 - III. Market Orders. Matching orders will be matched against all pending bids and offers in accordance with a price-time priority protocol. If any portion of the market order is not filled, the unfilled remainder will be canceled.
 - IV. Limit Orders. Limit orders will be matched with bids and offers that have a price that is at or better than the price of the limit order, in accordance with the price-time protocol. If any portion of the limit order is not filled, the unfilled portion of the order will remain in the market at the price and time that the order was entered.

- p. Unfilled Orders.
 - III. After the close of trading each Trading Day, all unfilled bids and offers will be cancelled
 - IV. Upon a Participant's logging out from the CMSEF Platform during the Trading Day, all unfilled bids and offers entered by such Participant will be cancelled.
- (iv) Request for Quote (RFQ)
 - c. Entry of Orders. Participants may submit RFQ inquiries on a name disclosed basis. Submission of RFQ inquiries must be sent to minimum of three counterparties none of which shall be;
 - i. affiliated of or controlled by the counterparty requesting the RFQ inquiry; or
 - ii. affiliates of or controlled by each other.
 - d. Anonymous RFQ. In the future CMSEF may enable Participants to submit and respond to RFQ inquiries on an anonymous basis.

Each order submitted on the SEF shall include the following:

- (ix) The Legal Entity Identifier of the Participant or Client placing the order;
- (x) A yes/no indication of whether the Participant or Client is a swap dealer with respect to the product with respect to which the order is placed.
- (xi) A yes/no indication of whether the Participant or Client is a major swap participant with respect to the product with respect to which the order is placed.
- (xii) A yes/no indication of whether the Participant or Client is a Financial Entity.
- (xiii) A yes/no indication of whether the Participant or Client is a U.S. person.
- (xiv) If applicable, an indication that the Participant or Client will elect the clearing requirement exception in CEA section (2)(h)(7) for any swap resulting from the order.
- (xv) If the swap will be allocated:
 - d. An indication that the swap will be allocated.
 - e. The Legal Entity Identifier of each Participant or Client.
 - f. An indication of whether the swap is a post-allocation swap.
- (xvi) If the swap is a post-allocation swap, the unique swap identifier of the original transaction between the reporting counterparty and the agent.

Rule 407 Required Transactions

Required Transactions that do not qualify as a Block Trade or an End-User Transaction shall be executed on CMSEF according to Rule 406 unless the Participant or its Customer can provide documentation to prove that it is entitled to an End-User Clearing Exemption.

Rule 408 Modification or Cancellation of Orders by Participants

Participants may modify or cancel any Order, which has been entered on CMSEF unless it has been executed or expired.

Rule 409 Modification or Cancellation of Orders by CMSEF

CMSEF may adjust trade prices or cancel trades when such action is necessary to mitigate market-disrupting events caused by improper conduct or erroneous trading actions. In the event that CMSEF adjusts or cancels a trade, it will do so in accordance with CMSEF Rules.

CMSEF at its sole discretion may also adjust trade prices or cancel any trade if CMSEF determines that allowing the trade to stand would have a material or adverse effect on the integrity of the market. Any such determination regarding and an adjustment or cancellation shall be final. Notwithstanding any provision of these Rules, in no event shall any action be taken by or on behalf of CMSEF that would (a) adjust trade prices once such trades are submitted to the Clearing House, or (b) cancel any trade or

otherwise cause any trade to be deemed void *ab initio* until after receipt of a clearing rejection notice from the Clearing House.

CMSEF may review trades if a Participant requests a review provided that CMSEF receive a request within five minutes of the execution of the trade. Once a request for review has been received by CMSEF shall determine whether the trade will be subject to review. If the trade is selected for review, an alert to all Participants on CMSEF indicating that the trade is under review.

CMSEF may also choose to review trades and make adjustments based upon its own analysis of market trading conditions and the process on which trades are executed. If the trade is selected for review, an alert to all Participants on CMSEF indicating that the trade is under review.

Rule 410A Pre-execution Credit Checks

CMSEF will verify prior to the execution of any Order that the Participants or Authorized User have sufficient credit limits with their Clearing Members so that the trade will be able to be accepted by the Clearing House for Clearing. CMSEF will not permit Participants or Authorized User to execute transactions if their credit limits are insufficient.

All Orders will be prescreened on an order-by-order basis. Any order which is rejected by a Clearing Member shall be *void ab initio*.

It is the responsibility of the Participants or Authorized User to evaluate the credit quality of their Prime Broker, FCM, and or Clearinghouse, and their counterparty on uncleared swaps.

Rule 410B Incorporation of Previously-Negotiated Agreements Between Counterparties

A Swap that is entered into on CMSEF shall contain a record of all of the terms of the Swap, which shall legally supersede any previous agreement and serve as a confirmation of the transaction. Such terms shall legally supersede any previous agreement and serve as a confirmation of the Swap transaction (CMSEF's Swap confirmation will state the preceding).

SEF confirmation must state, where applicable, that it incorporates by reference the terms of the underlying previously negotiated freestanding agreements between the Counterparties to the Swap.

Upon request, Participants must provide CMSEF or the Commission with copies of any underlying previously-negotiated freestanding agreements as soon they are available.

Rule 411 Cleared Swaps

Each Cleared Swap shall be cleared through the Clearing House indicated in the Swap Specification in accordance with the CEA and the CFTC Regulations.

For each Cleared Swap a Participant expects to enter into via the SEF Platform or subject to CMSEF Rules, the Participant or a Client or Customer of the Participant must establish a clearing account with the Clearing House or with a Clearing Member of the Clearing House, in each case, designated in the Swap Specification for such Cleared Swap.

All Trades in Cleared Swaps by a Participant or its Client or Customer must be guaranteed by a Clearing Member that assumes financial responsibility for such Participant, Client or Customer (each such Participant, Client or Customer, is a "Guaranteed Person"). Such guarantee is effective only until such time that the Clearing Member accepts the Trade. A Trade will be deemed to have been accepted by such Clearing Member if the Trade is submitted to the Clearing House, subject to any rule or procedure of the Clearing House, or otherwise is not rejected by the close of business on the Business Day following the Trade date. The acceptance of the Trade by a Clearing Member shall not relieve any Participant, Client or Customer of the duty to act in good faith and with reasonable care and diligence.

CMSEF shall submit each Trade to the applicable Clearing Member. If, prior to submission to the Clearing House, the Trade is rejected by the Clearing Member and the such Trade is not reconciled by the close of business on trade date, the Trade will be cancelled and CMSEF shall have the right to suspend Trading Privileges of the Participant or Participants that executed the Trade or the account of the Client on whose behalf the Participant executed the Trade that was rejected, or take any other action permitted by the CMSEF Rules. CMSEF will report the cancellation of the Trade as required by Part 43 and Part 45 of the CFTC Regulations.

Submission of executed trades to the applicable DCO shall be the responsibility of CMSEF.

Rule 412 Position Limits or Accountability

To reduce the potential threat of market manipulation or congestion, SEF shall adopt for each of the contracts of the facility, as is deemed necessary and appropriate by SEF, position limitations or position accountability levels for speculators.

Rule 413A Position Limits

In accordance with CFTC Regulations, CMSEF may from time to time adopt position limits and grant exceptions from position limits as may be necessary.

CMSEF shall not set position limits in excess of CFTC limits.

In the event CMSEF adopts position limits, Participants may request an exemption from such limits by filing an application with CMSEF's Market Monitor Team. Participants may not exceed such limits until they have received Written approval from CMSEF. Applications to exceed position limits must be filed in a form acceptable to CMSEF and must at a minimum include:

- (v) the name and contact information of the Participant;
- (vi) a description of the exemption being requested;
- (vii) whether the exemption is for
 - a. bona fide hedging as defined in CFTC Regulation §1.3(z)(1),
 - b. risk management, or
 - c. arbitrage/spread positions; and
- (viii) a description of the complete underlying exposure related to the exemption request.

In the event that CMSEF agrees to provide the requested exemption, the Participant must agree to:

- (vi) provide CMSEF with any information or documentation requested by CMSEF;
- (vii) to comply with any and all terms, conditions or limitations imposed by CMSEF;
- (viii) permit CMSEF modify or revoke the exemption at any time;
- (ix) agree to initiate and liquidate positions in an orderly manner; and
- (x) agree to immediately notify CMSEF of any material change to the information provided to CMSEF.

CMSEF reserves the right to take any actions necessary in response to any Emergency situation that may arise including forcing any Participant to reduce any outstanding positions.

Rule 413B Position Accountability

All Participants shall be bound by CMSEF's position accountability levels for Required Transactions. CMSEF will set these levels in accordance with appropriate CFTC Regulations.

In the event a Participant holds or controls aggregate positions in a Swap in excess of CMSEF position accountability levels, the Participant shall be subject to the following:

- (iv) The Participant shall promptly provide any information requested by CMSEF concerning size and type of the position and any efforts to hedge the position.

- (v) The Participant shall, if directed by CMSEF, liquidate in an orderly manner, or not increase further the positions, which exceed CMSEF's position accountability levels.
- (vi) The Participant shall, upon request by CMSEF, identify the beneficial owner and or any controlling parties for such positions.

CMSEF reserves the right to take any actions necessary in response to any Emergency situation that may arise including forcing any Participant to reduce any outstanding positions.

Rule 414 Real-Time Market Monitoring and Surveillance

Real-time monitoring of trading on CMSEF for compliance purposes shall be conducted by CMSEF's compliance department. CMSEF will monitor and surveil participants and market data on an ongoing and real time basis to ensure compliance with all applicable laws, rules, regulations and the CMSEF rulebook. If CMSEF believes a violation may be occurring or about to occur CMSEF may take actions including, but not limited to, halting a Participant's ability to execute trades on CMSEF.

- (i) CMSEF shall monitor and evaluate data on:
 - a. an ongoing basis in order to detect and prevent manipulation, price distortion, and where necessary disruptions in the cash-settlement process, and
 - b. 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, unusual trading volumes, and impairments to market liquidity.
- (ii) In addition, CMSEF may protect market integrity through use of the following safeguards to prevent the entry of orders in any of the following circumstances:
 - a. pre-trade quantity limits on individual orders to screen for order quantities not within acceptable parameters;
 - b. pre-trade price collars to screen for orders outside of current market conditions; and
 - c. pre-trade check to screen for risk based limits set by the clearing member.

Such pre trade quantity and risk limits shall be posted on CMSEF's web site.

Rule 415 Mishandled Customer Orders

CMSEF shall not be held liable for any Customer Orders which are mishandled by Participants. Participants will be solely responsible for all remedial actions in the event a Participant mishandles a Customer Order.

Rule 416 Block Trades

CMSEF's minimum block trade size shall be consistent with minimum block trade sizes set by the CFTC. CMSEF shall not permit Participants to execute Swaps as Block Trades below the minimum size set by the CFTC.

The following Block Trade Rules shall apply to Block Trades executed on CMSEF:

- (i) Block Trades shall be trades that are at or in excess of the applicable minimum block size set by the CFTC and may be executed on CMSEF by RFQ by requesting a price from less than three RFQ Receivers.
- (ii) Block Trades must trade at prices that are fair and reasonable in the context of:
 - (i) market conditions;
 - (ii) other transactions in the market at the time; and

- (iii) the nature of the Participants to the Block Trade.
- (iii) Block Trades shall not affect resting orders.
- (iv) Participants shall not aggregate Orders for different accounts to create Block Trades unless permitted by Applicable Law.
- (v) Block Trades executed off CMSEF must be reported by the Participants to CMSEF as soon as practicable but no later than five (5) minutes before the time such Block Trade would be reported by an SDR.

CMSEF reserves the right to investigate all Block Trades to ensure that they comply with all applicable CMSEF and CFTC Rules and Regulations.

Rule 417 Pre-trade Communications

In any case in which a Participant or Participants pre-arrange or pre-negotiate a transaction prior to entering a bid or offer on the SEF, either directly or through a broker, the Participant or Participants must allow a 15-second delay between orders entered on the SEF.

Rule 418 Dissemination of Prices and Trading Information

CMSEF shall publish information daily on its website regarding prices, volume, and other data as required by the CFTC Regulations.

CMSEF will also make available a central pricing screen on CMSEF with a real-time view of resting orders and any indicative bids and offers.

CMSEF may make available to Participants an indicative, non-attributed pricing page on CMSEF for certain types of Swaps of the most commonly traded tenors within such type of Swap.

CMSEF shall choose, at its sole discretion, a SDR. As required by CFTC Regulation 37.901(a), CMSEF shall transmit Required Swap Creation Data for each Swap executed pursuant to these Rules to the appropriate SDR in the form and manner required.

CMSEF may provide such Required Swap Creation Data to Participants and Authorized Users no earlier than the time it transmits such information to an SDR and in a form that does not disclose the identities, or otherwise facilitate identification, of the parties to the Swap.

Rule 419 Emergencies

An Emergency may include but not be limited to manipulative activity or attempted manipulative activity, disruptions of the relevant DCOs, governmental action, trading abuses, physical threats such as fire or terrorist acts, inclement weather, power failures, communications or computer system failures and other events which are unforeseen or adverse circumstances in which it is impracticable for CMSEF to continue to operate in a normal manner.

An Emergency may include any of the following:

- (i) any manipulative activity or attempted manipulative activity;
- (ii) any actual, attempted or threatened corner, squeeze, congestion or undue concentration of positions;
- (iii) circumstance that may materially adversely affect the performance of Swaps, including any failure or disruption of the relevant DCO or the payment system;
- (iv) any action taken by the U.S. federal or any foreign government, any other governmental body, or any other entity or trading facility (foreign or domestic), in each case that may have a direct adverse effect on trading on CMSEF;

- (v) circumstances that may have a severe, adverse effect upon the physical functions of the CMSEF, including fire or other casualty, bomb threats, terrorist acts, substantial inclement weather, power failures, communications breakdowns, computer system breakdowns, malfunctions of plumbing, heating, ventilation and air conditioning systems and transportation breakdowns;
- (vi) a bankruptcy or insolvency of any Participant or Clearing Member or the imposition of any injunction or other restraint by any government agency, court or arbitrator upon a Participant, that may affect the ability of such Participant or Clearing Member to perform its obligations;
- (vii) circumstances in which it appears that the financial or operational condition of a Participant or one or more of its Affiliates is such that to allow that Participant to continue its operation would jeopardize the integrity of CMSEF, or negatively impact the financial markets by introducing an unacceptable level of uncertainty, volatility or risk, whether or not the Participant continues to meet CMSEF requirements; and
- (viii) any other unusual, unforeseeable or adverse circumstance with respect to which it is impracticable for the CMSEF to submit in a timely fashion a reviewable rule to the CFTC.

In the event of an Emergency, CMSEF reserves the right, at its sole discretion, to take any action CMSEF deems necessary to reduce market disruptions including canceling Orders or Trades, halting markets, limiting CMSEF Platform access if CMSEF believes that such action is necessary and in the best interests of CMSEF, Participants, or the market in general. Such actions may include:

- (i) imposing or modifying position or price limits;
- (ii) extending, limiting or changing the Trading Hours in respect of one or more Swaps;
- (iii) suspending or curtailing trading, or limiting trading to liquidation only, in any or all Swaps;
- (iv) ordering the liquidation of Swaps or the reduction of positions;
- (v) modifying or suspending any provision of these Rules; and/or
- (vi) taking market actions as may be directed by the CFTC.

CMSEF's Board shall review any action taken during an Emergency to ensure that it was proper and appropriate and the Board may revoke, suspend or modify such action at its discretion.

If, in the judgment of the CMSEF, the physical functions of CMSEF are, or are threatened to be, severely and adversely affected by a physical emergency, CMSEF may take any action necessary or appropriate to respond to such physical emergency, including closing the CMSEF Platform, delaying the opening of trading in one or more Swaps or suspending trading in or extending Trading Hours for one or more Swaps. In the event that trading is suspended in any or all Swaps, any unexecuted Orders or RFQs for the suspended Swaps that are currently resting in the CMSEF Platform will automatically be cancelled and must be resubmitted upon resumption of trading in the affected Swaps.

CMSEF will make reasonable efforts to notify the CFTC prior to implementing, modifying or terminating a rule pursuant to this Rule. If CMSEF is not able to notify the CFTC before implementing such action, CMSEF will notify the CFTC as soon as reasonably practicable, but in all circumstances within 24 hours of the implementation, modification or termination of such Emergency action.

If the Emergency is related to a Swap that is fungible with financial products traded on another swap execution facility or a designated contract market, CMSEF will try to coordinate its response with any directions received from the CFTC.

Chapter 5 Disciplinary Rules

Rule 501 General

All CMSEF Participants, Authorized Persons, Authorized Users, and Participant's Customers shall be subject to the CMSEF's jurisdiction. All Participants, Authorized Persons, and Authorized Users are subject to this Chapter 5 if they, or with respect to a Participant, any other Person using any of its User

IDs, are alleged to have violated, or to have aided and abetted a violation of, or are about to violate, any Rule or any provision of Applicable Law for which CMSEF possesses disciplinary jurisdiction.

CMSEF, through its Compliance 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.

No CMSEF member of the Board, Officer, Employee, or Agent will interfere or attempt to interfere with any investigation, disciplinary hearing, or summary imposition of a judgment or other summary action.

CMSEF shall permit any Participant, Authorized Person, Authorized User, Account Manager, or Customer to be represented by counsel during any inquiry, investigation, disciplinary hearing, or imposition of a fine or summary judgment.

CMSEF may hold a Participant or Authorized User liable for, and impose sanctions against such Participant or Authorized User for such Person's own acts and omissions, or those of its agents, representatives or any Person or API using a User ID of such Participant or Authorized User. CMSEF may additionally hold a Participant liable for the acts and omissions of its Authorized Users.

CMSEF may delegate any or all of its powers or responsibilities under this Chapter 5 to the RSP, which may take any action on behalf CMSEF that the CMSEF is permitted to take hereunder; provided, however, that the CMSEF shall retain supervisory authority with respect to such powers and responsibilities and will document instances where its actions differ in any material respect from those recommended by the RSP.

Rule 502 CMSEF's Right to Inspect Participant's, Books, Records and Systems

CMSEF's Compliance Department and CMSEF's RSP (if any) will have the right to inspect the books, records, systems, equipment, and software of Participants, Authorized Persons, Authorized Users, and Participant's Customers.

CMSEF's Compliance Department and CMSEF's RSP(if any) will have the right to obtain position and trading information directly from Participants as necessary to preform CMSEF's

Rule 503 Inquiries and Investigation

CMSEF's Compliance Department or Disciplinary Panels will investigate any matter within CMSEF's disciplinary jurisdiction of which it becomes aware. The Compliance Department will determine the nature and scope of its inquiries and investigations within its sole discretion and will function independently of any commercial interests of CMSEF.

CMSEF's Compliance Department has the authority to:

- (i) initiate and conduct inquiries and investigations;
- (ii) prepare Investigation Reports and make recommendations concerning initiating disciplinary proceedings;
- (iii) allege violations within CMSEF's disciplinary jurisdiction;
- (iv) prosecute alleged violations within CMSEF's disciplinary jurisdiction; and
- (v) represent CMSEF on an appeal to an Appeal Panel of any disciplinary proceeding, summary imposition of fines, summary suspension or other summary action.

Each Participant, Authorized Person, Authorized User, and Customer:

- (i) is obligated to appear, testify and respond in writing to interrogatories within the time period required by the Compliance Department in connection with any Rule, any inquiry or investigation; or any preparation by and presentation during a disciplinary proceeding

- or appeal from a decision in a disciplinary proceeding, summary imposition of fines, summary suspension or other summary action by CMSEF;
- (ii) is obligated to produce books, records, papers, documents or other tangible evidence in his possession, custody or control within the time period required by the Compliance Department in connection with any Rule, any inquiry or investigation, any preparation by and presentation during a disciplinary proceeding or appeal from a decision in any disciplinary proceeding, summary imposition of fines, summary suspension or other summary action by CMSEF; and
- (iii) may not impede or delay any inquiry, investigation, disciplinary proceeding, appeal from a disciplinary proceeding, summary imposition of fines, summary suspension or other summary action.

Rule 504 Reports of Investigations

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

Any Investigation Report will include the reasons for initiating the investigation (including a summary of the complaint, if any), all relevant facts and evidence gathered and the analysis, conclusions and recommendation of the Compliance Department. For each potential respondent, the Compliance Department will recommend either:

- (i) closing the investigation without further action;
- (ii) entering into a summary action;
- (iii) resolving the investigation through an informal disposition, including the issuance by the Compliance Department of a warning letter (provided that no more than one warning letter for the same violation may be issued to the same potential respondent during a rolling 12-month period);
- (iv) initiating disciplinary proceedings; or
- (v) negotiating a settlement.

An informal disposition (including the issuance of a warning letter by the Compliance Department) will not constitute a finding of a violation or a sanction.

CMSEF's Compliance Department shall provide the Investigation Report to the Chief Compliance Officer, who shall determine whether the Investigation Report is complete.

CMSEF's Compliance Department shall complete each investigation in a timely manner and, absent mitigating factors, no later than 12 months after the date that such investigation was opened.

Rule 505 Opportunity to Respond to Investigation Reports

After completing the Investigation Report, if the evidence gathered during an inquiry or investigation forms a reasonable basis to believe that a violation within CMSEF's jurisdiction has occurred or is about to occur, CMSEF's Compliance Department may, upon approval of the Chief Compliance Officer, notify each potential respondent that the Compliance Department has recommended formal disciplinary charges against each such potential respondent.

The potential respondents shall be notified in writing and shall have fourteen days to respond, unless extenuating circumstances require a response sooner.

CMSEF's Compliance Department may allow a potential respondent to propose a settlement of the matter or to submit a written statement explaining why either 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 Compliance Department.

Rule 506 Review of Investigation Reports

CMSEF's Compliance Department will, within 30 days, take one of the following actions:

- (i) If CMSEF's Compliance Department determines that no reasonable basis exists to believe that a violation within CMSEF's jurisdiction has occurred or is about to occur, it may direct that no further action be taken. Upon such determination, the Compliance Department will provide a written statement setting forth the facts and analysis supporting the decision.
- (ii) If CMSEF's Compliance Department determines that disciplinary proceedings are unwarranted, it may issue a warning letter setting forth, in writing, the facts and analysis supporting the decision.
- (iii) If CMSEF's Compliance Department determines that additional investigation or evidence is needed to decide whether a reasonable basis exists to believe that a violation within CMSEF's jurisdiction has occurred or is about to occur, it will conduct further investigation.
- (iv) If CMSEF's Compliance Department determines that a reasonable basis exists to believe that a violation within CMSEF's jurisdiction has occurred or is about to occur, the potential respondent will be served with a notice of charges and proceed in accordance with this Chapter 5.

Rule 507 Warnings

CMSEF's Compliance Department is authorized to issue a warning letter to an individual or entity under investigation. If a warning letter is issued by the CMSEF's Compliance Department, it shall not be considered an indication that a violation has occurred. Only one warning letter may be issued to the same individual or entity per violation per year.

Rule 508 Notice of Charges

If CMSEF's Compliance Department authorizes disciplinary proceedings pursuant to these Rules, it will prepare, and serve in accordance with these Rules, a notice of charges.

A notice of charges will:

- (i) state the acts, practices or conduct in which the respondent is alleged to have engaged;
- (ii) state the Rule alleged to have been violated or about to be violated;
- (iii) advise the respondent of its right to a hearing and its right to be represented by legal counsel or any other representative of its choosing (other than a Director, Officer or employee of CMSEF, any member of the Disciplinary Panel or any Person substantially related to the disciplinary proceedings such as a material witness or other respondent) in all succeeding stages of the disciplinary process;
- (iv) state the period of time within which the respondent can request a hearing on the notice of charges, which will not be less than 20 days after service of the notice of charges;
- (v) 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
- (vi) advise the respondent that any allegation in the notice of charges that is not expressly denied will be deemed to be admitted.

Rule 509 Service of Notice of Charges

CMSEF shall serve notice of charges or other documents contemplated to be served pursuant to this Chapter 5 to a contact designated by each Participant. CMSEF may serve such notice (and service shall be deemed complete) to the respondent personally, 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 in records of CMSEF. Notice of Charges may also be served by electronic mail to the respondent's electronic mail address as it appears on the books and records of CMSEF, if followed by a hard copy of the document sent promptly thereafter by registered or certified mail addressed to the respondent at the respondent's address as it appears in records of CMSEF.

Rule 510 Answer to Notice of Charges

If the respondent determines to answer a notice of charges, the respondent must file an answer within 20 days after being served with such notice, or within such other time period determined appropriate by the Chief Compliance Officer.

To answer a notice of charges, the respondent must in writing:

- (i) for each allegation set forth in the notice of charges, admit such allegation, deny such allegation, or affirmatively state that the respondent does not have and is unable to obtain sufficient information to admit or deny such allegation, which shall have the effect of a denial of such allegation;
- (ii) specify any specific facts that contradict the notice of charges;
- (iv) specify any affirmative defenses to the notice of charges;
- (iv) sign and serve the answer on the Chief Compliance Officer; and
- (v) if applicable, request a hearing before a Disciplinary Panel.

Any failure by the respondent to serve a timely 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 deny will be deemed to be admitted. A general denial by the respondent, without more, will not satisfy the requirements of the second paragraph of this Rule.

If a respondent admits or fails to specifically deny any of the allegations in the notice of charges, the Disciplinary Panel shall find that the violations set forth in such allegations have been committed and shall impose a sanction for such violations. The Disciplinary Panel shall promptly notify the respondent in writing of any sanction imposed pursuant to this Rule and advise the respondent that the respondent may request a hearing on such sanction within 20 days of the respondent being served with such notice. Any failure by the respondent to do so will be deemed to be an acceptance of the sanctions in such notice and waiver of any right to appeal such sanctions.

A respondent shall be granted a hearing before a Disciplinary Panel for every instance in which such respondent either denies an allegation and requests a hearing in accordance with this Rule; or requests a hearing in accordance with this Rule.

Rule 511 Right to a Hearing

All respondents who have denied a charge shall be afforded the opportunity for a hearing. The hearing must concern only those charges which the respondent has denied.

Rule 512 Settlements

A respondent or potential respondent may at any time propose in writing an offer of settlement to anticipated or instituted disciplinary proceedings. Any offer of settlement should contain proposed findings and sanctions and be signed by the respondent or potential respondent and submitted to the Compliance Department. 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 CMSEF over it and over the subject matter of the proceedings and consent to the entry of the findings and sanctions imposed.

If a respondent or potential respondent submits an offer of settlement in accordance with paragraph (a) of this Rule, the Compliance Department will forward the offer to the Disciplinary Panel with a recommendation on whether to accept or reject the offer. The respondent or potential respondent may withdraw such offer of settlement at any time before acceptance by the Disciplinary Panel, but may not withdraw such offer at any time after acceptance by the Disciplinary Panel.

The Disciplinary Panel may accept the offer of settlement, but may not alter the terms of a settlement offer unless the respondent or potential respondent agrees.

If an offer of settlement is accepted by the Disciplinary Panel, it shall issue a written decision specifying:

- (i) the Rule violations it has reason to believe were committed, including the basis or reasons for its conclusions;
- (ii) any sanction to be imposed, which must include full customer restitution where customer harm has been demonstrated; and
- (iii) if applicable, that the respondent has accepted the sanctions imposed without either admitting or denying the Rule violations.

In the event that the Disciplinary Panel accepts an offer of settlement without the agreement of the Compliance Department, the decision must adequately support such acceptance.

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 these Rules.

If the offer of settlement of a respondent or potential respondent is not accepted by the Disciplinary Panel, fails to become final or is withdrawn by the respondent or potential respondent before its acceptance by the Disciplinary Panel, the matter will proceed as if the offer had not been made and the offer and all documents relating to it will not become part of the record. Neither a respondent or potential respondent nor the Compliance 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 513 Disciplinary Panels

The Disciplinary Panel shall conduct hearings in connection with any disciplinary proceedings (except for summary impositions of fines pursuant to these Rules), to make findings, render decisions, and impose sanctions pursuant to this Chapter 5.

Each Disciplinary Panel shall be composed of three individuals selected by the Chief Compliance Officer. Except in cases limited to the timely submission of accurate records, each Disciplinary Panel shall consist of at least one individual who would not be disqualified from serving as a Public Director, who shall chair the Disciplinary Panel.

No member of the Compliance Department may serve on a Disciplinary Panel.

Except as may otherwise be provided in these Rules, the Board may at any time remove any member of a Disciplinary Panel for cause.

Within 10 days of being notified of the appointment of the Disciplinary Panel, a respondent may seek to disqualify any individual named to the Disciplinary Panel for the reasons identified in these Rules, by serving written notice on the Chief Compliance Officer and providing a copy thereof to the chairman of the Disciplinary Panel. By not timely filing a request for disqualification, the respondent will be deemed to have waived any objection to the composition of a Disciplinary Panel. The Chief Compliance Officer will

decide in his sole discretion the merits of any request for disqualification. Any such decision will be final and not subject to appeal.

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 Company investigation or as otherwise required by law. No individual shall serve on a Disciplinary Panel unless that individual has agreed in writing that he will not publish, divulge, or make known in any manner facts or information regarding the business of any Person or other information which may come to his or her attention in his official capacity as a member of the Disciplinary Panel, except:

- a. when reporting to the Board or to a Standing Committee concerned with such information;
- b. when reporting to the Compliance Department;
- c. when requested by the CFTC or other government agency; or
- d. when compelled to testify in any judicial or administrative proceeding.

Rule 514 Convening Hearings of Disciplinary Proceedings

All disciplinary proceedings (except for summary impositions of fines pursuant to these Rules) will be conducted at a hearing before a Disciplinary Panel. Hearings 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.

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 Compliance Department.

The chairman of the Disciplinary Panel may continue, adjourn or otherwise conduct the hearing, as he may deem appropriate. The chairman 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 chairman of the Disciplinary Panel will not be bound by any evidentiary or procedural rules of law. Once admitted during the hearing, the Disciplinary Panel may consider, and attach the weight it believes appropriate to, evidence or other materials. CMSEF's Legal Department will provide guidance to the chairman of the Disciplinary Panel on the conduct of the hearing.

Except for procedural and evidentiary matters decided by the chairman of the Disciplinary Panel pursuant to these Rules, unless each respondent otherwise consents, the entire Disciplinary Panel must be present during the entire hearing and any related deliberations.

Rule 515 Respondent Review of Evidence

Prior to the commencement of a hearing, each respondent will be given the opportunity, subject to the sections below, to review all books, records, documents, papers, transcripts of testimony and other tangible evidence in the possession or under the control of CMSEF that the Compliance Department will use to support the allegations and proposed sanctions in the notice of charges or which the chairman of the Disciplinary Panel deems relevant to the disciplinary proceedings. Notwithstanding the foregoing, no respondent will have the right to review, and CMSEF will have no obligation to disclose, any information protected by attorney-client privilege. All requests for such information must be made not less than 10 days prior to the scheduled hearing date, unless the chairman of the Disciplinary Panel agrees otherwise.

If any books, records, documents, papers, transcripts of testimony, or other tangible evidence contain information that could adversely affect the competitive position of the Person providing the information or if such information might compromise other investigations being conducted by the Compliance Department, the Compliance Department may redact, edit or code such information before furnishing it to the respondent.

Notwithstanding anything in this Rule to the contrary, the Compliance Department:

- (i) will not redact, edit or code competitive or investigative information contained in documents in a manner that would materially impair the respondent's ability to defend against the allegations or proposed sanctions in the notices of charges, and
- (ii) will provide the respondent with access to the information and portions of the documents that the Compliance Department intends to rely on to support the allegations or proposed sanctions in the notice of charges.

For purposes of these Rules, information that could adversely affect competitive positions includes positions in Swaps currently held, trading strategies employed in establishing or liquidating positions, the identity of any Participant or Authorized User and the personal finances of the Person providing the information.

The respondent shall treat as confidential all data and information provided to it pursuant to these Rules, and shall not disclose any such data or information, except as necessary to the respondent's defense of notice of charges and any appeal of the decision of the Disciplinary Panel.

Rule 516 Conducting Hearings of Disciplinary Proceedings

At a hearing conducted in connection with any disciplinary proceedings, the Compliance Department will present its case supporting the allegations and proposed sanctions in the notice of charges to the Disciplinary Panel. If a respondent has timely filed an answer to the notice of charges in accordance with these Rules, the respondent is entitled to attend and participate in the hearing.

At a hearing conducted in connection with any disciplinary proceedings, the Compliance Department and each respondent may:

- (i) present evidence and facts determined relevant and admissible by the chairman of the Disciplinary Panel;
- (ii) call and examine witnesses; and
- (iii) cross-examine witnesses called by other parties.

If the respondent fails to file an answer, has filed a general denial, or if any or all of the allegations in the notice of charges are not expressly denied in the respondent's answer, the chairman 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 file a timely answer. If the Disciplinary Panel determines that the respondent had a compelling reason for failing to file a timely answer, the Disciplinary Panel will adjourn the hearing and direct the respondent to promptly file the written answer in accordance with these Rules.

Any Person entitled, or required or called upon, to attend a hearing before a Disciplinary Panel pursuant to this Rule will be given reasonable notice, confirmed in writing, specifying the date, time and place of the hearing, and the caption of the disciplinary proceedings. CMSEF will require all Participants (that are individuals), Authorized Persons, and Authorized Users that are called as witnesses to appear at the hearing and produce evidence. CMSEF will make reasonable efforts to secure the presence of all other Persons called as witnesses whose testimony would be relevant.

If during any disciplinary proceedings the Disciplinary Panel determines that a reasonable basis exists to believe that the respondent violated a Rule 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 these Rules. In connection with considering apparent violations pursuant to this Rule, the Disciplinary

Panel may request that the Compliance Department provide the Disciplinary Panel with any additional information.

The Disciplinary Panel may summarily impose sanctions on any Participant, Authorized Person, or Authorized User that impedes or delays the progress of a hearing.

CMSEF will arrange for any hearing conducted in connection with disciplinary proceedings to be recorded hearing verbatim, or substantially verbatim, in a manner capable of accurate transcription. The record shall not be transcribed unless requested by CTFC staff or the respondent or the decision is appealed. If the respondent requests a copy of all or portions of the recording of a hearing, the chairman of the Disciplinary Panel may within his sole discretion order the respondent to pay the costs for transcribing the recording of the hearing.

No interlocutory appeals of rulings of any Disciplinary Panel or chairman of the Disciplinary Panel are permitted.

Rule 517 Decision of Disciplinary Panel

As promptly as reasonable following a hearing, the Disciplinary Panel will issue an 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.

CMSEF will serve a copy of the order of the Disciplinary Panel on the respondent and the Compliance Department. The order will include:

- (i) the notice of charges or summary of the allegations;
- (ii) the answer, if any, or a summary of the answer;
- (iii) a brief summary of the evidence introduced at the hearing (or, where appropriate, incorporation by reference of the Investigation Report);
- (iv) findings of fact and conclusions concerning each allegation, including each specific Rule that the respondent is found to have violated;
- (v) the imposition of sanctions, if any, and the effective date of each sanction; and
- (vi) notice of the respondent's right to appeal pursuant to these Rules.

A Disciplinary Panel shall be dissolved automatically when it has decided the matter for which it was appointed and has notified the respondent and the Chief Compliance Officer in writing of its decision.

Unless a timely notice of appeal is filed pursuant to these Rules, the order of the Disciplinary Panel will become final upon the expiration of 20 days after the order is served on the respondent and a copy thereof is provided to the Compliance Department.

Rule 518 Sanctions

After notice and opportunity for hearing in accordance with these Rules, CMSEF will impose sanctions if any Participant, Authorized Person, or Authorized User other Person using any of the Participant's User IDs is found to have violated or to have attempted to violate a Rule or provision of Applicable Law for which CMSEF possesses disciplinary jurisdiction. Any such sanctions shall take into account the respondent's disciplinary history (if any). CMSEF may impose one or more of the following sanctions or remedies:

- (i) a warning letter, provided that no more than one warning letter may be issued to the same respondent found to have committed the same rule violation within a rolling 12-month period;
- (ii) censure;
- (iii) limitation, restriction or qualification of Trading Privileges or other activities, functions or operations;
- (iv) suspension of Trading Privileges for a period not to exceed 12 months;
- (v) fine (subject to this Rule);

- (vi) restitution or disgorgement;
- (vii) termination of Trading Privileges;
- (viii) expulsion; or
- (ix) any other sanction or remedy deemed to be appropriate.

CMSEF may impose a fine of up to \$25,000 for each violation. 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 per cent. CMSEF has sole discretion to select the bank on whose quotations to base the prime rate. Each Participant will be responsible for paying any fine or other amount imposed on, but not paid by, any of its Authorized Persons or Authorized Users.

Rule 519 Appeal from Disciplinary Panel Decision, Summary Impositions of Fines and Other Summary Actions

Each respondent found by the Disciplinary Panel to have violated (or, in the case of a Participant, whose Authorized User, Clearing Member or other Person using its User ID was found to have violated) a Rule or who is subject to any summary fine imposed pursuant to these Rules or any summary action imposed pursuant to these Rules may appeal the decision within 20 days of receiving the order of the Disciplinary Panel or the notice of summary action, as the case may be, by filing a notice of appeal with the Chief Compliance Officer.

The Compliance Department may appeal all or any part of a decision of the Disciplinary Panel, including any sanctions that may or may not have been imposed by the Disciplinary Panel, within 20 days of receiving the order of the Disciplinary Panel, by filing a notice of appeal with the Chief Compliance Officer.

While an appeal is pending, the effect of the order of the Disciplinary Panel or the summary action (including any sanctions, remedies or costs imposed thereby) shall be suspended.

The notice of appeal must state in writing the grounds for appeal, including the findings of fact, conclusions or sanctions to which the respondent objects. An appellant may appeal the order of the Disciplinary Panel or any summary action on the grounds that:

- (i) the order or summary action was arbitrary, capricious, an abuse of discretion, or not in accordance with these Rules;
- (ii) the order or summary action exceeded the authority or jurisdiction of the Disciplinary Panel, the Chief Compliance Officer or CMSEF;
- (iii) the order or summary action failed to observe required procedures;
- (iv) the order or summary action was unsupported by the facts or evidence; or
- (v) the sanctions, remedies or costs which were imposed were inappropriate or unsupported by the record.

The Chief Compliance Officer will forward copies of any notice of appeal received by it to all parties to the disciplinary proceeding or summary action, as the case may be, except the appellant. On or before the 20th day after filing a notice of appeal, the appellant must file with the Chief Compliance Officer and serve on the Compliance Department a brief supporting the notice of appeal and documents supporting the brief. On or before the 20th day after the date on which the appellant serves their supporting brief, the appellee must file and serve its brief in opposition. On or before the 10th day after the date on which the appellee serves its brief in opposition, the appellant must file and serve a brief in reply on the Compliance Department.

In connection with any appeal, the Compliance Department will furnish to the Chief Compliance Officer and to the respondent/appellant a transcript of the hearing, any exhibits introduced at the hearing, the notice of appeal and briefs filed to support and oppose the appeal.

No later than 30 days after the last submission filed pursuant to this Rule, the Chief Compliance Officer will appoint an Appeals Panel to consider and determine the appeal. An Appeals Panel shall be comprised of three individuals, none of whom shall be a member of the Compliance Department or have been a member of any Disciplinary Panel involved in the matters on appeal. The chairman of the Appeals Panel shall be an individual who would not be disqualified from serving as a Public Director.

Within 10 days of being notified of the appointment of the Appeals Panel, a respondent may seek to disqualify any individual named to the Appeals Panel for the reasons identified in these Rules, by serving written notice on the Chief Compliance Officer. By not filing a timely request for disqualification, the respondent will be deemed to have waived any objection to the composition of the Appeals Panel. The Chief Compliance Officer will decide the merits of any request for disqualification within his or her sole discretion. Any such decision will be final and not subject to appeal.

The Appeals Panel may hold a hearing to allow parties to present oral arguments. Any hearing will be conducted privately and confidentially. Notwithstanding the confidentiality of hearings, the Appeals Panel may appoint an expert to attend any hearing and assist in the deliberations if such individuals agree to be subject to appropriate confidentiality agreements. In determining procedural and evidentiary matters, the Appeals Panel will not be bound by evidentiary or procedural rules or law.

The Appeals Panel will only consider on appeal the record before the Disciplinary Panel or, in the case of a summary action, the record considered by the Chief Compliance Officer, the notice of appeal, the briefs filed in support and opposition of the appeal, and any oral arguments of the parties. The Appeals Panel may only consider new evidence when the Appeals Panel is satisfied that good cause exists for why the evidence was not introduced during the disciplinary proceeding or when imposing the summary action.

After completing its review, the Appeals Panel may affirm, modify or reverse any order of the Disciplinary Panel or summary action under appeal, in whole or in part, including increasing, decreasing or eliminating any sanction or remedy imposed, imposing any other sanction or remedy authorized by these Rules, or remanding the matter to the same or a different Disciplinary Panel for further disciplinary proceedings or for reconsideration by the Chief Compliance Officer in the case of summary action. The Appeals Panel may order a new hearing for good cause or if the Appeals Panel deems it appropriate.

As promptly as reasonably possible following its review, the Appeals Panel will issue a written decision on appeal rendering its decision based on the weight of the evidence before the Appeals Panel. The decision of the Appeals Panel will include a statement of findings of fact and conclusions for each finding, sanction, remedy and cost reviewed on appeal, including each specific Rule and provision of Applicable Law that the respondent is found to have violated, if any, and the imposition of sanctions, remedies and costs, if any, and the effective date of each sanction, remedy or cost.

The Appeals Panel's written order on appeal (including findings of fact and conclusions and the imposition of sanctions, remedies and costs, and the effective date of any sanction, remedy cost) will be the final action of CMSEF and will not be subject to appeal within CMSEF.

Rule 520 Summary Imposition of Fines

The Chief Compliance Officer may summarily impose a fine against a Participant (on behalf of itself or any of its Authorized Persons or Authorized Users or other Persons using any of its User IDs), or Authorized User for failing:

- (i) to timely pay fees, cost, charges or fines to CMSEF or a DCO;
- (ii) to make timely and accurate submissions to CMSEF of notices, reports or other information required by these Rules; and
- (iii) to keep any books and records required by these Rules.

The Compliance Department, acting on behalf of the Chief Compliance Officer, will give notice of any fine imposed pursuant to this Rule to each Participant or Authorized User subject thereto. The notice will specify:

- (i) the violation of these Rules for which the fine is being imposed;
- (ii) the date of the violation; and
- (iii) the amount of the fine. Within 20 days of serving the notice of fine, the Participant, or Authorized User, as the case may be, must either pay or cause the payment of the fine or file notice of an appeal pursuant to these Rules. Unless timely notice of appeal is filed pursuant to these Rules, the fine will become final upon the expiration of 20 days after the notice of fine is served on the Participant, or Authorized User, as the case may be.

CMSEF will set the amount of any fines imposed pursuant to this Rule, with the maximum fine for each violation not to exceed \$5,000. Summary imposition of fines pursuant to this Rule will not preclude CMSEF from bringing any other action against the Participant, or Authorized User, as the case may be.

Rule 521 Summary Suspensions and Other Summary Actions

Notwithstanding anything in these Rules to the contrary, if the Chief Compliance Officer believes that immediate action is necessary to protect the best interests of CMSEF or the marketplace, the Chief Compliance Officer may, after consultation with the Regulatory Oversight Committee summarily suspend, revoke, limit, condition, restrict or qualify the Trading Privileges of a Participant or Authorized User and take other summary action against a Participant or any of its Authorized Users in accordance with these Rules.

Whenever practicable, the Compliance Department, acting on behalf of the Chief Compliance Officer, shall provide prior written notice to the party against whom any action in accordance with this Rule shall be taken. If prior notice is not practicable, CMSEF will give notice at the earliest possible opportunity to the respondent against whom the action is brought. The Compliance Department, acting on behalf of the Chief Compliance Officer, will prepare a notice of summary action (which will state the action, the reasons for the action, and the effective time, date and duration of the action) and serve the notice on such party and advise the recipient of the notice of its right to a prompt hearing before a Disciplinary Panel and its right to be represented by legal counsel or other representative at such hearing. A request by the recipient of the notice for such a hearing shall not delay the effectiveness of the summary action.

At the request of CMSEF, a respondent against whom a summary action is brought pursuant to this Rule must provide books and records over which the respondent has access or control and must furnish information to, or appear or testify before, CMSEF or the Disciplinary Panel with the enforcement of any Rule.

If a hearing is requested pursuant to this Rule, the Disciplinary Panel will promptly convene a hearing to be conducted in accordance with these Rules.

As promptly as reasonably possible after the hearing, the Disciplinary Panel will issue to the respondent a written order affirming, modifying, or reversing the summary action. The order will include a description of the summary action taken, a summary of the evidence introduced at the reinstatement hearing, a statement of findings of fact and conclusions, a description of any action taken or to be taken by CMSEF, and the effective date, time and duration thereof.

Any decision of a Disciplinary Panel pursuant to this Rule will be the final action of CMSEF, and not subject to appeal within CMSEF upon serving the respondent with a copy of the decision.

Rule 522 Reinstatement after Summary Suspension

A respondent whose Trading Privileges are suspended, revoked, limited, conditioned, restricted or qualified pursuant to these Rules may apply for reinstatement by filing with the Compliance Department a written request stating the applicant's reasons for seeking reinstatement. CMSEF will not consider a respondent's request for reinstatement if the respondent

- (i) owes any fines, fees, charges or costs to CMSEF,
- (ii) continues to fail to appear at disciplinary proceedings without good cause or

(iii) continues to impede the progress of disciplinary proceedings.

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 case supporting the reinstatement and the Compliance 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 relevant and admissible evidence and facts and call, examine and cross-examine witnesses. At the hearing for reinstatement, CMSEF may require any Participant, Authorized Person, or Authorized User to appear as witnesses and produce evidence if the Appeals Panel determines that the evidence is relevant.

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 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 these Rules. The order of the Appeals Panel may not be appealed.

Rule 523 Rights and Responsibilities after Suspension or Termination

When the Trading Privileges of a Participant or Authorized User are suspended for a period of 12 months or less, none of its rights and Trading Privileges (including the right to hold oneself out to the public as a Participant or Authorized User or enter Orders or RFQs into the SEF and receive Participant rates for fees, costs, and charges and deposit margin at Participant levels) will apply to such Participant, Authorized Person or Authorized User during the period of the suspension, except for the right to assert claims against others as provided in these Rules. Any such suspension will not affect the rights of creditors under these Rules or relieve the Participant or Authorized User of its obligations under these Rules to perform any Swaps entered into before the suspension, or for any Company fees, costs, or charges incurred during the suspension. CMSEF may discipline a suspended Participant, Authorized Person or Authorized User under this Chapter 5 for any violation of a Rule or provision of Applicable Law committed by the Participant or Authorized User before, during or after the suspension.

When the Trading Privileges of a Participant or Authorized User are terminated, all of its rights and Trading Privileges will terminate, except for the right of the Participant, Authorized Person or Authorized User in question to assert claims against others, as provided in these Rules. Any such termination will not affect the rights of creditors under these Rules. A terminated Participant or Authorized User may only seek to reinstate his Trading Privileges by providing CMSEF with satisfactory evidence that he complies with these Rules. CMSEF will not consider the application of a terminated Participant or Authorized User if such Participant or Authorized User, as the case may be, fails to appear at disciplinary proceedings without good cause or impedes the progress of disciplinary proceedings.

A suspended or terminated Participant or Authorized User remains subject to these Rules and the jurisdiction of CMSEF for any acts or omissions prior to the suspension or termination, and must cooperate in any inquiry, investigation, disciplinary proceeding, appeal from disciplinary proceedings, summary suspension or other summary action as if the suspended or terminated Participant or Authorized User still had Trading Privileges.

Rule 524 Notice of Disciplinary Proceedings

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

Chapter 6 Miscellaneous

Rule 601 Gifts and Gratuities

Except with the prior written approval of the Chief Compliance Officer, no Participant, Authorized Person, or Authorized User shall, directly or indirectly, give or permit to be given anything of value, including gifts and gratuities, to any CMSEF member of the Board, Officer, Employee, or Agent of CMSEF.

Rule 602 Rule Violations

CMSEF shall consider it a violation of these Rules for a Participant, Authorized Person, Authorized User, or Customer of a Participant to knowingly violate the terms of any agreement made with CMSEF.

Rule 603 Market Data

CMSEF owns all rights, title and interest in and to all intellectual property and other proprietary rights (including all copyright, patent, trademark or trade secret rights) in any and all Market Data, and all derivative works based thereon, generated in the course of the operations of CMSEF.

Participants, and other Persons affiliated with any of the foregoing may not distribute, sell or retransmit Market Data to any third party without the consent of CMSEF, with the exception of information about specific trades executed on CMSEF by the Participant or other Person affiliated with the Participant.

CMSEF may share such proprietary data or personal information with one or more registered entities (as such term is defined in CFTC Regulations).

Rule 604 Publication of Trading Information

As required by Core Principle 9 of Part 37, and by Part 16, of the CFTC Regulations, CMSEF will publish information about trading activities on CMSEF. CMSEF will publish such information in a timely manner.

Rule 605 Anti-Money Laundering

CMSEF requires all of its Participants to ensure that they “know their Customers and employees”. CMSEF requires that all Participants, their Approved Persons and Approved Users agree to not knowingly assist any money laundering or other illicit business and will not knowingly assist or be a conduit for terrorist financing.

CMSEF may require that Participants provide evidence to prove that Participants’ Customers are not Specifically Designated Nations or Blocked Persons as designated by the Office of Foreign Assets Control of the U.S. Department of the Treasury.

Rule 606 Swaps Trading by CMSEF Officials

CMSEF prohibits members of the Board, Officers, Employees, and independent contractors from trading, directly or indirectly, any Swap traded on CMSEF or any other SEF where such individual has access to material non-public information concerning such Swap. Swaps traded by retirement plans or retirement investments where the individual is not involved in the decision making process shall not be deemed to constitute trading directly or indirectly in a Swap.

Rule 607 Confidentiality

With the following exceptions, CMSEF shall hold in confidence all non-public information provided by a Participant, customer of a Participant or Authorized User:

- (i) when legally requested by a Government Agency or the regulatory authority (foreign or domestic);
- (ii) to a SDR, DCO, or other entity for the purposes of clearing a Swap;
- (iii) to a Regulatory Services Provider;
- (iv) when required as part of a legal proceeding;
- (v) as part of an investigation into market abuses or disciplinary proceedings;
- (vi) with the consent of the Participant; and
- (vii) any other reason permitted by these Rules.

Rule 608 Information-Sharing Agreements

As required by Applicable Law, from time to time CMSEF may enter into information-sharing agreements to coordinate surveillance with domestic or foreign regulators, self-regulatory organizations, clearing organizations, exchanges, markets or other execution facilities to share information.

Under such information-sharing agreements, CMSEF may:

- (i) share information about current and former Participants;
- (ii) share information about current and ongoing investigations;
- (iii) share information about CMSEF market activity; and
- (iv) require Participants to provide detailed information about their activities, Customers and staff.

Rule 609 Rule Changes Due to Changes in Government Regulations

CMSEF may, from time to time, amend or repeal any Rule and/or adopt new Rules as required to remain in compliance with a CFTC or CEA Rules or Regulations. All new Rules, amendments or repeals of a Rule or adoption of a new Rule, shall take effect upon the effective date adopted by CMSEF.

Any and all such changes shall be binding on all Participants, Authorized Officials, Authorized Users, and Customers of Participants of the CMSEF.

CMSEF may, in its sole discretion, waive, or extend the time period for performing, any act or acts designated by these Rules, but only to the extent that such waiver or extension is not inconsistent with the CEA or CFTC Regulations

Rule 610 Governing Law

Any disputes between CMSEF and a Participant, a Participant's Authorized Person or Authorized User or a Customer of a Participant shall be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts executed and performed wholly within the State of New York, without regard to any provisions of New York law that would apply the substantive law of a different jurisdiction.

Any legal actions against CMSEF, its members of the Board, Officers, employees, or agents must be brought within one year from the date of the event that caused the accrued. Legal actions against CMSEF shall be brought in the State or Federal courts located within the Borough of Manhattan in the City of New York.

Participants, Authorized Persons, Authorized Users, and Customers of Participants who fail to prevail in a lawsuit or other legal proceeding against CMSEF or its members of the Board, Officers, Employees or Agents shall reimburse CMSEF for all expenses, including reasonable attorneys' fees, incurred by CMSEF or its members of the Board, Officers, Employees or Agents by CMSEF in the defense of such proceedings.

Rule 611 Force Majeure

CMSEF shall not be obligated to perform its obligations under these Rules or any agreement with a Participant, or to compensate any Participant or a Participant's Customer for losses as a result of any circumstances that CMSEF determines, in its sole discretion, may have an adverse effect upon the functions and facilities of CMSEF. For the avoidance of doubt, this includes acts of God, fire or other natural disasters, bomb threats, acts of terrorism or war, severely inclement weather, power outages, interruption in telecommunications or Internet services or services by network service providers, work stoppages, severe market disruptions, disputes with service providers, or other unforeseen events.

Rule 612 Extension or Waiver of CMSEF Rules

The Chief Compliance Officer of CMSEF may, in his sole discretion, waive, or extend the time period for performing, any act or acts designated by CMSEF Rules, but only to the extent that such waiver or extension is not inconsistent with the CEA or CFTC Regulations.