

# 7.3

Réglementation des bourses, des  
chambres de compensation, des OAR et  
d'autres entités réglementées

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### 7.3. RÉGLEMENTATION DES BOURSES, DES CHAMBRES DE COMPENSATION, DES OAR ET D'AUTRES ENTITÉS RÉGLEMENTÉES

#### 7.3.1 Consultation

##### **GFI Swaps Exchange LLC – Demande de dispense de reconnaissance à titre de bourse et des obligations des Règlements 21-101 et 23-101**

L'Autorité des marchés financiers (l'« Autorité ») publie la demande de dispense (i) de reconnaissance à titre de bourse en vertu de la *Loi sur les instruments dérivés*, RLRQ, c. I-14.01, et (ii) des obligations du *Règlement 21-101 sur le fonctionnement du marché* et du *Règlement 23-101 sur les règles de négociation*, déposée par GFI Swaps Exchange LLC.

L'Autorité invite toutes les personnes intéressées à lui présenter leurs observations relativement à cette demande.

(Le texte est reproduit ci-après.)

##### **Commentaires**

Toute personne désirant soumettre des commentaires est invitée à les faire parvenir par écrit, au plus tard le 10 juin 2019 à :

M<sup>e</sup> Anne-Marie Beaudoin  
Secrétaire générale  
Autorité des marchés financiers  
800, square Victoria, 22<sup>e</sup> étage  
C.P. 246, tour de la Bourse  
Montréal (Québec) H4Z 1G3  
Télécopieur : 514 864-6381  
Courrier électronique : [consultation-en-cours@lautorite.gc.ca](mailto:consultation-en-cours@lautorite.gc.ca)

##### **Information complémentaire**

Pour de plus amples renseignements, on peut s'adresser à :

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May 3, 2019

Mr. Pascal Bancheri  
Senior Analyst  
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800, Square Victoria, 22e étage  
C.P. 246, tour de la Bourse  
Montréal (Québec) H4Z 1G3

Re: GFI Swaps Exchange LLC– Application for Exemption from Recognition as an Exchange

Dear Mr. Bancheri:

GFI Swaps Exchange LLC ("**GFI**") hereby requests that the Autorité des marchés financiers (the "**AMF**") grant GFI an exemption from the recognition obligation as an exchange set forth in Article 12 of the *Derivatives Act* L.R.Q., c. 1-14.01 and from the obligations stated in *Regulation 21-101 on Marketplace Operation* R.R.Q., c. V-1.1, r. 5 and in *Regulation 23-101 on Trading Rules*, R.R.Q., c. V-1.1, r. 6.

#### Exemption Criteria

AMF staff has established prescribed criteria that it will apply when considering applications for exemption from the obligations listed above.

The criteria are set forth as follows:

1. Regulation of the Exchange in Home Jurisdiction
2. Recognition or Authorization Process of Regulator in Home Jurisdiction
3. Powers of Exchange Respecting Co-Operation
4. Powers Respecting Co-Operation of Regulator in Home Jurisdiction
5. Conditions of Compliance

#### **BACKGROUND**

GFI Swaps Exchange LLC ("**GFI**" or the "**Company**") is registered as a swap execution facility ("**SEF**") with the Commodity Futures Trading Commission (the "**Commission**"). The Company operates and maintains a trading facility for executing swaps and has certain self-regulatory obligations pursuant to the Commodity Exchange Act ("**CEA**") and Commission Regulations.

GFI received permanent registration from the U.S. Commodity Futures Trading Commission ("**CFTC**") to operate a Swap Execution Facility ("**SEF**") on January 22, 2016. GFI had commenced operations with temporary registration on October 2, 2013. GFI provides swap market participants with flexible, tailored approaches to electronic execution and clearing of derivatives trades. GFI's technology infrastructure includes fully-compliant execution methodologies such as anonymous Central Limit Order Book ("**CLOB**"), name disclosed Request for Quote ("**RFQ**") system, Intra-day Electronic Auctions, Indications of Interest, and Voice Managed Orders for Blocks and Non-Blocks. Market participants will be able to utilize GFI's platform to segregate US entity/non-US entity transactions on both a graphical user interface ("**GUI**") and application programming interface ("**API**") via instrument choice and contra-counterparty filtering. GFI offers market participants access to the following asset classes: Commodity, Currency, Equity, Foreign Exchange, Credit, and Interest Rate as defined by the GFI contract specifications located on the GFI website at [www.gfigroup.com](http://www.gfigroup.com)

GFI makes the following representations to the AMF:

- In the United States, GFI operates under the jurisdiction of the CFTC and has obtained permanent registration with the CFTC to operate a Swap Execution Facility;
- GFI is obliged under CFTC rules to have requirements governing the conduct of participants, to monitor compliance with those requirements and to discipline participants, including by means other than exclusion from the marketplace;
- Because GFI regulates the conduct of its participants, it is considered by the AMF to be an exchange;

- Because GFI has participants located in Quebec, it is considered by the AMF to be carrying on business as an exchange in Quebec, and is required to be recognized as such or exempted from recognition pursuant to section 21 of the Act;
- GFI has no physical presence in Quebec and does not otherwise carry on business in Quebec except as described in the application;
- GFI will not provide access to a Quebec User trading in products other than swaps, as defined in section 1a of the United States Commodity Exchange Act ("CEA"), without prior AMF approval; and
- GFI submits that it does not pose a significant risk to the Quebec capital markets and is subject to an appropriate regulatory and oversight regime in a foreign jurisdiction.

In addition to the aforementioned description and representations, GFI formally submits the following request to the AMF:

- GFI finds that granting this exemption is not prejudicial to the public interest; and
- GFI acknowledges that this application will be published as a public document.

For more information on the structure, Officers, and Board members of GFI, please refer to documents posted by GFI on the CFTC web portal at the following link:

<https://sirt.cftc.gov/SIRT/SIRT.aspx?Topic=SwapExecutionFacilitiesAD&Key=26060>

## **APPLICATION:**

### **APPLICATION OF EXEMPTION CRITERIA**

#### **PART 1 REGULATION OF THE EXCHANGE IN HOME JURISDICTION**

##### **i. Measures Put in place by the regulator to ensure compliance and effective supervision of exchange operations;**

GFI Swaps Exchange LLC ("**GFI**" or the "**Company**") is registered as a swap execution facility ("**SEF**") with the Commodity Futures Trading Commission (the "**Commission**"). The Company operates and maintains a trading facility for executing swaps and has certain self-regulatory obligations pursuant to the Commodity Exchange Act ("**CEA**") and Commission Regulations. Listed below are pertinent background facts relating to the Company's organization, governance and operations:

Date of organization: October 23, 2012

Jurisdiction of organization: Delaware

Address of headquarters: 55 Water Street, 28<sup>th</sup> Floor, New York, New York

Date of application for SEF registration: July 19, 2013

Date of SEF registration: January 22, 2016

Date of commencement of SEF operations: October 2, 2013

Fiscal year: January 1 to December 31

Chief Executive Officer: Colin Heffron

Chief Compliance Officer: Kenneth Sklover

Contractual relationships with the following derivatives clearing organizations:

Chicago Mercantile Exchange Inc.  
ICE Clear Credit LLC  
ICE Clear Europe Limited  
LCH.Clearnet Limited  
LCH.Clearnet LLC

Contractual relationships with the following swap data repositories:

Chicago Mercantile Exchange Inc.  
DTCC Data Repository (U.S.) LLC

## ICE Trade Vault, LLC

As further described below, the Company has an established framework of written rules, policies and procedures that have been designed to ensure compliance with each applicable provision of the CEA and Commission Regulations.

GFI is registered with the Commodity Futures Trading Commission (“CFTC”) as a swap execution facility (“SEF”).<sup>1</sup> As a SEF, GFI is subject to regulatory supervision by the CFTC, a U.S. federal regulatory agency. The CFTC reviews, assess and enforces a SEF’s adherence to the Commodity Exchange Act (“CEA”) and the regulations promulgated thereunder on an ongoing basis, including but not limited to, a SEF’s compliance with “Core Principles” relating to financial resources, participant and product eligibility, financial integrity of transactions, emergency authority, minimizing conflicts of interest, rule enforcement and system safeguards. GFI is subject to ongoing examination and inspection by the CFTC.

As a registered SEF, GFI is required to comply with the Core Principles set forth in Section 5h(f) of the CEA as interpreted and implemented by the CFTC in Part 37 of CFTC Regulations.

The 15 Core Principles are as follows:

Core Principle 1 (Compliance with Core Principles). A SEF is required to comply with the Core Principles and any requirement that the CFTC may impose by rule or regulation. A SEF has reasonable discretion in establishing the manner of such compliance. CFTC Regulation 37.100 codifies these requirements.

Core Principle 2 (Compliance with Rules). A SEF is required to establish and enforce compliance with its rules, including the terms and conditions of the swaps traded or processed on or through the SEF and any limitation on access to the SEF. A SEF is also required to establish and enforce trading, trade processing and participation rules that will deter abuses and have the capacity to detect, investigate, and enforce those rules, including means to provide market participants with impartial access to the market and to capture information that may be used in establishing whether rule violations have occurred. A SEF must also establish rules governing its operations, including rules specifying trading procedures to be used in entering and executing orders traded or posted on the SEF, including block trades. Finally, a SEF must require swap dealers and major swap participants effecting swaps through the SEF to comply with the mandatory clearing requirement set forth in CEA Section 2(h)(8). CFTC Regulations 37.200-206 codify these requirements and establish minimum requirements that a SEF must meet in order to comply with Core Principle 2.

Core Principle 3 (Swaps Not Readily Susceptible to Manipulation). A SEF is required to permit trading only in swaps that are not readily susceptible to manipulation. CFTC Regulations 37.300-301 codify this requirement and establish minimum requirements that a SEF must meet in order to comply with Core Principle 3.

Core Principle 4 (Monitoring of Trading and Trade Processing). A SEF is required to establish and enforce trading procedures for entering and executing orders traded on or through the SEF. A SEF must also establish and enforce procedures for trade processing of swaps on or through the SEF. Core Principle 4 also requires each SEF to monitor trading to prevent manipulation, price distortion and disruptions of the delivery or cash settlement process through surveillance, compliance and disciplinary practices and procedures, including methods for conducting real-time monitoring of trading and comprehensive and accurate trade reconstructions. CFTC Regulations 37.400-408 codify these requirements and establish minimum requirements that a SEF must meet in order to comply with Core Principle 4.

Core Principle 5 (Ability to Obtain Information). A SEF is required to establish and enforce rules that allows it to obtain any necessary information to perform any of the functions described in CEA Section 5h and provide such information to the CFTC upon request. A SEF is also required to have the capacity to carry out international information-sharing agreements to the extent required by the CFTC. CFTC Regulations 37.500-504 codify these requirements and establish minimum requirements that a SEF must meet in order to comply with Core Principle 5.

Core Principle 6 (Position Limits or Accountability). A SEF is required to adopt position limits or position accountability levels for each swap listed on the SEF, as necessary or appropriate. For a swap subject to a position limit established by the CFTC, a SEF may set its position limitation at a level no higher than the CFTC’s limitation. A SEF must monitor positions established on the SEF for compliance with the limits set by the CFTC

<sup>1</sup> Capitalized terms that are used but not defined in this Application have the meaning given those terms in GFI’s Rulebook. URL: <http://www.efigroup.com/markets/gfi-sef/overview/> Unless otherwise noted, all references herein to “Rules” refer to the rules set forth in GFI’s Rulebook.

and the limit, if any, set by the SEF. CFTC Regulations 37.600-601 codify these requirements and establish minimum requirements that a SEF must meet in order to comply with Core Principle 6.

Core Principle 7 (Financial Integrity of Transactions). A SEF is required to establish and enforce rules and procedures for ensuring the financial integrity of swaps entered on or through the SEF, including the clearance and settlement of the swaps. CFTC Regulations 37.700-703 codify these requirements and establish minimum requirements that a SEF must meet in order to comply with Core Principle 7.

Core Principle 8 (Emergency Authority). A SEF is required to adopt rules to provide for the exercise of emergency authority, in consultation or cooperation with the CFTC, as is necessary and appropriate, including the authority to liquidate or transfer open positions in any swap or to suspend or curtail trading in a swap. CFTC Regulations 37.800-801 codify these requirements and establish minimum requirements that a SEF must meet in order to comply with Core Principle 8.

Core Principle 9 (Timely Publication of Trading Information). A SEF is required to make public timely information on price, trading volume, and other trading data on swaps to the extent prescribed by the CFTC. A SEF is also required to have the capacity to electronically capture and transmit trade information with respect to transactions executed on the SEF. CFTC Regulations 37.900-901 codify these requirements and establish minimum requirements that a SEF must meet in order to comply with Core Principle 9.

Core Principle 10 (Recordkeeping and Reporting). A SEF is required to maintain records of all activities relating to the SEF's business, including a complete audit trail, in a form and manner acceptable to the CFTC for a period of five years. A SEF is also required to report to the CFTC such information as the CFTC determines to be necessary or appropriate for the CFTC to perform its duties under the CEA. A SEF must keep any such records relating to certain security-based swaps open to inspection and examination by the Securities and Exchange Commission. Core Principle 10 also requires the CFTC to adopt data collection and reporting requirements for SEFs that are comparable to corresponding requirements for derivatives clearing organizations and swap data repositories. CFTC Regulations 37.1000-1001 codify these requirements and establish minimum requirements that a SEF must meet in order to comply with Core Principle 10.

Core Principle 11 (Antitrust Considerations). Unless necessary or appropriate to achieve the purposes of the CEA, a SEF is prohibited from adopting any rules or taking any actions that result in any unreasonable restraint of trade or imposing any material anticompetitive burden on trading or clearing. CFTC Regulations 37.1100-1101 codify these requirements and establish minimum requirements that a SEF must meet in order to comply with Core Principle 11.

Core Principle 12 (Conflicts of Interest). A SEF is required to establish and enforce rules to minimize conflicts of interest in its decision-making process. A SEF must also establish a process for resolving the conflicts of interest. CFTC Regulation 37.1200 codifies these requirements.

Core Principle 13 (Financial Resources). A SEF is required to have adequate financial, operational and managerial resources to discharge its responsibilities. Core Principle 13 also provides that the financial resources of a SEF are considered to be adequate if the value of the financial resources exceeds the total amount that would enable the SEF to cover its operating costs for a one-year period, as calculated on a rolling basis. CFTC Regulations 37.1300-1307 codify these requirements and establish minimum requirements that a SEF must meet in order to comply with Core Principle 13.

Core Principle 14 (System Safeguards). A SEF is required to establish and maintain a program of risk analysis and oversight to identify and minimize sources of operational risk, through the development of appropriate controls and procedures and automated systems that are reliable and secure and have adequate scalable capacity. A SEF must also establish and maintain emergency procedures, backup facilities, and a plan for disaster recovery that allow for the timely recovery and resumption of operations and the fulfillment of the responsibilities and obligations of the SEF. Core Principle 14 also requires each SEF to periodically conduct tests to verify that the backup resources of the SEF are sufficient to ensure continued order processing and trade matching, price reporting, market surveillance and maintenance of a comprehensive and accurate audit trail. CFTC Regulations 37.1400-1401 codify these requirements and establish minimum requirements that a SEF must meet in order to comply with Core Principle 14.

Core Principle 15 (Designation of Chief Compliance Officer). A SEF is required to designate an individual to serve as a CCO. Core Principle 15 also requires a SEF's CCO to (i) report directly to the board or to the senior officer of the SEF, (ii) review compliance with the Core Principles, (iii) in consultation with the board or senior officer, resolve conflicts of interest that may arise, (iv) establish and administer the policies and procedures required to be established pursuant to the CEA, (v) ensure compliance with the CEA and CFTC Regulations and (vi) establish procedures to remediate noncompliance issues found during compliance office reviews, look backs, internal or external audit findings, self-reported errors or through validated complaints. Each CCO must also

design the procedures to establish the handling, management response, remediation, retesting and closing of noncompliance issues. Pursuant to Core Principle 15, each CCO is required to prepare and sign an annual report that contains a description of the SEF's compliance with the CEA and the SEF's policies and procedures, including the code of ethics and conflict of interest policies. Each CCO must certify that, under penalty of law, the report is accurate and complete, and submit the report with the appropriate financial report of the SEF. CFTC Regulations 37.1500-1501 codify these requirements and establish minimum requirements that a SEF must meet in order to comply with Core Principle 15.

### **Managerial Resources**

The Company's compliance staffing and resources include the CCO; and three additional Compliance Department employees' and the dedicated and other resources available through the RSA with NFA.

It is the duty of the CCO to enforce the Rules. The resources of the Compliance Department are available to assist in monitoring and reviewing the SEF trading activity.

The CCO and ROC monitor GFI's compliance resources and will engage additional personnel as deemed necessary. GFI's ability to detect, investigate and take action with respect to violations of its Rules will be provided by the ROC, the CCO and NFA.

The Compliance Department also has at its disposal the resources of various departments (IT, Operations, SEF Control) for the development of automated exception reports, improved reporting for surveillance and enhanced recordkeeping for audit trail purposes.

### **Operational Resources**

The SEF Control Desk provides operational support by performing several key functions: Continually review trade blotters to ensure completeness in trade reporting and timely clearing; assist in communication between brokers, desk personnel and counterparties; escalate any irregularities to Compliance. In addition, the firm's control desk personnel are available to assist the Compliance with any reviews or inquiries it may have.

Additionally, pursuant to GFI Rule 206 and the ROC Charter, the ROC is responsible for monitoring the Company's regulatory program for sufficiency, effectiveness and independence; reviewing the size and allocation of the regulatory budget and resources; reviewing the number, hiring, termination and compensation of regulatory personnel; reviewing the performance of the CCO; recommending changes that would ensure fair, vigorous and effective regulation; and reviewing all regulatory proposals prior to implementation and advising the Company's Board as to whether and how such changes may impact regulation.

The firm considers the current personnel and financial resources dedicated to the SEF for compliance purposes to be sufficient.

### **GFI Swap Exchange Self-Regulatory Program**

Section 2.1.8 of the GFI SEF Rulebook provides a description of the GFI Swaps Exchange Self-Regulatory Program, which complies with the self-regulatory responsibilities under the CEA and CFTC regulations, including the primary responsibility for ensuring that its Participants comply with the Rules. The CCO is the person with the primary responsibility for supervising key elements of the Company's self-regulatory program including:

- Surveillance of trading and trade practices
- Real-Time market monitoring
- Generation of information to meet applicable audit trail requirements
- Disciplinary proceedings
- Oversight of Participants and Sponsored Access Firms, including: audits, reviews and other examinations of such Persons' compliance with the Rules

GFI believes the joint efforts of the SEF Control Desk, GFI Compliance, ROC and Disciplinary Committee provides appropriate systems, resources and procedures for evaluating compliance with exchange and legislative requirements and for disciplining participants as noted in §5.1.

## **ii. Approval of internal by-laws, rules, policies and similar instruments by the regulator;**

- (a) **GFI has rules, policies and other similar instruments (Rules) that are designed to appropriately govern the operations and activities of participants and do not permit unreasonable discrimination among participants or impose any burden on competition that is not reasonably necessary or appropriate.**



Parts 37 and 40 of CFTC Regulations require that any proposed changes to GFI's Rules, including interpretations or resolutions, must be either certified to the CFTC as being in compliance with the CEA and CFTC Regulations or submitted to the CFTC for approval. A proposed rule change that is certified by a SEF will become effective after ten business days thereafter unless such certification is stayed by the CFTC.

GFI maintains a set of written rules and procedures which is publicly available on GFI's website. The Rules appropriately govern the operations and activities of market participants in the following chapters: Chapter 3 (Trading Platform); Chapter 4 (Business Conduct); Chapter 5 (Trading Practices); Chapter 6 (Block Trades); Chapter 7 (Discipline and Enforcement); Chapter 8 (Arbitration); Chapter 10 (Cleared and Uncleared Swaps); and Chapter 11 (Contracts). GFI believes that the Rules are consistent with applicable Quebec law.

As noted in Section 4, Core Principle 11 (Antitrust Considerations) prohibits SEFs from adopting rules or taking actions that result in an unreasonable restraint of trade or impose any material anticompetitive burdens on trading or clearing. GFI's Rules and policies have been designed to avoid unreasonable discrimination among Participants or impose any burden on competition that is not reasonably necessary or appropriate. See also Section 15 below.

The CFTC undertakes periodic rule reviews of all SEFs, including GFI. All rule changes must be submitted to the CFTC and are subject to review to ensure compliance with the CEA and CFTC Regulations. SEFs are required to self-certify new rules and rule amendments in accordance with CFTC Regulation 40.6. The CFTC publishes rule certifications publicly on its website.

New rules and rule amendments, including amendments to the terms and conditions of an existing product, become effective, pursuant to the certification of the registered entity and notice of such certification to the entity's members and market participants, on the date that is 10 business days after the date on which the Commission receives the certification unless the Commission extends the submission review period. In implementing an extension, the Commission would notify the registered entity, prior to the expiration of the 10 business days, that it is staying the certification because there exist novel or complex issues that require additional time to analyze, the certification does not include an adequate explanation of the rule or rule amendment by the submitting registered entity, or the rule or rule amendment is potentially inconsistent with the Act or the Commission's regulations thereunder.

**iii. Powers of the regulator in respect of investigations and penalties to ensure effective investor protection (the reputation of the legal system in which the regulatory regime operates is considered);**

The CFTC has been charged with administering and enforcing the CEA. Accordingly, the CFTC is the U.S. government agency that has direct regulatory and oversight responsibility for SEFs. The CFTC monitors trading at GFI and receives from GFI routine reports relating to, among other things, swaps effected on GFI's trading platform (the "**Trading Platform**") and GFI's financial profile. The CFTC also reviews an annual compliance report that is prepared and certified by GFI's Chief Compliance Officer (the "**CCO**") each year. Such annual report describes, among other things, a description of GFI's policies and procedures (including the code of ethics and conflict of interest policies) and an assessment of GFI's compliance with the CEA and CFTC Regulations. Additionally, the CFTC undertakes periodic in-depth audits or "rule reviews" of GFI's compliance with the Core Principles.

The CFTC has seven major operating units. The CFTC's Division of Market Oversight, the main operating unit examining and overseeing GFI, interacts directly with GFI. The Division of Market Oversight oversees SEFs, designated contract markets ("**DCMs**") and data repositories, conducts surveillance, reviews new SEF and DCM applications and examines existing SEFs and DCMs to ensure compliance with applicable Core Principles. The Division of Market Oversight also evaluates the products that are listed for trading at GFI to ensure they are not susceptible to manipulation.

The CFTC may investigate any action of GFI, alter or supplement GFI's Rules, suspend or revoke its registration, impose fines for violations of the CEA or CFTC Regulations and direct GFI to take whatever action the CFTC determines is necessary to maintain or restore orderly trading in the event of an emergency. In addition, any emergency action of GFI must be immediately reported to the CFTC.

**iv. Power of the regulator to obtain information from the exchange and carry out inspections;**

GFI is obligated by the CEA to give the CFTC access to all records unless prohibited by law or if such records are subject to solicitor-client privilege. The CFTC reviews and assesses GFI's adherence to the CEA and the regulations thereunder on an on-going basis, including the SEF Core Principles relating to financial resources, systems and controls, maintenance of an orderly market, execution and settlement of transactions, rule-making and investor protection. The CFTC's Division of Market Oversight, Market Compliance Section conducts regular in-depth reviews of each SEF's on-going compliance function with CFTC regulations in order to enforce their rules, prevent market manipulation and customer and market abuses, and to ensure the recording and safe



storage of trade information. GFI is required to provide information about it and its activities to the CFTC pursuant to Section 5c(c) of the CEA and Parts 37 and 40 of CFTC Regulations. .

**v. Approval of products traded on exchange;**

The products traded on the GFI Swap Execution Facility and any changes thereto are submitted to the CFTC, and are either approved by the CFTC or are subject to requirements established by the CFTC that must be met before implementation of a product or changes to a product.

The CFTC reviews and approves new products that trade through GFI. Section 723 of the Dodd-Frank Wall Street Reform and Consumer Protection Act requires SEFs to submit any determination of all new products and changes to products to the CFTC for approval or self-certification. GFI shall permit trading only in swaps that are not readily susceptible to manipulation. SEFs primarily self-certify new products and changes to products under CFTC Regulations 40.2 and 40.6, respectively. CFTC Regulation 40.2 requires that the CFTC receive a new product submission "by the open of business on the business day preceding the product's listing." CFTC Regulation 40.2 also requires that the new product submission include the following: (1) a cover sheet; (2) a copy of the new product's rules, including all rules relating to the new product's terms and conditions; (3) the intended listing date of the new product; (4) a certification by the SEF that the new product complies with the CEA and CFTC Regulations; (5) a concise explanation and analysis of the product and its compliance with the CEA and CFTC Regulations, including documentation sufficient to substantiate such explanation and analysis; and (6) a certification that the SEF posted a copy of the new product submission on its website. If requested by the CFTC, the SEF must provide any additional evidence, information or data that demonstrates that the product meets the requirements of the CEA and CFTC Regulations. The CFTC has not required GFI to remove any product certifications for failing to comply with SEF Core Principles and/or CFTC Section Part 40. The CFTC has not refused authorization to a product request by GFI.

To date GFI has not submitted a MAT application to the CFTC. Please note that under the CFTC's Rule Proposal dated 11/30/18 the MAT process as currently constituted would be eliminated. The voluntary SEF-driven MAT determination process has resulted in a limited set of products that are required to be executed on SEFs.

Proposed changes to existing products are submitted under CFTC Regulation 40.6, which requires that the CFTC receive the submission "not later than the open of business on the business day that is 10 business days prior to the registered entity's implementation of the rule or rule amendment." A submission under CFTC Regulation 40.6 must include the following: (1) a cover sheet; (2) a copy of the product's rules indicating deletions and additions; (3) the date of intended implementation; (4) a certification by the SEF that the product complies with the CEA and CFTC Regulations; (5) a concise explanation and analysis of the operation, purpose and effect of the product's rule amendment and its compliance with the CEA and CFTC Regulations; (6) a brief explanation of any substantive opposing views or a statement that no opposing views were expressed; and (7) a certification that the SEF posted a copy of the new product submission on its website. If requested by the CFTC, the SEF must provide any additional evidence, information or data that may be beneficial to the CFTC in conducting a due diligence assessment of the submission.

**vi. For a Derivatives Exchange, the existence of a process for the approval of contracts or types of contracts by the regulator;**

As stated above, the CFTC reviews and approves new products that trade through GFI.

**vii. Adherence to IOSCO standards by the regulator**

**To the extent it is consistent with the laws of the foreign jurisdiction, the exchange adheres to the standards of the International Organisation of Securities Commissions (IOSCO) including those set out in the "Principles for the Regulation and Supervision of Commodity Derivatives Markets" (2011).**

The IOSCO Principles are designed to help ensure that physical commodity markets serve their fundamental price discovery and hedging functions while operating free from manipulation and abusive trading schemes. GFI believes that the Core Principles set forth in the CEA are consistent with the IOSCO Principles, and that the CFTC's SEF Regulations implement these principles in an effective manner. Therefore, GFI believes that it will be adhering to the IOSCO Principles to the extent that it complies with the Core Principles and the CFTC's SEF Regulations.

**viii. Other Relevant Criteria**

- a. Risks Associated with Trading Products – The exchange maintains adequate provisions to measure, manage and mitigate the risks associated with trading product on the exchange that**

**may include, but are not limited to, daily trading limits, price limits, position limits, and internal controls.**

Rules 535-537 set forth GFI's position limit and position accountability rules. Pursuant to Rule 535, GFI may adopt position limits for swaps and grant exemptions from position limits, as it may determine to be necessary and appropriate, in accordance with CFTC Regulations. GFI may not set its position limit for any swap that is subject to a position limit set by the CFTC at a level higher than the CFTC's limit. The CFTC has proposed, but not yet adopted, position limits for swaps as such the firm has not determined that it is necessary or appropriate to set a position limit as of this time. CFTC Regulations 37.600-601 codify these requirements and establish minimum requirements that a SEF must meet in order to comply with Core Principle 6. To date the CFTC has not adopted position limits.

Rule 536 allows GFI to adopt position accountability levels for swaps subject to the trade execution requirement in Section 2(h)(8) of the CEA. Upon GFI's request, persons with positions in excess of position accountability levels established by GFI will be required to provide information about their positions in excess of the relevant position accountability threshold and halt any further increases in those positions.

GFI shall permit trading only in swaps that are not readily susceptible to manipulation.

GFI Rule 911 provides GFI in its discretion to implement temporary emergency procedures and rules ("Emergency Rules" subject to applicable law.

Rule 913 permits GFI to enter into an agreement with a regulatory services provider to provide certain regulatory services. However, GFI retains ultimate decision-making authority with respect to any powers or functions that are delegated the regulatory services provider, including exclusive authority over the issuance of disciplinary charges and any denial of access to the Trading Platform for disciplinary reasons.

Pursuant to the Regulatory Services Agreement (the "RSA") entered into between GFI and NFA, NFA performs trade practice and market surveillance using an automated surveillance system known as the Sophisticated Warning Analysis Profiling System ("SWAPS"). NFA uses SWAPS to monitor for certain types of suspicious transactions in connection with the time, size and percentage parameters that will be set based on the Rules or NFA's standards, which may be revised from time to time based on product offerings, market activities, trader profile information and GFI's procedures. NFA reviews all trades executed on the Trading Platform or otherwise pursuant to the Rules.

The NFA, as part of the Regulatory Services Agreement (RSA) with GFI Swaps Exchange LLC, conducts Trade Practice Surveillance for all trades executed on the GFI Swaps Exchange LLC. This review focuses on specific trade activity utilizing the exchange audit trail information on an ongoing basis to determine if there are any potential on an ongoing basis to determine if there are any potential violations of SEF rules. The NFA as part of the RSA with the GFI Swaps Exchange LLC has agreed to conduct investigations on behalf of the Exchange. If the findings of any investigations indicate that an apparent violation of the Exchange Rules may exist, an Investigative Summary is prepared recommending that the Exchange review the Investigation in conjunction with specific Rule(s) for potential disciplinary action.

GFI Swaps Exchange LLC will provide written notice to the CFTC regarding any breaches or infractions that meet the criteria for reporting to the regulatory agency.

As noted above, real-time monitoring of trading is conducted primarily by GFI, but NFA provides a second set of eyes using a view-only market monitor screen through which it can track the activity of specific traders, monitor price and volume information and is alerted to any market messages.

This surveillance encompasses all relevant data and is not limited to a random sample. Exceptions and issues are escalated by NFA staff by telephone and electronic communication to GFI Compliance for further investigation and audit. Both the NFA and the GFI Swaps Exchange have the ability to determine which suspicious trades are to be followed up with investigations. The NFA will inform the Swaps Exchange if there are trades that require investigative follow up. If, for some reason the GFI Swaps Exchange does not agree that an investigation should be conducted then the GFI Swaps Exchange must submit to the NFA in writing, with documentation the reasons why an investigation is not necessary.

Speculative Limits and Reportable Levels: For the Contracts, GFI complies with CFTC Rule 37.600 and the associated guidance in Appendix B of Part 37. As permitted under Appendix B, this list of Permitted Transaction Swaps is being submitted in fulfillment of Rule 37.600. The guidance in Appendix B to Part 37 provides that;

(a) Guidance. Until such time that compliance is required under part 151 of this chapter, a SEF should have reasonable discretion to comply with §37.600.

Additionally, as stated in Rule 535, to reduce the potential threat of market manipulation or congestion, the Company shall adopt for each Swap, as is necessary and appropriate, position limitations or position accountability levels for speculators. Where the CFTC has established a

position limit for any Swap, the position limit established by the Company shall apply only with respect to Swaps effected on the Trading Platform and shall be the same as the limit established by the CFTC.

Finally, the Trading System has the functionality to establish a notional soft limit: a single order per instrument limit at the entity and user level and soft limit, a single user per instrument limit.

**b. Product Specifications – The terms and conditions of trading the products are in conformity with the usual commercial customs and practices for the trading of such products.**

The terms and conditions of GFI's swaps conform to the terms and conditions of swaps traded on other SEFs registered with the CFTC. Prior to listing new products, GFI conducts a market review to confirm that there will be a proper market for a swap. Such reviews are intended to foster greater liquidity for the new products by helping ensure that the terms and conditions of GFI's swaps are in conformity with normal business practices for trading in such products and meet the needs of the relevant market participants. Among other things, GFI seeks to list swaps that reference an underlying product for which there is an active trading market. GFI additionally seeks to implement contract specifications that are acceptable for clearing by the relevant Derivatives Clearing Organization, as applicable.

GFI currently lists swaps in the credit, energy and commodities, equity, foreign exchange and interest rates asset classes. The terms and conditions for each swap is included on GFI's website at <http://www.gfigroup.com/markets/gfi-sef/products/>. The products traded in the SEF as listed on the GFI website are noted in the Rulebook in Appendix A 'Contract Specifications'. The Rulebook dated January 9, 2017 is the latest version.

The terms of GFI's contracts are consistent with customary market practice, and the data necessary to compute the cash settlement price is available from reliable, widely accepted sources. At the settlement date – which is determined by the parties – the difference between the Spot FX and the traded NDF rate is paid, usually one or two business days after the Fixing Date depending on the currency. For uncleared trades, the procedure is as agreed to by the Participants. For cleared trades, it is as agreed to by the clearing venue for trades subsequently novated for clearing.

## **PART 2 RECOGNITION OR AUTHORIZATION PROCESS OF REGULATOR IN HOME JURISDICTION**

### **i. Governance**

The governance structure and governance arrangements of the exchange ensure effective oversight of the exchange.

GFI has established an organizational and governance structure that provides for effective and efficient oversight of GFI. The Board is selected with the goal of ensuring that GFI achieves the highest level of operational success while fully complying with its statutory, regulatory, and self-regulatory obligations under the CEA and CFTC Regulations. As a Delaware limited liability company, GFI's corporate governance arrangements are set forth in GFI's Limited Liability Company Agreement. The Limited Liability Company Agreement establishes GFI's formal corporate decision-making powers and procedures and gives GFI's Board of Directors (the "**Board**") the sole responsibility for overseeing the management of the operations of GFI.

The Board, which is composed of five members, shall have all the powers and authority permitted by law, GFI's Rules and its formation Partnership Agreement. The Board has five members, all of whom are ultimately elected by GFI's parent company. The officers of GFI shall have all the powers and authority provided in the formation Partnership Agreement, these Rules and such other additional duties and powers as the Board may confer on them or any of them. The Board of Directors is composed in accordance with the standards set forth in CFTC Rule 1.64(b)(1) and (b)(3). In accordance with GFI's filings as a SEF with the CFTC, twenty percent (20%) of the Board members must be a public director. GFI's Board is comprised of five members of whom one appointee or Board member is a public director representing twenty percent as defined by CFTC Rule 1.64(b)(1), this ensures proper balance among the interests of the Participants and Customers using the services and facilities of GFI. GFI adheres to CFTC Rule 1.64(b)(3), which requires that the Board's membership includes a diversity of membership interests, diversity of interests of GFI, and is otherwise consistent with the CFTC's composition requirements.

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As set forth in the Limited Liability Company Agreement, Directors may be removed from the Board at any time

by GFI's immediate parent company. The Limited Liability Company Agreement also provides that the Board must adopt procedures to remove a Director where the conduct of such Director is likely to be prejudicial to the sound and prudent management of GFI.

In addition to the Board, GFI has three standing committees: including the Nominating Committee, the Participation Committee and the Regulatory Oversight Committee ("ROC"). In addition to the standing committees, the Board has the power and authority under the Limited Liability Company Agreement to create special committees of the Board. The GFI Swaps Exchange LLC list of Directors and Officers is current

Further, GFI is required to have employees or agents who serve as officers of GFI. The officers are obliged at all times to be subject to the supervision and control of the Board and to conform to policies and programs established by the Board. The acts of the officers will bind GFI when such officers are acting within the scope of their authority. The officers are obliged to keep the Board informed as to all matters of concern to GFI.

GFI Rule 203 defines eligibility to serve on boards and committees. This excludes parties who have:

- (i) been found to have committed a disciplinary offence by a self-regulatory organization, an administrative law judge, a court of competent jurisdiction or the CFTC;
- (ii) entered into settlement;
- (iii) are currently suspended or expelled from trading any contract market;
- (iv) are currently subject/revocation or suspension to an agreement with the CFTC or any self-regulatory organization; or
- (v) are currently subject to denial, suspension or disqualification from serving on a disciplinary committee, arbitration panel or governing board of any self-regulatory organization; within the prior three years.

Furthermore, any person who is a member of the Board or any committee of GFI shall immediately notify the CEO of any information or occurrence which subjects such person to disqualification.

**a. Fair and meaningful representation on the board of directors and its committees;**

Director Requirements are as follows:

**1. Qualifications for Directors**

(a) To qualify as a Public Director, an individual must be found, by action of the Board, to have no material relationship with the Company. The Board shall make such finding upon the nomination or appointment of the Director and as often as necessary in light of all circumstances relevant to such Director, but in no case less frequently than annually. For these purposes, a "material relationship" is one that could reasonably be expected to affect the independent judgment or decision-making of the Director. A Director shall be considered to have a "material relationship" with the Company if any of the following circumstances exist or have existed within the past year:

- (i) such Director is or was an Officer or an employee of the Company, or an officer or an employee of an Affiliate of the Company; or
- (ii) such Director is or was a Participant or Sponsored Access Firm, or a director, officer or employee of a Participant or Sponsored Access Firm.

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

To maintain effective oversight, the Board utilizes GFI's written policies and procedures to ensure compliance with applicable laws and regulations. The GFI Rulebook outlines all of the rules Participants and Employees must comply with in order to comport with the Core Principles and CFTC regulations. The Rulebook is provided to each Participant and is posted on GFI's website, along with the Contract Specifications outlining the products traded on the SEF.

The officers of GFI shall have all the powers and authority provided in the formation Partnership Agreement and these Rules and such other additional duties and powers as the Board may confer on them or any of them. The officers of GFI shall consist of the Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), General Counsel ("GC"), Chief Compliance Officer ("CCO") and such other officers as the Board may appoint.

**b. Appropriate representation by independent directors on the board of directors and its committees;**

Independent Directors<sup>2</sup>

As noted above, the Board is currently comprised of five Directors, one is a Public Director. The qualifications for Public Directorship are set forth in Section 2(e) below. As such the firm has the proper balance among the interests of the Participants and Customers using the services and facilities of GFI. GFI adheres to CFTC Rule 1.64(b)(3), which requires that the Board's membership includes a diversity of membership interests, diversity of interests of GFI, and is otherwise consistent with the CFTC's composition requirements. The terms for the directors on the Board are 1 year and can be renewed annually. There is no CFTC requirement to list the directors on the SEF's website.

Committees of the Board

As noted above, GFI has the following standing committees.

*Nominating Committee*

The Nominating Committee of the Board consists of two Directors, one of whom is a Public Director, and is chaired by the Public Director. The Nominating Committee is responsible for (i) identifying individuals qualified to serve on the Board, consistent with the criteria that the Board require and any composition requirement that the CFTC may promulgate and (ii) administering a process for the nomination of individuals to the Board. The Nominating Committee also monitors and assesses the Board's independence. The Nominating Committee also ensures that nominees to fill Board vacancies possess the ability to contribute to the effective oversight and management of GFI, taking into account the needs of GFI and such factors as the individual's experience, perspective, skills and knowledge of the industry in which GFI operates.

*Participation Committee*

The Participation Committee of the Board consists of two Directors, one of whom is a Public Director. The Participation Committee is responsible for (i) determining the standards and requirements for initial and continuing eligibility of Participants, (ii) reviewing appeals of staff denials of applications for approval as a Participant or for expanded Participant authority and (iii) approving Rules that would result in different categories or classes of Participants receiving disparate access to the Trading Platform. The Participation Committee may not, and may not permit GFI to, restrict access or impose burdens on access in a discriminatory manner within each category or class of Participants or between similarly situated categories or classes of Participants.

*Regulatory Oversight Committee*

The ROC consists of one Public Director. The ROC oversees GFI's regulatory program on behalf of the Board and has the authority to (i) monitor GFI's regulatory program for sufficiency, effectiveness, and independence and (ii) oversee all facets of GFI's regulatory program, including:

- (1) trade practice and market surveillance; audits, examinations, and other regulatory responsibilities with respect to Participants (including compliance with, if applicable, financial integrity, financial reporting, sales practice, recordkeeping, and other requirements); and the conduct of investigations;
- (2) reviewing at each meeting of the ROC the size and allocation of GFI's regulatory budget and resources, and the number, hiring, termination and compensation of regulatory personnel;
- (3) reviewing the performance of GFI's CCO, and making recommendations with respect to such performance to the Board;
- (4) maintaining minutes and records of its meetings, deliberations and analyses, including records of all decisions made by the ROC;
- (5) recommending changes that would ensure fair, vigorous, and effective regulation;
- (6) reviewing all regulatory proposals prior to implementation and advising the Board as to whether and how such changes may impact regulation; and

<sup>2</sup> GFI has structured its Board and standing committees based upon proposed CFTC Regulations. See 75 Fed. Reg. 63732, 63747-52 (Oct. 18, 2010). If the CFTC never adopts such Regulations, or adopts Regulations that differ substantively from its current proposal, GFI may change the structure of its Board or standing committees.

(7) reviewing such other matters and performing such additional activities as the Board deems necessary or appropriate.

**c. Appropriate qualifications, remuneration and limitation of liability for directors and officers;**

Qualifications

As noted above, the Board is currently comprised of five Directors, one is a Public Director. To qualify as a Public Director, an individual must be found, by action of the Board pursuant to Rule 201(d), to have no material relationship with GFI. The Board must make such finding upon the nomination or appointment of the Director and as often as necessary in light of all circumstances relevant to such Director, but in no case less frequently than annually. For these purposes, a "material relationship" is one that could reasonably be expected to affect the independent judgment or decision-making of the Director. A Director will be considered to have a "material relationship" with GFI if any of the following circumstances exist or have existed within the past year:

(1) such Director is or was an officer or an employee of GFI, or an officer or an employee of an affiliate of GFI; or

(2) such Director is or was a Participant or Sponsored Access Firm, or a director, officer or employee of a Participant or Sponsored Access Firm.

Any of the relationships set forth in paragraphs (1) and (2) apply to the "immediate family" (i.e., the spouse, parents, children, and siblings, in each case, whether by blood, marriage, or adoption) of such Director, or any person residing in the home of the Director or that of his or her "immediate family."

Directors, officers and other GFI employees are recruited for their particular positions based upon their skills and expertise. All members of the Board and GFI officers and employees are over the age of majority and are of sound mind. All of the members of the Board are regarded in the market as being persons with integrity and competence.

Remuneration

GFI's self-regulatory program is overseen by the ROC, which is a committee of the Board made up of two Public Directors. As Public Directors, their compensation must not be linked to the business performance of GFI. See Section 6.1(e) of the Limited Liability Company Agreement. As noted in Section 2.1(c), the ROC's duties include monitoring GFI's regulatory program for sufficiency, effectiveness, and independence and overseeing all facets of GFI's regulatory program.

In furtherance of these duties, the ROC has considerable authority to review GFI documentation and independently consult with, and interview, staff of GFI and NFA. Additionally, the ROC also has the authority to retain independent legal counsel and other professional services.

The CCO meets with the ROC quarterly to summarize the activities performed for GFI by NFA and highlight the status of any pending inquiries, investigations and disciplinary proceedings, as applicable. The ROC is also responsible for reviewing the size and allocation of GFI's regulatory budget and resources and the number, hiring, termination and compensation of regulatory personnel.

Limitation of Liability and Indemnification

Pursuant to Section 7.2 of GFI's Limited Liability Company Agreement, GFI's members, Directors and officers will not be held personally liable for the return of any portion of capital contributions made by GFI's interest holders, and the return, if any, of such capital contributions will be made solely from GFI's assets. Under GFI's Limited Liability Company Agreement, GFI's member, Directors and officers will not be liable, responsible or accountable, in damages or otherwise, to GFI or any interest holder for any act they perform except to the extent of their gross negligence, fraud, bad faith or a material breach of the Limited Liability Company Agreement.

Section 7.3 of the Limited Liability Company Agreement provides that GFI will, to the fullest extent permitted by Delaware law, indemnify and hold harmless GFI's interest holders, member, Directors and officers and their respective partners, shareholders, members, officers, trustees, advisory board, directors, employees, attorneys and agents and other affiliates from and against any loss, expense, damage or injury suffered or sustained by them by reason of any acts, omissions or alleged acts or omissions arising out of their activities on behalf of GFI or in furtherance of GFI's interests or by reason of the fact that such person is or was an interest holder, member, director, officer, employee or agent of GFI, or is or was serving at GFI's request as a director, trustee, member, manager, officer, employee or agent of another limited liability company, corporation, partnership, joint venture, trust or other enterprise, including, but not limited to, any judgment, award, settlement,



reasonable attorneys' fees and other costs or expenses incurred in connection with the investigation and defense of any actual or threatened action, proceeding or claim, unless the acts, omissions or alleged acts or omissions upon which such actual or threatened action, proceeding or claim is based arose out of such person's gross negligence or were performed or omitted fraudulently or in bad faith by such person or constituted a material breach of the Limited Liability Company Agreement. Any such indemnification shall only be from GFI's assets or insurance and no interest holder shall be required to contribute capital to GFI to satisfy any such indemnification.

In accordance with these provisions, GFI purchases and maintains insurance, in amounts and with coverage at least equal to those typically maintained by similarly-situated companies, on behalf of Directors and officers.

**d. Appropriate conflict of interest provisions for directors, officers and employees.**

GFI has policies and procedures to appropriately identify and manage conflicts of interest for all officers, directors and employees.

GFI has effective mechanisms in place to manage any conflicts of interest that may arise. CFTC Regulation 1.69 requires that GFI maintain rules that have been approved by the CFTC to address the avoidance of conflicts of interest. The CFTC requires that GFI's Rules provide that a member of the Board, disciplinary committee or oversight panel must abstain from deliberations and voting involving any matter in which he or she or his or her employer has an interest. CFTC Regulation 1.69 also requires that GFI have procedures for determining whether such persons have a conflict, including disclosure of any potential conflict to GFI. CFTC Regulation 1.69 further requires GFI to document that the conflict determination procedures have been followed and the result of such determination. GFI has adopted Rule 205 pursuant to such requirements.

Additionally, Core Principle 12 (Conflicts of Interest) requires GFI to establish and enforce rules to minimize conflicts of interest in the decision-making process and establish processes for resolving any such conflicts. This requirement regulates the extent to which GFI is able to make decisions without the undue influence of a GFI member, an interested party or a trade group. Core Principle 15 requires GFI's CCO to "resolve any conflicts of interest that may arise" in consultation with the Board or other senior officer of GFI. Pursuant to CFTC Regulation 37.1501(d)(2), such conflicts of interest may include (i) conflicts between business considerations and compliance requirements, (ii) conflicts between business considerations and the requirement that GFI provide fair, open, and impartial access or (iii) conflicts between GFI's management and members of the Board. These duties indicate that GFI's CCO is more than just an advisor to management and must have the ability to enforce compliance with the CEA and CFTC Regulations. GFI's Rule 207 provides the CCO with the necessary powers and duties to ensure compliance with the aforementioned Core Principles and CFTC Regulations.

GFI has implemented a number of other Rules to deal with potential conflicts of interest made with a view to complying with these requirements. For example, Rule 204 limits the use and disclosure of material, non-public information gained in connection with a person's participation on the Board or any committee for any purpose other than the performance of his or her official duties as a member of the Board or committee. Additionally, Rule 902 prohibits a Participant from giving anything of value to a GFI official in excess of the maximum amount permitted by GFI's gifts and entertainment policy without the prior written approval of the CCO. Pursuant to Rule 709 and Rule 716, a respondent in a disciplinary action may seek to disqualify any individual named to a Disciplinary Panel or an Appeal Panel due to a conflict of interest or for any other reasonable grounds.

Under Rule 205, disclosure and recusal is required based on material relationships that present a conflict. Prior to consideration of any matter involving a named party in interest, each member of the deliberating body shall disclose to the CEO, or the designee, whether such member has or believes that he or she may have one of the relationships listed under Rule 205, with a named party in interest and the CCO will manage the conflict. If the CCO has a conflict then he or she may (i) authorize a third party service provider to conduct an investigation due to the conflict, (ii) recuse themselves if a conflict arises during an investigation, and/or (iii) recuse themselves from GFI if there are disciplinary proceedings against a participant where there is a conflict, or a result from a disciplinary proceeding that ends in an appeal or Hearing Panel review. Upon recusal, the Board will appoint an individual who meets all the requirements of the CCO to serve as the CCO for the specific matter giving rise to the conflict.

Internally, GFI has established a Code of Conduct and Ethics in accordance with Core Principle 12 (Conflicts of Interest).

**ii. Fees**

All fees imposed by GFI are reasonable and equitably allocated and do not have the effect of creating an unreasonable condition or limit on access by participants to the services offered by the exchange.



The process for setting fees is fair and appropriate, and the fee model is transparent. Pursuant to its Charter, the Participation Committee determines the standards and requirements, including financial requirements, for initial and continuing membership eligibility. The Participation Committee must approve any provision of the Rules that would result in different categories or classes of Participants receiving disparate access.

CFTC Regulation 37.202 requires a SEF to provide comparable fee structures for market participants receiving comparable access to, or services from, the SEF. As provided in Rule 308, GFI charges comparable fees for all Participants that receive comparable access to the Trading Platform. GFI believes that its fee schedule is in line with current market practice. GFI provides the fee schedule to its participants and posts the schedule on the website. These fees do not create unreasonable barriers to access because of their uniform application to all Participants. The CFTC does not need to approve the fee schedule or any changes to the schedule.

GFI does not restrict access or impose burdens on access in a discriminatory manner within each category or class of Participants or between similarly situated categories or classes of Participants. Pursuant to its Charter, the Participation Committee determines the standards and requirements, including financial requirements, for initial and continuing membership eligibility. The Participation Committee must approve any provision of the Rules that would result in different categories or classes of Participants receiving disparate access. The Participation Committee will not, however, recommend that the Board restrict access or impose burdens on access to the facilities of the SEF in a discriminatory manner, within each category or class of participants or between similarly situated categories or classes of participants. See also Rule 206(d).

GFI believes that its fee schedule is in line with current market practice and is provided to its participants. These fees do not create unreasonable barriers to access because of their uniform application to all Participants. The appendices "GFI Brokerage Services Agreement (17-01-2014)" and "GFI SEF Participation Agreement (30-09-2014)" are the current application forms that would be used by Quebec participants.

### iii. Fair and Equitable Access

#### a. Rules governing access to the facilities are fair, transparent and reasonable;

##### Access Requirements

GFI has transparent and non-discriminatory rules based on objective criteria governing eligibility for membership, which are available to the public on GFI's website. Chapter 3 of the Rules sets out the admission and eligibility standards for all Participants, Sponsored Access Firms and Registered Traders, all of which are designed to permit fair and open access while protecting GFI and its market participants.

Core Principle 2 (Compliance with Rules) requires GFI, inter alia, to have appropriate admission and continuing eligibility standards for members and participants. To be eligible for admission as a Participant, an applicant must (as set out in Rule 302(a)):

(1) represent and warrant to GFI that it is an Eligible Contract Participant (as defined in 1a(18) of the CEA and in CFTC Regulation 1.3(m)) and that it has all registrations, licenses and consents required by its constituent documents and by Applicable Law to trade swaps;

(2) if it enters into cleared swaps for its own account, be authorized by a DCO to clear its transactions in swaps that will be submitted to such DCO, pursuant to a mandatory clearing requirement or voluntarily by the parties to such swaps, or have an arrangement with a Clearing Firm of a DCO that meets the requirements of Rule 1002: GFI Swaps Exchange LLC requires its participants to have appropriate arrangements for the clearing and settlement of transactions for which clearing is mandatory through a clearinghouse. The application provides the applicant with the sections for 'Customer Non-Cleared Trade Information' and/or the 'Customer Cleared Trade Information.' If the appropriate sections are not completed (based on the product/asset class), the application is returned to the applicant for completion;

(3) have and maintain all necessary regulatory approvals and/or licenses to operate as a Participant and not be subject to any trading ban, prohibition or suspension issued by the CFTC, NFA, Securities and Exchange Commission or Financial Industry Regulatory Authority;

(4) be organized in an Authorized Jurisdiction and, if it is organized in a jurisdiction other than the United States, appoint and maintain an agent for service of process in the United States that is suitable to GFI;

(5) ensure that activity conducted under the Trader IDs assigned to it and its Registered Traders complies with the Rules and have the authority, at GFI's request, to adjust or withdraw any order submitted under such Trader IDs;

(6) be in compliance with any financial responsibility, recordkeeping and reporting requirements set forth under Applicable Law and Rule 403;

(7) agree to abide by the Rules, consent to GFI's jurisdiction and cooperate promptly and fully with GFI in any investigation, inquiry, audit, examination or Company Proceeding regarding compliance with the Rules or any arbitration proceeding; and

(8) satisfy such other criteria that GFI may require.

As provided in Rule 302(b), GFI may permit a person to become a Participant subject to such conditions, restrictions or limitations that it deems necessary or appropriate. GFI may deny the application of a person to be a Participant if such person is unable satisfactorily to demonstrate a capacity to adhere to Applicable Law or the Rules or for such other cause as GFI reasonably may determine.

Rule 304 sets forth comparable requirements and limitations for Sponsored Access Firms. Rule 405 sets forth certain requirements related to Customers. A market participant may elect to become a Participant or Sponsored Access Firm and access the Trading Platform directly. Alternatively, a market participant may elect to become a Customer and have a Participant or Sponsored Access Firm access the Trading Platform on its behalf. Under Rule 311, GFI has jurisdiction over all Participants, Sponsored Access Firms and Customers.

Pursuant to Rule 305, each Participant and Sponsored Access Firm is required to designate at least one person that is authorized to access the Trading Platform on its behalf as a Registered Trader. Each Participant must ensure that, among other things, each of its Registered Traders is technically proficient and conducts its business in a fair and equitable manner.

Pursuant to Rule 206(d)(iii), the Participation Committee reviews appeals of staff denials or conditions placed of Participant applications. Other provisions in the Rules, including Rules 302(c), 308(b), 309(a) and 404, set out GFI's authority to revoke, suspend or limit a Participant's, Sponsored Access Firm's, or Registered Trader's access to the Trading Platform. GFI also reserves the right to summarily terminate the trading privileges of a Participant or any of its Sponsored Access Firms or its Registered Traders under Rule 520. An applicant may appeal a decision to deny or limit access to the Trading Platform in accordance with the provisions of Chapter 7, Rules 302(e), 304(h) and 305(g).

#### Equal Access

Core Principle 11 (Antitrust Considerations) prohibits SEFs from adopting rules or taking actions that result in an unreasonable restraint of trade. GFI's Rules and policies have been designed to avoid unreasonable restraints of trade or the imposition of any material anticompetitive burden on persons that seek to access the Trading Platform. GFI has not adopted any rule or taken any action with the intent or result of restraining trade. GFI will not require Participants to acquire an equity interest in GFI, and access will be available to a broad number of Participants and Sponsored Access Firms.

Rules 206(d)(i) and (ii) provide that the Participation Committee must determine the eligibility standards and requirements for initial and continuing Participant status and approve Rules that would result in different categories or classes of Participants receiving access to GFI. Pursuant to its Charter, the Participation Committee will not recommend that GFI restrict access or impose burdens on access to the Trading Platform in a discriminatory manner, within each category or class of market participants or between similarly situated categories or classes of market participants.

Pursuant to Rule 308, GFI charges comparable fees to all Participants that receive comparable access to the Trading Platform. GFI does not restrict access or impose burdens on access in a discriminatory manner within each category or class of Participants or between similarly situated categories or classes of Participants.

GFI will not provide direct access to a participant in Quebec ("Quebec User") unless the Quebec User is appropriately registered as applicable under AMF laws or is exempt from or not subject to those requirements, and qualifies as an ECP under the CEA. GFI will review the registration status of each Quebec participant annually to ensure compliance with Quebec registrations rules and regulations.

GFI may reasonably rely on a written representation from the Quebec User that specifies either that it is appropriately registered as applicable under AMF laws or is exempt from or not subject to those requirements, provided GFI notifies such Quebec User that this representation is deemed to be repeated each time it enters an order, request for quote or response to a request for quote on GFI.

GFI does not unreasonably prohibit, condition, or limit access by a person or company to services offered by it. GFI provides trading privileges in Rule 309, to all applicants upon approval by GFI as Eligible Participants, subject to limitation and the rules of GFI.

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GFI does not permit unreasonable discrimination among participants, or impose any burden on competition

that is not reasonably necessary and appropriate consistent with Rule 516, which prohibits abusive trading practices. Specifically, Rule 516 requires that no participant, authorized customer or customer may engage in front-running, or any other manipulative activity prohibited by the CFTC, or enter into non-competitive transaction on or subject to the rules of GFI

Any rules pertaining to membership criteria or selection must be self-certified under CFTC Regulation 40.6. CFTC Regulation 40.6 requires GFI to provide certification and explanatory analysis that the revised Rules comply with the CEA, CFTC Regulations and the SEF Core Principles. The CFTC reviews all self-certifications of rules and rule amendments under CFTC Regulation 40.6 to ensure compliance with the SEF Core Principles. Core Principles 11 and 12 requires exchanges to establish and enforce rules that protect market participants from fraudulent, non-competitive or unfair actions committed by any party, and further, to discipline such behavior under Core Principle 3. Membership rules that are unreasonably discriminatory or fee rules that unreasonably discriminate among participant classes would not meet SEF Core Principle requirements, and would therefore not be certified by the CFTC.

Furthermore, GFI may deny the application of any Person (or a Person associated with the applicant) to become a Participant if the Person does not meet one or more of the standards of eligibility set forth in Rule 302. This includes having been convicted of any felony or misdemeanor, fine, cease and desist order, denial of trading privileges, censure or other sanction or discipline (whether through an adverse determination, voluntary settlement or otherwise) and statutory disqualification involving, arising from, or related to, the purchase or sale of any Commodity, security, futures contract, option or other financial instrument, or involving or arising from fraud or moral turpitude, or is permanently or temporarily enjoined by order, judgment or decree of any court of competent jurisdiction or any Governmental Agency or SRO. GFI maintains all records of all applications including approvals, denials or limitations of access.

A Person whose application for Participant status has been denied or granted conditionally pursuant to this Rule 302, and any Participant whose access to the Trading Platform is revoked, suspended or limited pursuant to this Rule 302, may appeal the Company's decision in accordance with the provisions of Chapter 7.

**b. Access limited to persons who are duly registered in Québec.**

As noted above, an applicant must represent and warrant to GFI that it has all registrations, licenses and consents required by its constituent documents and by Applicable Law (which includes the Quebec securities laws) to trade swaps listed by GFI. An applicant must also have and maintain all necessary regulatory approvals and/or licenses to operate as a Participant, including registration under the Quebec securities laws, as applicable.

GFI will not provide direct access to a participant in Quebec (Quebec User) unless the Quebec User is appropriately registered as applicable under Quebec securities laws or is exempt from or not subject to those requirements, and qualifies as an "eligible contract participant" under the CEA.

**iv. Regulation**

**a. Power to set rules and ensure their fair and effective enforcement;**

In conjunction with GFI compliance, the NFA monitors all activity conducted on GFI and reports breaches and infractions to GFI.

GFI enforces compliance with its rules in a number of ways. GFI must report violations of rules or provisions of applicable law to the CFTC. If such a situation occurred, GFI would compile all appropriate documentation along with a letter of explanation and forward to the CFTC Division of Market Oversight. GFI would follow up with a phone call to the DMO. All relevant information would be filed and any follow up action steps completed.

As outlined below, GFI has authority and jurisdiction over all transactions executed on the SEF.

Within Rule 311 and Rule 312, GFI requires acknowledgement of jurisdiction by the Applicant in all matters arising under the Rules. Secondly, GFI has a process in place to discipline any potential violation of GFI's Rules. Lastly, GFI, along with the NFA, will actively monitor all transactions executed on or through GFI for compliance with its Rules and Applicable Law. The Participant Application provides that by accessing GFI, a Participant agrees to abide by the Rules of GFI. Specifically, Rule 311 provides that each Participant, Authorized Trader, and Authorized Customers who places an Order to have agreed to: (i) be bound by the Rules of GFI; (ii) be subject to the jurisdiction of GFI; (iii) comply with all applicable Rules of GFI; and (iv) comply with Applicable Law. It is an offense for any Participant or Authorized Customer, or their respective Authorized Traders, to violate or fail to conform to the Rules and procedures of GFI; or with any decision or order of a committee of GFI; or any order of any officer, employee or agent of GFI when acting within his or her or its jurisdiction.

In the event a Participant violates a Rule of GFI, the Participant would be subject to disciplinary proceedings as governed by Chapter 7 of the Rules. Chapter 7 of the Rules also sets out detailed procedures with respect to GFI's disciplinary proceedings, including the potential establishment of an optional Review Panel to review an investigation report (Rule 704), the preparation of a notice of charges (Rule 705), the answer to a notice of charges by a respondent (Rule 706), service of notice of charges (Rule 707), settlements (Rule 708), the establishment and operation of a Disciplinary Panel (Rule 709), convening hearings of the Disciplinary Panel (Rule 710), the respondent's right to review evidence (Rule 711), conducting hearings of the Disciplinary Panel (Rule 712), Disciplinary Panel decisions (Rule 713), and the imposition of sanctions (Rule 714). Rule 716 sets out the procedures for filing appeals, including the creation of an Appeal Panel. GFI may also impose summary fines relating to submission of records pursuant to Rule 717. GFI also reserves the right to impose disciplinary sanctions in an emergency in accordance with Rule 718. The rights and responsibilities of a Participant, Sponsored Access Firm or Registered Trader after suspension or termination are governed by Rule 719. GFI will provide written notice of disciplinary proceedings in accordance with Rule 720.

An investigation of potential rule violations will be initiated pursuant to Rule 702. Rule 702 states in part The Compliance Department will investigate any matter within the Company's disciplinary jurisdiction that is brought to the attention of the Compliance Department. An investigation must be commenced upon the receipt of a request from the CFTC staff or upon the discovery or receipt of information by the Company that, in the judgment of the Compliance Department, indicates a reasonable basis for finding that a violation has occurred or will occur. The Compliance Department will determine the nature and scope of its inquiries and investigations within its sole discretion.

In accordance with Rule 703, after an investigation is completed, an Investigation Report will be prepared. The Compliance Department will maintain a log of all investigations and their disposition. Any member of the Compliance Department must promptly recuse himself or herself and notify the Chief Compliance Officer of the recusal if such member has a relationship of a type listed in Rule 205(a)(i) with a potential respondent named in an investigative report.

The Compliance Department will prepare a written report of an investigation for the Chief Compliance Officer when the evidence gathered during any inquiry or investigation forms a reasonable basis to believe that a violation within the Company's jurisdiction has occurred or is about to occur. The Chief Compliance Officer may, at his or her discretion, convene a Review Panel to review an investigation report submitted by the Compliance Department to determine whether (i) a reasonable basis exists to believe that a violation of the Rules has occurred, and (ii) commencing disciplinary proceedings in respect of such potential violation is warranted. The chairman of the Review Panel shall be appointed by the Chief Compliance Officer.

Upon completion of the Investigation Report, the Review Panel either may make a recommendation as to whether the Disciplinary Committee should proceed with the matter, or to issue a notice of charges to the person or entity alleged to have committed the violation. GFI Rules found in Chapter 7 of the RuleBook satisfy the recommended criteria set forth by the CFTC in Appendix B to § 37.15. The person subject to the disciplinary action, (the Respondent), has the right to respond to the notice of charges, as provided in Rule 706, and has a reasonable period to respond. Additionally, the Respondent has the right to representation by legal counsel or any other representative of the Respondent's choosing.

Although it retains ultimate responsibility, GFI delegates certain parts of its monitoring and enforcement functions to the NFA for most of the Swaps traded on GFI. The NFA provides GFI with market and trade practice surveillance and ongoing surveillance of the financial and operational status of Participants and Authorized Traders. GFI Compliance Department coordinates with the NFA to address market actions deemed inappropriate as a result of NFA's ongoing market surveillance activities. The NFA has the authority to investigate any potential rule violations and to submit investigation reports to GFI's Compliance Department. GFI has a dedicated compliance officer to assist the CCO with all matters related to GFI. The compliance officer's primary function is to manage GFI's compliance and surveillance program which encompasses trade reconstructions each week chosen on a selectively random basis. The procedure for these reviews will consist of transaction reviews including, but are not limited to, a review of all pricing information, voice recordings, Bloomberg and electronic communications. The Company's compliance staffing and resources include the CCO; and three additional Compliance Department employees' and the dedicated and other resources available through the RSA with NFA.

It is the duty of the CCO to enforce the Rules. The resources of the Compliance Department are available to assist in monitoring and reviewing the SEF trading activity. The Compliance Department has at its disposal the resources of various departments (IT, Operations, SEF Control) for the development of automated exception reports, improved reporting for surveillance and enhanced recordkeeping for audit trail purposes. GFI has adequate resources to ensure all regulations are adhered to and all trading rules are followed.

GFI believes the joint efforts of Control Desk, GFI Compliance, ROC and Disciplinary Committee provide appropriate systems, resources and procedures for evaluating compliance with exchange and legislative requirements and for disciplining participants.

GFI has the power and authority to regulate its facilities to ensure that the facilities are not used for any improper purpose and to establish and enforce rules and procedures to ensure fair and equitable trading through its facilities. GFI is authorized to conduct and oversee surveillance duties, investigations and rule enforcement activities. The CCO is in charge of the Compliance Department. The personnel of the Compliance Department may not operate under the direction or control of a Participant. GFI has contracted with the NFA for the performance of market, trade practice, financial, audit trail surveillance and related investigations and disciplinary proceedings with respect to Participants.

Each Participant, Authorized Trader, Authorized Customer or Broker shall, by making an application for a User ID and by placing any Order, to have agreed to: (i) be bound by the Rules of GFI; (ii) be subject to the jurisdiction of GFI; (iii) comply with all applicable Rules of GFI; and (iv) comply with Applicable Law.

**b. Rules governing the activity of participants in the exchange;**

GFI has the authority, resources, capabilities, systems and processes to allow it to perform its regulation functions, whether directly or indirectly through a regulation services provider, including setting requirements governing the conduct of its participants, monitoring their conduct, and appropriately disciplining them for violations of exchange requirements.

In accordance with Core Principle 2, GFI has enacted rules that are designed to appropriately govern the operation and activities of participants and do not permit unreasonable discrimination among participants or impose on competition as described in Part 2 (iii)(a).

Pursuant to its obligation under the CEA and CFTC Regulations, GFI maintains adherence to Core Principle of Section 5h. In so doing, these Rules are consistent with the AMF criteria and applicable Quebec law.

In order to ensure compliance with applicable legislation, GFI has enacted Rule 311 Application of Rules and Jurisdiction:

(a) A Participant, Sponsored Access Firm, Registered Trader, Customer or Clearing Firm that initiates, executes or clears a transaction on the Trading Platform, that initiates, executes or clears a Block Trade or that enters or responds to any bid, offer, Request for Quote or Indication of Interest, directly or through an FCM Participant, introducing broker, commodity trading advisor or any other Person, and any Person who is the beneficial owner of the account for which such a transaction is or would be effected, is deemed to have expressly consented to the jurisdiction of the Company and agreed to be bound by and comply with the Rules.

(b) Any Participant, Sponsored Access Firm, Registered Trader or Clearing Firm whose right to access the Company is suspended, revoked or terminated will remain bound by the Rules, in each case to the extent applicable, and subject to the jurisdiction of the Company with respect to any and all matters arising from, related to, or in connection with, the status, actions or omissions of such Participant, Sponsored Access Firm or Registered Trader prior to such revocation or termination. Such former Participant, Sponsored Access Firm, Registered Trader, or Clearing Firm shall cooperate in respect of any disciplinary proceeding arising under Chapter 7 as if such former Participant, Sponsored Access Firm, Registered Trader or Clearing Firm were still a Participant, Sponsored Access Firm, Registered Trader or Clearing Firm.

**c. Rules to prevent fraudulent acts and practices;**

The Company is required by law to permit trading only in swaps that are not readily susceptible to manipulation. When filing a self-certification or requesting CFTC approval to list a new swap for trading pursuant to CFTC Regulation 40.2 or CFTC Regulation 40.3, the Company must include a demonstration that the swap to be traded is not readily susceptible to manipulation. The Company therefore will provide information consistent with Appendix C to Part 38 of CFTC Regulations, as applicable.

As noted in Section 5, GFI has adopted Rules prohibiting trade practice violations and other illicit conduct, including fraud or dishonorable or dishonest conduct (Rule 510), fraudulent acts (Rule 511) and fraudulent or misleading communications (Rule 513).

GFI enacted Rule 511 to prevent fraudulent acts and practices. Orders entered into the Trading Platform for the purpose of upsetting the equilibrium of the market in any Swap or creating a condition in which prices do not or will not reflect fair market values are prohibited, and any Person subject to the Company's jurisdiction who makes or assists in entering any such Order with knowledge of its purpose or who, with such knowledge, in any way assists in carrying out any plan or scheme for the entering of any such Order shall be deemed to have engaged in an act detrimental to the Company.



Additionally GFI enacted Rule 515 which states that no Person subject to the jurisdiction of the Company shall manipulate or attempt to manipulate the price of any Swap or attempt to corner any swap or in connection therewith, any underlying commodity or security, or engage in manipulative or disruptive trading practices prohibited by the CEA or CFTC Regulations.

**d. Rules prohibiting unreasonable discrimination among issuers or participants;**

As noted in Section 4, Core Principle 11 (Antitrust Considerations) prohibits SEFs from adopting rules or taking actions that result in an unreasonable restraint of trade or impose any material anticompetitive burdens on trading or clearing. GFI's Rules and policies have been designed to avoid unreasonable discrimination among Participants or impose any burden on competition that is not reasonably necessary or appropriate.

All Participants and applicants are given the opportunity to be heard or make representation for purposes of access to GFI, business conduct, customer disputes and/or disciplinary proceedings. The formats for the purposes above involve an investigation by the Enforcement Staff of the Compliance Department and its designees who are responsible for investigating possible infringements. Nonetheless, GFI retains ultimate responsibility of any hearings or investigations.

These proceedings shall be conducted in a manner that will give the Participant or applicant an opportunity to present fully and fairly. After conducting a hearing or investigation, the Compliance Department shall prepare a written report including the reason for initiating the hearing or investigation, a summary of the relevant issue(s), if any, the relevant facts, conclusions, analysis and recommendations as to whether disciplinary action or denial of admission should be pursued. This written report shall be produced within twelve months following the initiation of the investigation.

If the Enforcement Staff has determined that a reasonable basis exists for a finding, it shall make a recommendation as to whether the Disciplinary Committee should proceed with the matter. The investigation report shall become part of the investigation file, which shall be maintained by the Compliance Department for a period of not less than five years after the completion of such report.

Pursuant GFI Rulebook 705: Notice of Charges, a written notice of charges shall be served on any Respondent as directed by the Hearing Panel. Pursuant to Reg. 37.206 GFI enacts the following rules:

- Requires a SEF to deter abuses through trading, trade processing and participation rules
- Requires a SEF to have the capacity to enforce its rules through prompt and effective disciplinary action (including suspension or expulsion)
- Requires a SEF to maintain sufficient enforcement staff
- Requires a SEF to establish a disciplinary panel, which must include members of the SEF's compliance staff or any person involved in adjudicating same proceeding
- Requires a hearing to be fair and conducted before a disciplinary panel promptly convened after reasonable notice to the respondent.

A complete description of the Disciplinary Proceedings is provided in Chapter 7 of the GFI Rulebook.

**e. Rule transparency;**

The Company may, in compliance with the CEA and CFTC Regulations, amend or repeal any Rule and/or adopt new Rules. Any such amendment or repeal of a Rule or adoption of a new Rule, shall, upon the effective date of such amendment, repeal or adoption, as applicable, be binding on all Persons subject to the jurisdiction of the Company (regardless of when any such Person became subject to the Company's jurisdiction) and, unless otherwise required by Applicable Law, all Swaps entered into after such effective date.

However, no Rule and no amendment or repeal of a Rule shall apply to any Swap or Swap entered into prior to the adoption thereof if such Rule, amendment or repeal would affect the amount of money to be paid, or would affect the specifications of the Swap or Underlying Commodity to be delivered, under such Swap, unless emergency action has been taken pursuant to Rule 911.

During an Emergency, the Board may implement temporary emergency procedures and rules ("**Emergency Rules**"), subject to Applicable Law. If the Chief Executive Officer (or, in the event that the Chief Executive Officer is unavailable, the Chief Operating Officer) determines that Emergency Rules must be implemented with respect to an Emergency before a meeting of the Board can reasonably be convened, the Chief Executive Officer (or, if applicable, the Chief Operating Officer) shall have the authority, without Board action, to implement Emergency Rules with respect to such Emergency as he or she deems necessary or appropriate to respond to such Emergency.

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The CEO is authorized by the Board of GFI under Rule 911 to issue an opinion on behalf of the Board that any

occurrence or circumstance is an Emergency that requires immediate action because it threatens fair and orderly trading in any Swap or the liquidation of or delivery pursuant to any Swap. The CEO is authorized to delegate this authority to an officer of GFI to act on behalf of the CEO in the absence of the CEO.

Unless a Rule is adopted, amended or repealed as an emergency action pursuant to Rule 911, or it is otherwise impracticable under the circumstances, GFI shall:

(a) use reasonable efforts to notify the CFTC prior to implementing, modifying or terminating an Emergency Rule. If such prior notification is not practicable, the Company 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 Rule.

**f. Accessibility of public to current rules.**

Pursuant to Section 5h of the CEA GFI is required to send any amendment, repeal or change to the Rulebook to the CFTC for approval. Once the 40.6 filing is made, GFI posts the filing on its website ([www.gfigroup.com/markets/gfiset/overview](http://www.gfigroup.com/markets/gfiset/overview)) for public distribution. The Rulebook is listed on the website and updated 10 business days following the CFTC filing.

Core Principle 10 (Recordkeeping and Reporting) requires SEFs to make public timely information on price, trading volume, and other trading data on swaps. Pursuant to Rule 409, GFI publishes on its website each day information regarding volume, price ranges, open interest and settlement prices provided that such prices reflect market conditions accurately. GFI also publishes on its website on a daily basis the total quantity of Block Trades that are included in the total volume of trading.

In addition, GFI reports swap data to a Swap Data Repository, (GFI connects to The Depository Trust & Clearing Corporation ("DTCC") and Intercontinental Exchange ("ICE") SDR's) in accordance with CFTC Regulations. As required by CFTC Regulations, Rule 540 prohibits GFI from providing such swap data to Participants, Sponsored Access Firms and Registered Traders until the time it transmits such information to a Swap Data Repository, and GFI may only provide such data in a form that does not disclose the identities, or otherwise facilitate identification, of the parties to the swap.

Pursuant to Rule 720, whenever GFI suspends, expels, fines, or otherwise disciplines or denies any person access, GFI must publicly disclose such action as required by CFTC Regulations.

**v. Market Operations**

The GFI Rulebook establishes the appropriate business conduct and trading practices for the Employees, Participants and Authorized Customers of GFI. The Rulebook dated January 9, 2017 is the latest version.

It is prohibited for any Participant or Authorized Customer to violate or fail to conform to applicable provisions of the CEA, CFTC's Regulations or any other law applicable to trading on GFI. GFI performs surveillance in order to ensure compliance with the rules as described in §5.1.3.

It is prohibited for any Participant or Authorized Customer to violate or fail to conform to the Rules and procedures of GFI or with any decision or order of a committee or any order of any officer, employee or agent of GFI when acting within its jurisdiction.

The GFI Rulebook prohibits persons from transferring trading privileges (Rule 309), disseminating false, misleading or knowingly inaccurate information (Rule 401), and manipulating the prices of any swaps executed on GFI (Rule 515).

The GFI Rulebook states that no Participant or Authorized Customer shall engage in front-running, fraudulent trading, money passes or enter into non-competitive transactions on or subject to the Rules of GFI except as otherwise authorized by the Rules, or execute any such Order on behalf of another with such knowledge of its nature.

No person shall engage in conduct or practices inconsistent with just and equitable principles of trade or conduct or practices detrimental to the best interests of GFI. GFI Rule 701 grants the Compliance Department power and authority to regulate its facilities to ensure that the facilities are not used for any improper purpose and to establish and enforce rules and procedures to ensure fair and equitable trading through its facilities. Similarly, GFI is authorized to conduct and to oversee surveillance, investigation and rule enforcement activities. The CCO is in charge of the Compliance Department.

The NFA, as part of the Regulatory Services Agreement (RSA) with GFI Swaps Exchange LLC, conducts Trade Practice Surveillance for all trades executed on the GFI Swaps Exchange LLC. This review focuses on specific trade activity utilizing the exchange audit information on an ongoing basis to determine if there are



any potential on an ongoing basis to determine if there are any potential violations of SEF rules. The NFA as part of the RSA with the GFI Swaps Exchange LLC has agreed to conduct investigations on behalf of the Exchange. If the findings of any investigations indicate that an apparent violation of the Exchange Rules may exist, an Investigative Summary is prepared recommending that the Exchange review the Investigation in conjunction with specific Rule(s) for potential disciplinary action.

GFI Swaps Exchange LLC will provide written notice to the CFTC regarding any breaches or infractions that meet the criteria for reporting to the regulatory agency.

Both the NFA and the GFI Swaps Exchange have the ability to determine which suspicious trades are to be followed up with investigations. The NFA will inform the Swaps Exchange if there are trades that require investigative follow up. If, for some reason the GFI Swaps Exchange does not agree that an investigation should be conducted then the GFI Swaps Exchange must submit to the NFA in writing, with documentation the reasons why an investigation is not necessary.

GFI will make information regarding Orders (including prices bid or offered), trades and any other matters it may deem appropriate available to Participants and other Persons at such times and in such manner (whether through the Trading Platform, the Company's website, market data providers or otherwise) as it may consider necessary or advisable from time to time.

Each Participant or other Person receiving any such information through the Trading Platform shall not redistribute such information other than to the extent and in the manner as may be expressly permitted by the Company in writing from time to time.

GFI defines rules to be fair and equitable as those which are not unjust or arbitrary and do not unduly restrain or discriminate against Participants and their customers from transacting on the GFI or unduly burden the GFI from offering such transactions. Additionally, due process is implicitly within the definition of 'fair and equitable', and the due process rights available to Participants and Clients under GFI's rules are described in Chapter 7. GFI's due process rules respect all legal rights afforded to Participants in accordance with the CFTC.

Except as permitted by Rule 533(b), no Participant or Sponsored Access Firm shall disclose an Order to buy or sell, except to a designated Company Official or the CFTC or as necessary to efficiently execute the Order, and no Participant or Sponsored Access Firm shall solicit or induce another Person to disclose Order information.

Employees and agents of GFI on reasonable notice under the circumstances shall have access to the offices of any Participant, Authorized Trader, other Supervised Person or Authorized Customer during regular business hours upon reasonable prior notice to such Person and subject to such person's reasonable security policies in order to observe the compliance by such person.

Information regarding orders can be found in various sections in Chapters 3, 4, 5, and 6 of the GFI Rulebook.

Chapter 5 of the GFI Rulebook covers required transactions, except for Block Trades which are discussed in Chapter 6. **Required transactions must be executed in the Order Book or through a Request for Quote.**

GFI Rule 528, Trading Against Customer Orders, states

*General Prohibition.* No Participant or Sponsored Access Firm in possession of a Customer Order shall knowingly take, directly or indirectly, the opposite side of such Order for its own account, an account in which it has a direct or indirect financial interest, or an account over which it has discretionary trading authority.

*Exceptions.* The foregoing restriction does not prohibit permissible Pre-Execution Communications conducted in accordance with Rule 533(b) and shall not apply to the following:

- (i) Transactions executed pursuant to Rule 601;
- (ii) A trade knowingly made by a Participant or Sponsored Access Firm in the Order Book against a Customer Order for its own account, an account in which it has a direct or indirect financial interest, or an account over which it has discretionary trading authority if, in any such case, the Customer Order has first been exposed in the Order Book for a minimum of fifteen seconds; or
- (iii) Permitted Transactions.

GFI Rule 527 outlines allocation and priority of orders. Each Participant shall ensure that Orders are allocated to the appropriate accounts. No Participant or Sponsored Access Firm shall withhold or withdraw from the market any Customer Order, or any part of an Order, for the benefit of any Person other than the Customer for whom the Participant is placing the Order.

No Participant shall enter an Order into the Trading System or submit an Order to an Execution Specialist for its own account, an account in which it has a direct or indirect financial interest or a Discretionary Account, including, without limitation, an Order allowing discretion as to time and price, when such Participant is in possession of any Order for the benefit of a Customer that the Trading System is capable of accepting or which is capable of being traded in a Voice Trading Session, as applicable.

GFI does not outsource any of their key functions, other than to the NFA as described below. To assist with some of the functions, GFI may enter into an arrangement with a third party to meet its regulatory obligations as permitted by the CFTC. With respect to non-key functions, GFI may enter into outsourcing arrangements and have appropriate and formal arrangements and processes in place with respect to out-sourcing functions.

GFI has contracted with the NFA for the performance of market, trade practice, financial, and audit trail surveillance, related investigations and disciplinary proceedings with respect to Participants. GFI retains ultimate responsibility for the oversight of each Participant.

GFI coordinates with the NFA to address market actions deemed inappropriate as a result of NFA's ongoing market surveillance activities. GFI conducts monthly meetings with the NFA in order to ensure compliance with surveillance rules and regulations. Both internal and external reports allow GFI and NFA to monitor NFA's activity as well as activity on GFI's market. GFI also has a SEF Control Desk, a Compliance Department, and a Disciplinary Committee, each of which serve to enhance the trade practice surveillance and oversight in conjunction with the services of the NFA.

Depending upon product the being transacted, Markitwire and Thomson Reuters Trade Notification provide STP connectivity and ICE Clear Credit LLC, LCH Clearnet Ltd., LCH Clearnet LLC and CME, Inc. provide clearing and settling services to GFI.

**vi. Systems and Technology**  
**a. Systems and technology for adequate performance of exchange activities;**

Each of GFI's critical systems has appropriate internal controls to ensure completeness, accuracy, integrity and security of information, and, in addition, has sufficient capacity and business continuity plans to enable the exchange to properly carry on its business. Critical systems are those that support the following functions:

- (a) order entry,
- (b) order routing,
- (c) execution,
- (d) trade reporting,
- (e) trade comparison,
- (f) data feeds,
- (g) market surveillance,
- (h) trade clearing, and
- (i) financial reporting.

**9.2 System Capability/Scalability**

Without limiting the generality of section 9.1, for each of its systems supporting order entry, order routing, execution, data feeds, trade reporting and trade comparison, the exchange:

- (a) makes reasonable current and future capacity estimates;
- (b) conducts capacity stress tests to determine the ability of those systems to process transactions in an accurate, timely and efficient manner;
- (c) reviews the vulnerability of those systems and data center computer operations to internal and external threats, including physical hazards and natural disasters;
- (d) ensures that safeguards that protect a system against unauthorized access, internal failures, human errors, attacks and natural catastrophes that might cause improper disclosures, modification, destruction or denial of service are subject to an independent and ongoing audit which should include the physical environment, system capacity, operating system testing, documentation, internal controls and contingency plans;
- (e) ensures that the configuration of the system <sup>22</sup>has been reviewed to identify potential points of failure, lack of

back-up and redundant capabilities;

- (f) maintains reasonable procedures to review and keep current the development and testing methodology of those systems; and
- (g) maintains reasonable back-up, contingency and business continuity plans, disaster recovery plans and internal controls.

#### Background

Core Principle 14 (System Safeguards) requires SEFs to establish and maintain a program of risk analysis and oversight to identify and minimize sources of operational risk by developing appropriate controls and procedures and automated systems that are reliable and secure and have adequate scalable capacity. Core Principle 14 additionally requires SEFs to establish and maintain emergency procedures, backup facilities and a disaster recovery plan and periodically conduct tests to verify that the backup resources are sufficient. GFI has developed the Trading Platform technology in compliance with Core Principle 14 and CFTC Regulations.

GFI subjects the Trading Platform's critical systems to regular stress tests based on reasonable current and future capacity estimates. The Trading Platform is also tested for a range of externalities which may damage or impair the operation of the system, including, but not limited to, vulnerability to internal and external threats, including physical hazards and natural disasters and safeguarded against unauthorized access, internal failures, human errors, attacks and natural catastrophes that might cause improper disclosures, modification, destruction or denial of service. In addition, the system is reviewed to identify potential points of failure, lack of back-up and redundant capabilities.

The IT Department assesses the risks of the technology infrastructure on an ongoing basis. The current operational risks are identified through Internal Audit's formal annual risk assessment process which is the basis for audits designed throughout the year. Each month, the Audit Committee meets to ensure the Internal Audit plan aligns with the ongoing IT risks of the organization. Additionally, various compliance and policy teams work closely with GFI's independent external auditors to ensure all IT infrastructure risks are properly identified and mitigated with corresponding controls. These controls are then tested by the compliance and policy teams and external consultants to validate their operational effectiveness. Further, IT infrastructure changes are actively tested by the Quality Assurance department prior to release into production.

#### Business Continuity and Disaster Recovery

In accordance with Core Principle 14, GFI maintains a Business Continuity Plan (the "BCP"). GFI's business continuity/disaster recovery program supports the continued performance of critical functions in the event the headquarters or primary data center is unavailable due to a significant business interruption. The business continuity/disaster recovery program has six objectives:

- (1) to ensure the continuity and recovery of the critical functions through the use of its secondary/disaster recovery facility;
- (2) to minimize the disruption to market participants and business partners;
- (3) to protect the firm's books and records;
- (4) to reduce the number and frequency of ad hoc decisions following a significant business interruption;
- (5) to educate employees on the contingency plans and their roles and responsibilities in executing those plans; and
- (6) to comply with regulatory requirements.

GFI maintains two remote sites contracted from leading disaster recovery service providers to be used in the event of a disaster. Both sites currently used are disaster-resistant "bunkered" sites, with redundant power sources, data communications, and hardware. The sites also have power generators that can maintain operations independent of local power availability. All electronic data (trade, positions and back office transactions) and risk management data are mirrored to the disaster recovery site in a real-time mode, so that all of the data necessary to recover the systems is available at the remote site at any given time.

Under the BCP, every combination of alternate location and business function are tested at least annually. Any identified issues are noted in the post-test report for follow up action. The BCP will be revised as needed after any significant change to services provided or systems used by GFI, but not less than annually. Component and data center level failure scenarios are tested multiple times per year.

#### Systems Changes and Testing

GFI is obligated by CFTC Regulation 37.1401 to promptly notify the CFTC of any electronic trading halts and material system malfunctions, cyber security incidents or targeted threats that actually or potentially jeopardize automated system operation, reliability, security or capacity, and activations of GFI's business continuity-

disaster recovery plan. Additionally, GFI must notify the CFTC of any material planned changes to the automated systems that are likely to have a significant impact on the reliability, security or adequate scalable capacity of such systems and planned changes to GFI's program of risk analysis and oversight.

Senior IT management must approve all planned changes to systems, whether the result of an incident, routine maintenance, or new application or infrastructure project. All changes have documented implementation and roll-back procedures.

Application changes are monitored and tracked via an issue and project tracking system. This system tracks the progress of the development and testing of application changes. Major changes and new applications are made into projects following the formal GFI delivery method, whereas minor or routine changes need only be scrutinized and approved by technology management.

Additional measures for IT systems are planned to reinforce resiliency. By understanding the capacity of each hardware and software component, a good approximation can be developed of capacity needs and back-up facilities to support anticipated loads.

GFI's Control Desk monitors trading activities in real-time and the Control Desk also has the responsibility for monitoring the technical functioning of the trading system and for real-time surveillance of the market. They will immediately notify Compliance of any irregularities.

To facilitate monitoring and surveillance, the Trading System captures trade data in real-time. The Trading System has a number of functionalities and applications designed to assist the Control Desk with surveillance and monitoring trade activity in real-time.

#### **b. A process ensuring the integrity and reliability of systems in place.**

GFI has an adequate information security program to protect data, assets and physical and environmental security. The goal of the information security program is to protect the confidentiality, integrity, and availability of GFI and its participants' information systems and data. The information security program includes:

- (1) Asset Management - Asset management enables efficient, cost-effective methods for supporting, securing, and planning for upgrades, migrations, staff training, and future technology installations.
- (2) Physical and Environmental Security - The information security program enables the management of access to data centers and data and requires approval (e.g., guards, ID badge) for entry into two vendor owned centers where all production systems and data housed. Both data centers define equipment security surrounding location, support utilities, cabling security, maintenance, and secure removal and re-use. Approval is required for the use of special software, hardware, presentation equipment and home laptop use.
- (3) Authorization, Authentication and Access Control - All computer systems have access controls that require the identity of the user requesting access (User-ID) and a confidential code, which is known only by the authorized user (password). Users are required to keep passwords confidential at all times. All policies must be adhered to whether internally or remotely connecting. Access to modify production data, programs and operating system is limited and requires confidentiality on the firm's data.
- (4) Internet, E-mail and Data Policy - All employees must comply with their internet and e-mail policies to ensure that confidential or non-public information is transmitted only in accordance with data policies. The information security program works to ensure that malicious computer viruses are not introduced into the environment through inappropriate internet use or the download of unauthorized software. All non-public data that traverses public networks is encrypted to ensure privacy. Data is stored on central file servers to allow offline and offsite access. Central file servers are backed-up nightly.
- (5) Record Retention - GFI maintains records of transactions executed on its facility for at least five years. Customized checklists are provided based on document type (banking records, accounting records, etc.) to assist employees in determining retention requirements and directs departments on an annual purging process to ensure records are not maintained longer than required.
- (6) Accountability, Compliance and Auditability - Adherence to security standards, reporting of violations and disciplinary action for non-compliant behavior is required. Logs for production system and application events are maintained and governs usage of firm equipment by requiring authorization. Policy also specifies non-disclosure of data and auditing policies (copying of proprietary

data).

GFI also utilizes a capacity management process that encompasses the following:

- (1) Monitoring the performance and throughput of IT systems and the supporting infrastructure components using industry standard monitoring products.
- (2) Undertaking tuning activities to make the most efficient use of existing resources. The performance test environment is used to identify the tuning that will be most efficient.
- (3) Understanding the demands currently being made for IT systems and producing forecasts for future requirements. The performance test environment is used to evaluate future capacity requirements.
- (4) Establishing, maintaining, and verifying the performance and capacity baselines, which enable IT to provide services of the quality defined in the service level agreements (the "SLAs").
- (5) Utilizing the performance test environment to establish and predict the resource and capacity requirements is crucial to meeting the SLAs.

Testing is completed throughout the system development cycle, leveraging industry standard approaches on the appropriate technology platforms using standard procedures including:

- (1) Functional Testing: This focuses on new requirements and new code introduced into the system. This is the first stage of testing and is focused on ensuring new features have been implemented correctly. This type of testing is based upon both black box and white box techniques. Black box testing is defined as verifying the functionality of an application using test cases built around specifications and requirements. White box testing is defined as verifying internal structures or workings of an application as opposed to its functionality.
- (2) Regression Testing: This focuses on verification of existing functionality to ensure the introduction of new code has no adverse effects. This testing may be performed in conjunction with functional testing, although ideally begins when functional testing has completed.
- (3) Integration Testing: This focuses on verification of the integrity of the interfaces and communication between applications, both internal and external. Integration testing does not cover the full scope of application functionality, but focuses on the flow of data throughout the system and the touch points with external systems and business partners. This testing begins once all functional and regression testing is complete.
- (4) Production Parallel Testing: This typically takes place in parallel to member simulation testing, two to three weeks prior to production implementation, once functional, regression, and integration testing are complete. Production parallel testing involves replaying production activity through a quality assurance environment and comparing key system outputs at defined verification points against production outputs created for the same business day. This testing functions like a "system regression," focused on ensuring only explainable differences are found.
- (5) Performance Testing: This focuses on analysis of responsiveness and stability of applications under a particular load. Analysis is performed on areas including, but not limited to, software, hardware, databases, networks, and messaging. Results are used as input into discussions regarding scalability, reliability, and resource usage. The role of quality assurance in this type of testing is ancillary to that of lead developers and architects.
- (6) User Acceptance Testing: This focuses on verification of business functionality exercised by GFI market participants. The effort is coordinated with internal business representatives and external members to derive structured test scenarios to be executed either by members themselves or quality assurance staff per direction of members or business representatives. The expectation is that members sign-off on test results, indicating their readiness for production launch. This testing may be structured or "open." Structured tests could be carried out in quality assurance environments or a member test environment, such as simulation and usually have defined inputs and expected results in the form of test cases or scenarios. Open tests are generally carried out in the simulation environment, allowing members to execute scenarios of their choosing and at their convenience over a specified period of time prior to production launch.

GFI conducts regular external penetration tests via a third-party vendor to identify vulnerabilities in GFI's networks and systems and to measure the effectiveness of controls employed by GFI.

Rule 538 describes GFI's procedures for cancelling or adjusting a trade as a result of an error. The Company may cancel or adjust the price of any trade as provided in this Rule 538. All decisions of the Company to cancel or adjust a trade, or to decline to cancel or adjust a trade, shall be final. All determinations of the Company regarding the cancellation of trades or the adjustment of prices shall, subject to paragraph (f), be final and the Company shall not have any liability for losses arising out of determinations made by the Company pursuant to this Rule, notwithstanding the limitations on liability otherwise set forth in Rule 914.

If GFI determines that the price of a trade is outside the "Non-Reviewable Range," the GFI may cancel or adjust the price of such trade if it believes that allowing the trade or trades to stand as executed could have a material, adverse effect on the integrity of the market or is necessary to mitigate market disrupting events caused by the improper or erroneous use of the Trading Platform or by system defects or malfunctions. Decisions will be made as soon as practicable after GFI becomes aware of an anomaly, error or other event and GFI will notify Participants, Sponsored Access Firms and the Swap Data Repository of any cancellations or adjustments.

The "Non-Reviewable Range" is defined as, with respect to a swap, any price that is not more than 10% higher or lower than the most recent price of: (A) a transaction in such swap effected pursuant to the Rules, other than a block trade or the swap that is under review; (B) if the swap is a cleared swap, the settlement price established therefor by a Derivatives Clearing Organization; or (C) if the prices described in clauses (A) and (B) occurred more than one business day before the date of the swap that is being reviewed, the price for such swap or an economically equivalent swap most recently reported by a Swap Data Repository. A swap with a price inside the Non-Reviewable Range stands as executed.

The Company may cancel or adjust the price of any trade as provided in this Rule 538. All decisions of the Company to cancel or adjust a trade, or to decline to cancel or adjust a trade, shall be final. All determinations of the Company regarding the cancellation of trades or the adjustment of prices shall, subject to paragraph (f), be final and the Company shall not have any liability for losses arising out of determinations made by the Company pursuant to this Rule, notwithstanding the limitations on liability otherwise set forth in Rule 914.

Pursuant to Core Principle 8, GFI Rule 911 outlines the procedures for emergencies. Emergency Rules may require or authorize the Company, acting through the Board, any committee, the Chief Executive Officer (or, if the Chief Executive Officer is unavailable, the Chief Operating Officer) or any other Officer of the Company, to take actions necessary or appropriate to respond to the Emergency, including:

- (i) suspending of curtailing trading or limiting trading to liquidation only (in whole or in part);
- (ii) extending, limiting or changing Trading Hours for one or more swaps;
- (iii) ordering the liquidation of swaps or the reduction of positions, in consultation with relevant Derivatives Clearing Organizations, if practicable;
- (iv) temporarily modifying or suspending any provision of the Rules;
- (v) Imposing or modifying trading limits, price limits or position limits requiring additional margin to be collected from Customers, in consultation with relevant Derivatives Clearing Organizations if practicable;
- (vi) any other action, is so directed by the CFTC



## vii. Clearing and Settlement

GFI requires its participants to have appropriate arrangements for the clearing and settlement of transactions for which clearing is mandatory through a clearing house. .

CFTC Regulation 37.701 provides that transactions executed on or through a SEF that are required to be cleared under the CEA or are voluntarily cleared by the counterparties must be cleared through a derivatives clearing organization registered or exempt from registration with the CFTC. As noted in Section 6.1(b)(iv), GFI has entered into agreements with multiple Derivatives Clearing Organizations, ICE Clear Credit LLC, LCH Clearnet Ltd., LCH Clearnet LLC, and CME Inc. and has the capacity to route transactions to such Derivatives Clearing Organizations in a manner acceptable to each applicable Derivatives Clearing Organization. Pursuant to Rule 1001, GFI submits each swap executed on or pursuant to the Rules that is required to be cleared to a Derivatives Clearing Organization pursuant to the CEA and CFTC Regulations. GFI also submits swaps that are not required to be cleared to a Derivatives Clearing Organization if the counterparties elect to have such swaps cleared.

In the event that a Swap is rejected by the Clearing Organization to which it has been submitted, GFI will so inform the Participants or Authorized Customers that are the counterparties to the trade. A trade for which GFI has received a rejection notice from the Clearing Organization is void ab initio. Transactions rejected by the Clearing Organization due to operational or clerical errors can be resubmitted as "new trade, old terms" no later than one hour from the issuance of notice.

The Rules also require market participants to establish and maintain relationships with Clearing Firms. Under Rule 1002(b), a Participant that is not a Clearing Firm and that is trading cleared swaps as principal, and each Sponsored Access Firm that is not a Clearing Firm and that is trading cleared swaps as principal, must obtain prior authorization from a Clearing Firm that will guarantee such Participant's or Sponsored Access Firm's cleared swaps to the Derivatives Clearing Organization, subject to applicable risk-based limits, or enter into an appropriate arrangement with a person that has such an authorization from a Clearing Firm. Rule 1002(c) similarly provides that a Participant acting as broker for a customer must obtain from the customer confirmation from the customer that it has obtained prior authorization from a Clearing Firm that will guarantee customer's cleared swaps to the Derivatives Clearing Organization, subject to applicable risk-based limits, or enter into an appropriate arrangement with a person that has such an authorization from a Clearing Firm.

A Clearing Firm may at any time, upon written notice to GFI, revoke any authorization made by it to a Participant, Sponsored Access Firm, customer or Registered Trader. Such authorization will remain in effect for all cleared swaps for which orders were submitted to the Trading Platform prior to GFI's acknowledgement of the revocation. Upon the effectiveness of the revocation of an authorization, the right of the Participant, Sponsored Access Firm, customer or Registered Trader to enter into cleared swaps will automatically be terminated. Such a Participant, Sponsored Access Firm or customer must obtain another authorization from a Clearing Firm before its right to access the Trading Platform to trade cleared swaps will be reinstated.

Rule 1002(e) requires each Participant, Sponsored Access Firm, and customer to assist its Clearing Firm and the Derivatives Clearing Organization in the clearing of its cleared swaps.

Rule 1102 provides that clearing services provided by a Derivatives Clearing Organization with respect to any swap, and the rights and obligations of purchasers and sellers under cleared swaps, will be governed by the rules of the Derivatives Clearing Organization.

Pursuant to Rule 1001, GFI submits each swap executed on or pursuant to the Rules that is required to be cleared to a Derivatives Clearing Organization pursuant to the CEA and CFTC Regulations. GFI also submits swaps that are not required to be cleared to a Derivatives Clearing Organization if the counterparties elect to have such swaps cleared.

The Rules also require market participants to establish and maintain relationships with Clearing Firms. Under Rule 1002(b), a Participant that is not a Clearing Firm and that is trading cleared swaps as principal, and each Sponsored Access Firm that is not a Clearing Firm and that is trading cleared swaps as principal, must obtain prior authorization from a Clearing Firm that will guarantee such Participant's or Sponsored Access Firm's cleared swaps to the Derivatives Clearing



Organization, subject to applicable risk-based limits, or enter into an appropriate arrangement with a person that has such an authorization from a Clearing Firm. Rule 1002(c) similarly provides that a Participant acting as broker for a customer must obtain from the customer confirmation from the customer that it has obtained prior authorization from a Clearing Firm that will guarantee customer's cleared swaps to the Derivatives Clearing Organization, subject to applicable risk-based limits, or enter into an appropriate arrangement with a person that has such an authorization from a Clearing Firm.

A Clearing Firm may at any time, upon written notice to GFI, revoke any authorization made by it to a Participant, Sponsored Access Firm, customer or Registered Trader. Such authorization will remain in effect for all cleared swaps for which orders were submitted to the Trading Platform prior to GFI's acknowledgement of the revocation. Upon the effectiveness of the revocation of an authorization, the right of the Participant, Sponsored Access Firm, customer or Registered Trader to enter into cleared swaps will automatically be terminated. Such a Participant, Sponsored Access Firm or customer must obtain another authorization from a Clearing Firm before its right to access the Trading Platform to trade cleared swaps will be reinstated.

#### **GFI Designated Clearing Organizations**

Swap	Clearing Organization
Credit Default Swap Indices	ICE Clear Credit LLC
Interest Rate Swaps	CME

Disputes arising from or in connection with the clearance, delivery or settlement of positions shall be resolved pursuant to the Bylaws, Rule and procedures of the DCO.

Pursuant to Rule 409, the Company shall publish information on its website daily regarding volume, price ranges, open interest and settlement prices. The Company shall also publish on its website on a daily basis the total quantity of Block Trades that are included in the total volume of trading. Information on settlement prices and open interest shall be provided, as applicable, by the relevant Derivatives Clearing Organization.

Chapter 10 of the GFI Rulebook sets out the framework for the clearing and financial integrity of contracts of trades transacted through GFI. Rule 1001 applies to Cleared Swaps. Rule 1002 applies to the Clearing Firm Requirements. 802 and 803 shall apply to Required Transactions. Rule 804 shall apply to Permitted Transactions. Rules 805, 806 and 807 shall apply to both Required and Permitted Transactions.

Rule 1102 provides that clearing services provided by a Derivatives Clearing Organization with respect to any swap, and the rights and obligations of purchasers and sellers under cleared swaps, will be governed by the rules of the Derivatives Clearing Organization.

Every Swap executed on or subject to the rules of GFI that is a Required Transaction will be forwarded by the SEF to the Clearing Organization selected by the Participant or its Authorized Customer directly to the Clearing Organization or via a Straight-Through-Processing ("STP") hub.

If more than one Clearing Organization is available for clearing the Swap, each Participant and Authorized Customer may designate its choice of Clearing Organization for selected transactions by designating a specific Clearing Organization for each Order or RFQ.

In the event that a Swap is rejected by the Clearing Organization to which it has been submitted, GFI will so inform the Participants or Authorized Customers that are the counterparties to the trade. A trade for which GFI has received a rejection notice from the Clearing Organization is void ab

initio. Transactions rejected by the Clearing Organization due to operational or clerical errors can be resubmitted as "new trade, old terms" no later than one hour from the issuance of notice.

A Clearing Firm may at any time, upon written notice to GFI, revoke any authorization made by it to a Participant, Sponsored Access Firm, customer or Registered Trader. Such authorization will remain in effect for all cleared swaps for which orders were submitted to the Trading Platform prior to GFI's acknowledgement of the revocation. Upon the effectiveness of the revocation of an authorization, the right of the Participant, Sponsored Access Firm, customer or Registered Trader to enter into cleared swaps will automatically be terminated. Such a Participant, Sponsored Access Firm or customer must obtain another authorization from a Clearing Firm before its right to access the Trading Platform to trade cleared swaps will be reinstated.

GFI works with third party vendors and has performed due diligence reviews for connectivity to various clearing organizations, such as ICE Clear Credit LLC for the clearing of products related to credit default swap indices. GFI utilizes third party vendors, such as Markit for connectivity to clearing organizations. As the need arises, GFI will perform additional due diligence reviews with regard to the addition of new clearing organizations being added to the platform. Each of the DCO's are registered with the CFTC and each must comply with Core Principles as DCO under the CEA section 5b(c)(2) and CFTC Regulation §17 C.F.R. 39. Because the DCO's adhere to CFTC Rules and Regulations, GFI is satisfied that the exchange has appropriate arrangements. In accordance with Core Principle 14 (CFTC Regulations §37.1400-37.1401), GFI has adopted adequate risk management measures. GFI is governed by a comprehensive regulatory scheme and in accordance with those rules has met the applicable risk management requirements.

GFI has assured itself that the clearing house has established appropriate risk management policies and procedures, contingency plans, default procedures and internal controls. GFI understands that the CFTC (and, in the case of LCH.Clearnet Limited, the Bank of England) subjects the risk management systems of each Derivatives Clearing Organization, including policies and procedures, contingency plans, default procedures and internal controls, to the same degree of scrutiny and oversight to which the risk management systems of GFI is subject. Furthermore, DCO Core Principle D requires that a Derivatives Clearing Organization manage the risks associated with discharging the responsibilities of a Derivatives Clearing Organization through the use of appropriate tools and procedures. LCH.Clearnet Limited is subject to similar requirements by its primary regulator. As such, GFI believes that each Derivatives Clearing Organization has established appropriate risk management policies and procedures, contingency plans, default procedures and internal controls.

#### **viii. Recordkeeping**

GFI has and maintains adequate systems in place for the keeping of books and records, including, but not limited to, those concerning the operations of the exchange, audit trail information on all trades, and compliance with, and/or violations of exchange requirements.

Core Principle 10 (Recordkeeping and Reporting) requires a SEF to maintain records of all activities relating to its business, including a complete audit trail, for a period of five years. CFTC Regulation 37.1001 similarly requires a SEF to maintain records of all activities relating to its business, including a complete audit trail for all swaps executed on or subject to the rules of the SEF, investigatory files and disciplinary files.

Rule 208 in the GFI Rulebook requires GFI to keep, or cause to be kept, complete and accurate books and records of all activities relating to its business, including all books and records required to be maintained pursuant to the CEA and CFTC Regulations. As required by CFTC Regulations, GFI maintains complete and accurate books and records relating to its operations, audit trail information on all trades and disciplinary and enforcement actions. Additionally, Participants acknowledge and consent to GFI's right and power to record conversations between employees, officers and agents of the SEF and Participants and Authorized Customers and, their employees, officers and agents. Participants and Authorized Customers shall inform their employees and agents of the SEF's right and power to record conversations and shall obtain their consent thereto. GFI shall retain any such recordings under the terms and conditions GFI may prescribe from time to time.

Rule 401 requires GFI Participants to keep all records relating to GFI activity that are required by the Commission and Applicable Law to be kept, in such form and manner and for such period, as required by CFTC Rule and Applicable Law.

GFI notes that compliance with the CFTC's recordkeeping and reporting requirements is audited regularly by its external auditors. GFI will report to the CFTC any information the CFTC determines to be necessary or appropriate. GFI will also provide any information requested on a non-routine basis by the CFTC.

Each Participant shall make and file reports relating to GFI in accordance with (and in the manner and form and at such times as may be prescribed by) CFTC Regulations.

- CFTC Reporting Requirement for Swaps. GFI will report each Transaction to a SDR chosen by GFI as soon as technologically practicable.
- CFTC Recordkeeping Requirements. Each Participant shall keep all records relating to GFI that are required by the Commission and Applicable Law to be kept, in such form and manner and for such period, as required by CFTC Rule and Applicable Law.
- GFI Reporting Requirements. Each Participant shall make and file reports with GFI at the time, in the form, and containing such information relating to GFI as it may prescribe from time to time.
- GFI Recordkeeping Requirements. Each Participant and as applicable, Broker, shall make such records relating to orders received, transactions effected and positions carried relating to GFI, and shall maintain such records in such form and manner and for such time, as required by CFTC Rule and Applicable Law. Such records shall at all times be open to inspection by GFI upon reasonable notice and subject to Participant's reasonable security policies.

Responding to Information Requests. Each Participant, and as applicable, Broker, shall timely furnish the information relating to GFI as may from time to time be requested by any representative of GFI acting within the scope of the jurisdiction and in the course of its, his or her duties, including the NFA acting in its capacity as a regulatory services provider, except to the extent prohibited by Applicable Law.

### **PART 3 POWERS OF EXCHANGE RESPECTING CO-OPERATION**

#### **i. The power to co-operate fully with the AMF and to provide information and documents respecting its operations, including the following:**

GFI has mechanisms in place to enable it to share information and otherwise co-operate with the Commission, self-regulatory organizations, other exchanges, clearing agencies, investor protection funds, and other appropriate regulatory bodies.

Core Principle 5 (Ability to Obtain Information) and CFTC Regulation 37.504 requires a SEF to enter into and abide by the terms of all appropriate and applicable domestic and international information sharing agreements in order to carry out the SEF's self-regulatory and reporting responsibilities.

GFI has broad discretion under Rule 912 to enter into information-sharing agreements to coordinate surveillance with other markets that trade financial instruments related to the swaps listed on the Trading Platform. GFI may enter into additional agreements or other arrangements or procedures to coordinate surveillance with U.S. and non-U.S. regulators, self-regulatory organizations, clearing organizations, exchanges, markets or other execution facilities to share information and provide other forms of mutual assistance for market surveillance, audits, investigations, enforcement actions and other regulatory purposes deemed necessary or appropriate or required by law. As noted in Section 6.1(b)(iv), GFI is also a member of the Joint Audit Committee.

Even absent an information-sharing agreement, GFI may, under Rule 905, share Participants' and Sponsored Access Firms' information with certain persons, including but not limited to domestic

and foreign regulatory authorities (including the AMF), Derivatives Clearing Organizations and other persons providing services to GFI.

GFI has mechanisms in place to ensure that the information necessary to conduct adequate surveillance of the system for supervisory or enforcement purposes is available to the relevant regulatory authorities, including the Commission, on a timely basis.

Under Rule 208(b), GFI is required to retain complete and accurate books and records of all activities relating to its business, and make such books and records available for inspection by the CFTC and the U.S. Department of Justice. GFI maintains an accurate and easily accessible audit trail of all transactions and understands the importance of responding to all inquiries in a timely manner. GFI will respond to any inquiries as quickly as possible while ensuring all information provided is complete and accurate.

Rule 905(b) allows GFI to share information with a regulatory authority (including the OSC) if GFI is requested or legally required to do so by such regulatory authority. GFI's CCO or his or her designee will respond to any requests by GFI will provide the AMF with the following:

- a. its annual report and its quarterly and annual financial statements;
- b. any amendment to the laws or regulations governing its activities in its home jurisdiction;
- c. any amendment to its internal by-laws, rules, policies or other similar instruments;
- d. any change respecting its right to operate in its home jurisdiction;
- e. notice of any situation that could have an impact on its financial viability or its ability to operate and may result, in particular, from the bankruptcy or financial difficulties of a member dealer;
- f. any disciplinary or administrative action taken by the exchange.

GFI has adequate financial and staff resources to carry on its activities in full compliance with its regulatory requirements and with best practices.

Pursuant to CFTC Regulations, GFI has adequate financial, operational and managerial resources to discharge its responsibilities.

GFI has sufficient financial resources for the proper performance of its functions and to meet its responsibilities.

Core Principle 13 (Financial Resources) requires a SEF to maintain financial, operational, and managerial resources exceeding the total amount that would enable the SEF to cover its operating costs for a one-year period, as calculated on a rolling basis. CFTC Regulation 37.1305 additionally requires a SEF to maintain unencumbered, liquid financial assets (i.e., cash and/or highly liquid securities) equal to at least six months' operating costs.

GFI has adequate financial, operational, and managerial resources to discharge each of its responsibilities. As required by CFTC Regulations, GFI maintains financial resources sufficient to cover its operating costs for a one-year period, as calculated on a rolling basis. GFI also maintains sufficient liquid financial resources equal to at least six months' operating costs.

GFI maintains the current minimum capital amounts needed, and will maintain any future minimum capital amounts needed, to meet CFTC requirements.

GFI will provide notice to the CFTC and all other necessary regulatory bodies if there any situation that could have an impact on its financial viability or its ability to operate and may result, in particular, from the bankruptcy or financial difficulties of a member dealer

PART 4 POWERS RESPECTING CO-OPERATION OF REGULATOR IN HOME JURISDICTION

The CFTC has entered into memorandum of understanding ("MOU") arrangements for co-operative enforcement actions with foreign regulatory authorities in numerous instances. The MOUs typically provide for access to non-public documents and information already in the possession of the regulatory authorities. This often includes the undertaking to obtain documents and to take testimony of or statements from witnesses on behalf of a requesting regulatory authority. The CFTC and the AMF are parties to a MOU that was entered into by the parties on March 25, 2014.

PART 5 CONDITION OF COMPLIANCE

## i. Providing the AMF with the following information:

As noted above in Part 3(i), Pursuant to GFI's SEF registration, GFI will share information and cooperate with the CFTC, AMF, self-regulatory organizations, other exchanges, clearing agencies, investor protection funds, and other appropriate regulatory bodies.

GFI will comply with any other applicable Québec law, including An Act respecting the legal publicity of sole proprietorships, partnerships and legal persons (R.S.Q., c. P-45). GFI will maintain its registration with the CFTC and abide by the rules, regulations and decisions of the AMF.

This application constitutes GFI's full application to be exempted from listing as an exchange. For the reasons set out in this application GFI submits that it meets the criteria for exemption and that it would not be prejudicial to the public interest for the AMF to grant the exemption.

On behalf of GFI, the undersigned hereby confirms the truth of the facts contained in the attached application.

Dated this 3<sup>rd</sup> day of May 2019

By: *Kenneth Sklover*

Name: Kenneth Sklover

Title: Chief Compliance Officer

### 7.3.2 Publication

Aucune information