

7.3

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

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

7.3.1 Consultation

AEGIS SEF, LLC – Demande de dispense de reconnaissance à titre de bourse et des obligations des Règlements 21-101, 23-101 et 23-103.

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 prévues au *Règlement 21-101 sur le fonctionnement du marché*, RLRQ, c. V-1.1, r. 5, au *Règlement 23-101 sur les règles de négociation*, RLRQ, c. V-1.1, r. 6 et au *Règlement 23-103 sur la négociation électronique et l'accès électronique direct aux marchés*, RLRQ, c. V-1.1, r. 7.1, déposée par AEGIS SEF, LLC.

(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 9 novembre 2023 à :

Me Philippe Lebel
Secrétaire et directeur général des affaires juridiques
Autorité des marchés financiers
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Information complémentaire

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

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Reply to the Attention of: Shahen Mirakian
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Date: June 9, 2023

VIA EMAIL

Autorité des marchés financiers
800 Square Victoria, 22nd Floor
C.P. 246, Tour de la Bourse
Montréal, Quebec
Canada, H4Z 1G3

Attention: Exemptive Relief Application

Dear Sirs/Mesdames:

Re: AEGIS SEF, LLC Application for Exemption from Recognition as an Exchange

We act as Canadian legal counsel to AEGIS SEF, LLC (the **Applicant**) and are filing this application with the Autorité des marchés financiers (the **AMF**) on the Applicant's behalf. The Applicant is requesting an order (the **Permanent Order**) from the AMF exempting the Applicant from the following requirements:

- a decision under section 86 of the *Derivatives Act* (Quebec) (the **Act**) exempting the Applicant from the requirement to be recognised by the AMF as an exchange under section 12 of the Act in relation to the operation of a marketplace, namely a swap execution facility (**SEF**), in the province;
- a decision under section 86 of the Act and section 15.1 of Regulation 21-101 (as defined below) exempting the Applicant from *Regulation 21-101 respecting Marketplace Operation* (**Regulation 21-101**);
- a decision under section 86 of the Act and section 12.1 of Regulation 23-101 (as defined below) exempting the Applicant from *Regulation 23-101 respecting Trading Rules* (**Regulation 23-101**); and
- a decision under section 86 of the Act and section 10 of Regulation 23-103 (as defined below) exempting the Applicant from *Regulation 23-103 respecting*

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Electronic Trading and Direct Electronic Access to Marketplaces (Regulation 23-103)

(collectively the **Requested Relief**).

BACKGROUND OF THE APPLICANT

The Applicant is a limited liability company organized under the laws of Delaware with its office located at Corporation Trust Center 1209 Orange Street Wilmington DE 19801. The ultimate parent company of the Applicant is Aegis Hedging Solutions LLC.

The Applicant operates one trading platform, the AEGIS SEF platform. The Applicant was approved as a "Swap Execution Facility" as defined by the Commodity Futures Trading Commission on July 19, 2022 (the **CFTC**) and is currently regulated by the CFTC to operate the AEGIS SEF for trading permitted bilateral swaps.

The Ontario Securities Commission (**OSC**) by way of an order dated February 7, 2023 has exempted the Applicant from the requirement to be recognized as an exchange under subsection 21(1) of the *Securities Act* (Ontario) and the requirements in National Instrument 21-101 *Marketplace Operation*, National Instrument 23-101 *Trading Rules* and National Instrument 23-103 *Electronic Trading and Direct Electronic Access to Marketplaces* in relation to its operation of the AEGIS SEF in the Province of Ontario (the **Ontario Order**).

The AEGIS platform is a relationship based bilateral (maker-taker type) trading platform that offers curated liquidity to its participants, where participants are explicitly identified as Financial Counterparties (makers) or Market Participants (takers). A Financial Counterparty (a **FC**) electronically quotes a price to a Market Participant (a **MP**). Participants on the AEGIS platform interact not only based on credit path¹, but also via explicit permissioning put in place by the Applicant (as the Market Operator) where trades are typically fully disclosed. AEGIS enables MPs to view and access prices to the platform from FCs with whom they have a credit risk mitigation agreement. The ability to execute on the AEGIS platform is managed by MPs. In addition, FCs may check credit within their own systems on a real time basis at point of execution (as is common on other direct/relationship-based trading offerings).

The AEGIS platform enables the FCs to provide prices to their chosen counterparties, the MPs, based on their assessment of the client relationship. This helps FCs to manage operational and credit risk in the context of those bilateral relationships. The AEGIS platform allows FCs to provide a price directly to their customers (MPs, similar to their own single dealer platform price) via the AEGIS platform. AEGIS gives FCs the ability to identify their counterparty prior to the execution of the trade and allows them to accept or reject a bilateral trade (Last Look).

¹ Rule 4.6.2 of the AEGIS SEF Rulebook states "All Participants and Customers must have previously entered into a mutual credit risk management agreement (e.g., an ISDA Master Agreement with accompanying Schedule and potentially a credit support annex or other annexes) with any other Participant or Customer, with whom such Participant or Customer wishes to enter into any SEF Contract."

This feature is standard on direct/bilateral relationship-based trading offerings in the market today. From a MP standpoint, they are able to see an aggregated view of the liquidity provided by their chosen FCs.

The AEGIS platform comprises of a central limit order book (**CLOB**), a request for quote (**RFQ**), and an Offline Execution Functionality (**OEF**). Participants of the SEF are able to trade Commodity Swaps, Options on Commodity Swaps, and Basis Swaps as listed in Annex A. Additional products may be made available for trading on the AEGIS SEF by the Applicant in the future, subject to review/approval by the CFTC. The AEGIS platform enables FCs to toggle off the CLOB; zero volume is expected on the CLOB because FCs will never transact bilaterally without knowledge of whom their facing counterparty will be. To date, there has been zero activity on the CLOB, and only activity via RFQ and OEF. The Applicant maintains access to system support and both critical and general shared services from its parent, AEGIS Hedging Solutions.

For greater certainty, there are currently no Quebec participants or customers on the AEGIS SEF whether for CLOB, RFQ or OEF methods of execution.

Prior to the CFTC certifying amendments to the AEGIS SEF Rulebook on November 2, 2022, there were only two methods of execution permitted on the SEF. Trades in derivatives (uncleared bilateral swaps) could be executed either through CLOB or RFQ. OEF is a third method of execution.

OEF allows for introducing brokers (**IB**) or commodity trading advisers (**CTA**) which are not otherwise participants on the AEGIS SEF to bring permitted bilaterally negotiated derivatives transactions between FCs and commercial end users (the introducing broker or CTA would act for the commercial end user) to the AEGIS SEF for execution. In other words, the terms of a transaction would be negotiated between a FC and a commercial end user (with such commercial end user represented by a CTA or IB), then the CTA or IB would bring that transaction to the AEGIS SEF for execution. The CTA or IB could bring the pre-agreed transaction to the AEGIS SEF directly. By having these transactions executed on a SEF platform, OEF assists regulators, such as the CFTC, with auditing and surveillance and simplifies regulatory reporting for the participants to the transaction.

OEF is not a marketplace.

Regulation 21-101 defines marketplace as:

- “(i) an exchange,
- (ii) a quotation and trade reporting system,
- (iii) a person not included in clause (i) or (ii) that

- (A) constitutes, maintains or provides a market or facility for bringing together buyers and sellers of securities,
 - (B) brings together the orders for securities of multiple buyers and sellers, and
 - (C) uses established, non-discretionary methods under which the orders interact with each other, and the buyers and sellers entering the orders agree to the terms of a trade, or
- (iv) a dealer that executes a trade of an exchange-traded security outside of a marketplace, but does not include an inter-dealer bond broker..."

The Policy Statement to Regulation 21-101 *respecting Marketplace Operation* (**PS 21-101**) provides interpretive guidance for this definition. In particular, paragraph 4 of Part 2 interprets the term "established non-discretionary methods" as used in part 3(iii) of the definition of "marketplace". This paragraph states:

"The Canadian securities regulatory authorities are of the view that "established, non-discretionary methods" include any methods that dictate the terms of trading among the multiple buyers and sellers entering orders on the system. Such methods include providing a trading facility or setting rules governing trading among marketplace participants. Common examples include a traditional exchange and a computer system, whether comprised of software, hardware, protocols, or any combination thereof, through which orders interact, or any other trading mechanism that provides a means or location for the bringing together and execution of orders. Rules imposing execution priorities, such as time and price priority rules, would be "established, non-discretionary methods."

While this accurately describes how CLOB and, to a lesser extent, RFQ functionality of the AEGIS SEF operate, OEF does not use such a system or any system. There are not multiple buyers and sellers. The transaction is pre-arranged / pre-negotiated between two parties not necessarily previously associated with AEGIS SEF and those parties dictate their own terms for the transaction. The pre-arranged transaction then is brought to AEGIS SEF in that form with no further changes dictated or required by AEGIS SEF. There is no opportunity to involve other buyers or sellers. Additionally, there are no rules about what the price or with what priority the transaction must be executed. It is simply brought to AEGIS SEF in completed form for execution. The only rule is whether or not the transaction is one which is permitted to be executed on AEGIS SEF. There is absolutely no "established, non-discretionary method" involved in the terms of the trade which takes place using OEF.

Part 2.1(8) of PS 21-101 provides some discussion of the use of "systems" which are used to match buy and sell orders outside of a marketplace and then route them to a marketplace for execution and suggests that these systems could also be considered marketplaces. There are two reasons why this paragraph does not apply to OEF:

- 1) The SEF as used for OEF is not a marketplace. The "matched" orders are not being routed to a marketplace. They are being executed on a facility (a term which PS 21-101 uses to describe various trading venues which do not meet the definition of marketplace). The buyer and seller in an OEF transaction did not meet on AEGIS SEF or use a price which has been set by AEGIS SEF.
- 2) There is no "system" used to match orders. The two sides of a derivatives transaction engage in a bilateral negotiation as they would for any other over-the-counter derivative (over the phone, using electronic messaging / chat, using email, face-to-face discussions) and if such derivative is consistent with the type permitted to be executed on AEGIS SEF, the introducing broker or CTA who acted for one side of the transaction (the commercial end user) can then bring the transaction to AEGIS SEF for execution. There is no requirement that the introducing broker or CTA do so and the result of the trade not being accepted for execution just means that it remains a standard over-the-counter derivative.

The Applicant discussed the OEF in detail with the OSC and the OSC accepted that the OEF did not require recognition as or an exemption from being recognized as an exchange or any other type of marketplace on the condition that the Applicant provide the OSC with semi-annual reporting of all OEF transactions until such time as the OSC granted the order exempting the Applicant from the requirement to be recognized as an exchange.

The OEF is being offered to Quebec participants and customers in advance of this Exemption order being approved because it is not an exchange or any other type of marketplace.

AEGIS SEF seeks relief specifically for its CLOB and RFQ functionality as follows:

EXEMPTION FROM SECTION 12 OF THE ACT AND FROM REGULATION 21-101 AND REGULATION 23-101

Exemption from the Requirement to be Recognised as an Exchange under Section 12 of the Act

As described in greater detail in this application (the **Application**), the Applicant is subject to the supervision of the Commodity Futures Trading Commission (the **CFTC**). Recognition requirements to be met by the AEGIS SEF by the Applicant are stringent and do take into consideration elements such as governance, fees, fair and equitable access, regulation, market operations as well as systems and technology, as prescribed by the AMF.

Furthermore, the Applicant confirms that it has the power to co-operate fully with the AMF and self-regulatory organizations in the Province of Quebec, and to provide information and documents with respect to its operations that could be reasonably requested by the AMF.

Based on the foregoing, the Applicant seeks an exemption from the requirement of section 12 of the Act allowing it to carry on derivatives activities in the Province of Quebec without being recognised by the AMF as an exchange or otherwise. We believe this exemption would not be detrimental to the protection of investors in the Province of Quebec and would contribute to the trading of derivatives in the Province of Quebec being more efficient.

Exemption from Regulation 21-101, Regulation 23-101 and Regulation 23-103

The Applicant submits to the AMF that the application of Regulation 21-101, Regulation 23-101 and Regulation 23-103 regarding marketplace operation, trading rules and electronic trading to the Applicant would result in duplication of the CFTC regulatory framework and hereby seeks an exemption from Regulation 21-101, Regulation 23-101 and Regulation 23-103.

The AMF *Policy Statement respecting the Authorization of Foreign-Based Exchanges (Policy Statement)* outlines the AMF's approach to and interpretation of regulatory provisions regarding applications for authorization from foreign-based exchanges that are already recognized or authorized in their home jurisdiction. The Policy Statement sets out the information that the AMF expects to receive in support of such applications. This Application contains such information.

You will find below, the following information about the Applicant's business and policies under five headings, which correspond to Part 5 of Policy Statement:

REGULATION OF THE APPLICANT IN ITS HOME JURISDICTION

1.1 Regulation of the Applicant

The Applicant is a "Swap Execution Facility" (**SEF**) as defined in United States in pursuant to Section 5h (7 U.S.C. 5h) of the Commodity Exchange Act (**CEA**) and Part 37 (17 C.F.R. Part 37) of the CFTC Regulations and the relevant laws, rules and regulations of the United States. The Applicant operates a SEF, a trading facility specified by CFTC. CFTC defines a SEF as a "a trading system or platform in which multiple participants have the ability to execute or trade swaps by accepting bids and offers made by multiple participants in the facility or system, through any means of interstate commerce, including any trading facility, that—

- a) *facilitates the execution of swaps between persons; and*
- b) *is not a designated contract market."*

On July 19, 2022, the CFTC authorized the Applicant to become a Swap Execution Facility. Financial instruments for which the Applicant is authorized by the CFTC are set forth in Annex B.

Market Operators that are authorized by the CFTC must comply with the:

- a) all representations and submissions made by AEGIS SEF in support of its application for registration as a swap execution facility;
- b) all provisions of the CEA and all requirements set forth in the CFTC's regulations, as may be amended or adopted from time to time, that are applicable to swap execution facilities;

The Applicant is obligated to comply with 15 Core SEF Principles and requirements which require trading practices that are fair, properly supervised and not contrary to the public interest. Specifically, the Core SEF Functions, which the Applicant adheres to, provides:

- a) **Compliance with rules.** the Applicant is to have "the terms and conditions of the swaps traded or processed on or through the swap execution facility, and provide market participants with impartial access to the market."
- b) **Swaps not readily susceptible to manipulation.** "The swap execution facility shall permit trading only in swaps that are not readily susceptible to manipulation."
- c) **Monitoring of trading and trade processing.**
- d) **Recordkeeping and recording.**
- e) **Conflicts of interest.** "Establish and enforce rules to minimize conflicts of interest in its decision-making process; and establish a process for resolving the conflicts of interest."

The CFTC has approval the AEGIS SEF Rulebook and internal Compliance Manual. On an ongoing basis, if Rules in the AEGIS SEF Rulebook are amended, the CFTC requires a 10 day review, or self-certification of Rules in the AEGIS SEF Rulebook which are not related to Core principles (perfunctory edits not directly related to the marketplace). All amendments are made publicly available on the CFTC's and AEGIS SEF's website.

The CFTC has the authority to request records and enforce the CFTC regulations with disciplinary action as required. This protects Participants and ensures an orderly market which is not disruptive to others.

1.2 Authority of the Foreign Regulator in the Home Jurisdiction

The Foreign Regulator—the CFTC—has the appropriate authority and procedures for oversight of the exchange. This includes regular, periodic oversight reviews of the exchange by the Foreign Regulator. The CFTC is empowered by the U.S. Congress under the CEA to supervise and regulate the U.S. swaps market and SEFs. The CEA (which is U.S. federal law) requires,

among other things, that SEFs follow a set of core principles (SEF Core Principles). In accordance with certain provisions of the CEA, the CFTC carries out the regulation U.S. SEFs. To implement the regulation of SEFs, the CFTC has promulgated regulations and guidelines (**CFTC regulations**) that further interpret the SEF Core Principles (in the CEA) and govern the conduct of SEFs. The CFTC also undertakes periodic in-depth audits or rule reviews of a SEF's compliance with certain SEF Core Principles. Among these are examinations that assess SEF's compliance with the system-safeguards requirements that all SEFs must comply with.

1.3 Listing Criteria for Products

As a Market Operator, the Applicant requires specific permission from the CFTC to offer the SEF in respect of each class of financial instrument traded on the SEF, CFTC permission is granted either through (i) self-certification or (ii) a request by a SEF for CFTC approval of a new Product.

The CFTC enabled the Applicant to self certify its listed products on August 31, 2022 for the Applicant to offer the financial instruments listed in Annex B.

To the extent that the Applicant wishes to make available for trading additional classes of financial instruments on the Facilities, it would need to supplement its submissions with one or both of the methods noted in the paragraph of this Section 1.3. For the purposes of this application, the Applicant seeks only to make available for trading the financial instruments listed in Annex B.

The Product Listings posted on the AEGIS website <https://aegis-hedging.com/sef-product-listings> designate the financial instruments which the Applicant's participants may trade. Any changes to the Product Listings must be reviewed and approved by the CFTC.

Part 40 of the CFTC Regulations has clearly delineated steps and requirements. Included in those steps are inclusion of information to show that such swaps comply with the CFTC's Core Principle 3 for SEFs, that such swaps are not readily susceptible to manipulation.

1.4 Core Principles

To the extent it is consistent with the laws of the United States and CFTC Regulations, the Applicant adheres to the standards of the CFTC's 15 Core Principles.

RECOGNITION OR AUTHORIZATION PROCESS OF THE FOREIGN REGULATOR IN THE HOME JURISDICTION

2.1 Corporate Governance

The Applicant has in place a Board of Directors/Executive team (collectively, the **Management Body**), Regulatory Oversight Committee (**ROC**), Compliance Officer, Compliance Analyst, Operations team, and IT support. The Applicant outsources the provision

of any additional support functions to the National Futures Association (**NFA**) for T+1 Trade Practice Surveillance. The Management Body remains fully responsible for the tasks or functions that are outsourced or delegated; maintaining the ability to direct and control the relevant functions.

The Management Body defines and oversees the implementation of the governance arrangements of the Applicant, ensuring effective and prudent management of the Applicant, including the segregation of duties within the Applicant. Prevention of conflicts of interest are under the authority and responsibility of the ROC, in a manner that promotes the integrity of the market. The Management Body is also responsible and accountable for the overall strategy of the Applicant, taking into account the Applicant's business and risk profile.

2.2 Board and Committee Representation

2.2.1 The Boards of Directors

The Applicant maintains a board structure under the laws of the United States. The Applicant's Board of Directors (the **Board**) currently consists of three Directors and two independent Public Directors. One of the Public Directors, Bruce Aust, serves as Chairman of the Board.

2.2.2 Governance Arrangements

Broader strategic decisions are made by the President of the Applicant with consultation to its parent, AEGIS Hedging Solutions, LLC (**AHS**). Day-to-day operational decisions are made at the Applicant entity level. This model recognizes that the Applicant operates within a wider group framework, and acknowledges that the Applicant's Directors have obligations in relation to the Applicant, including its regulation and supervision by the CFTC. The Board is ultimately accountable to the Applicant's parent, the AHS Board.

As a SEF authorized and regulated by the CFTC, the integrity of the Applicant's President, Chief Compliance Officer (**CCO**) and ROC must be beyond doubt, and each employee of the Compliance department must adhere to these standards for his, her or its function.

The following persons are considered to be necessary to maintaining integrity:

- a) All of the Applicant's Directors and
- b) The President
- c) The CCO
- d) the subset of members of the Board which comprise the ROC

To obtain the CFTC's approval, the Applicant is required to submit the appropriate documentation of these persons to the CFTC. The individual designated to serve as CCO shall

have the background and skills appropriate for fulfilling the responsibilities of the position. The CCO will report directly to the President of the Applicant. The CCO will also report periodically, and at least annually, directly to the Board. The ROC shall monitor the Self-Regulatory Program for sufficiency, effectiveness, and independence, including reviewing the performance of the CCO. Rule 2.6 of the AEGIS SEF Rulebook sets forth comprehensively the process to be followed to resolve Conflicts of Interest. The CCO shall be appointed by the President of the Applicant. The Applicant will notify the CFTC within two business days of appointing any new CCO, whether interim or permanent. The CCO is responsible for compliance with applicable law and regulations and AEGIS SEF Rulebook. Further, the CCO has the authority to monitor the sufficiency, effectiveness and independence of the Applicant's regulatory program and to oversee all facets of the Applicant's regulatory program, including:

- a) trade practice and market surveillance, audits, examinations and other regulatory responsibilities with respect to Participants, and the conduct of investigations;
- b) reviewing the size and allocation of the regulatory budget and resources and the number, hiring, termination and compensation of regulatory personnel;
- c) reviewing the performance of and maintaining supervisory authority over all staff acting at the direction of the CCO;
- d) recommending changes that would ensure fair, vigorous and effective regulation;
- e) reviewing all regulatory proposals prior to implementation and advising the Board as to whether and how such changes may impact regulation; and
- f) preparing an annual report assessing, for the Board and the CFTC, the regulatory program of the Applicant. Such annual compliance report shall be prepared and signed by the CCO in the form and manner prescribed by CFTC Regulation 37.1500(d).

Rule 2.11.2 Any individual nominated to serve as CCO that has been disqualified from registration pursuant to CEA Sections 8a(2) or 8a(3) may not hold the position.

Rule 2.11.3 Removal of the CCO shall require the approval of a majority of AEGIS's Board.

2.3 Director Qualifications, Remuneration and Limitation of Liability

2.3.1 Director Qualifications and Fitness Standards

The Applicant's Independent Non-Executive Chairman was appointed to provide independent supervision and oversight to the Executive team. The relevant individual has extensive

Exchange management experience in the United States, and brings invaluable experience to ensure adequate systems, control and oversight are implemented.

As approved by the CFTC, the relevant Board members were selected for their specific strengths, relevant business experience and market knowledge in relation to the relevant regulated activities, which brings balance to the Applicant. All Board members possess skills in each of the focus areas, thereby not overburdening one individual so that they can agree and direct matters as a knowledgeable and capable collective, yet at the same time challenge decisions that are being made in all areas to ensure adequate governance across the Board/senior management. Each of the members has considerable experience in his, her or its chosen area of focus, which will provide for considerable oversight of such activities.

2.3.2 Director Remuneration and Limitation of Liability

The Applicant's remuneration system aims to incentivize high-level performance and promote sound risk management. The exposure to the economic performance of the Applicant by its directors, officers and employees are limited. However, the Applicant, its directors, officers and employees are all liable for the performance of their duties in upholding the ethical standards of AEGIS SEF.

2.4 Conflicts of Interest

Pursuant to CFTC Regulations Section 1.69(b) (and utilizing the definitions of the terms used therein as such definitions are found in CFTC Regulations Section 1.69(a)), AEGIS shall address the avoidance of conflicts of interest in the execution of its self-regulatory functions:

- (1) Relationship with named party in interest –
 - (i) Nature of interest.
 - (ii) Disclosure of relationship.
 - (iii) Procedure for determination.
- (2) Financial interest in a significant action –
 - (i) Nature of interest.
 - (ii) Disclosure of interest.
 - (iii) Procedure for determination.
 - (iv) Bases for determination.
- (3) Participation in deliberations.

- (i) The Applicant's governing board, disciplinary committee or oversight panel may permit a member to participate in deliberations prior to a vote on a significant action for which he or she otherwise would be required to abstain, pursuant to paragraph (b)(2) of this section, if such participation would be consistent with the public interest and the member recuses himself or herself from voting on such action.
 - (ii) Bases of determination.
 - (iii) Prior to any determination pursuant to paragraph (b)(3)(i) of this section, the deliberating body must fully consider the position information which is the basis for the member's direct and substantial financial interest in the result of a vote on a significant action pursuant to paragraph (b)(2) of this section.
- (4) Documentation of determination.
 - (5) Financial interest and disclosure.
 - (6) Annual Certification & Conflict of Interest Disclosure
Every employee of AEGIS must, no later than 30 days following year end, or no less than annually, complete the Annual Certification & Conflicts of Interest Disclosure. Such Annual Certification & Conflicts of Interest Disclosure will be distributed to all AEGIS employees in the following manner--AEGIS's CCO shall prepare and distribute to each of AEGIS's employees the most recent version of the Annual Certification & Conflicts of Interest Disclosure and each such employee shall complete the Annual Certification & Conflicts of Interest Disclosure for and submit it to AEGIS's CCO no later than 30 days following year end. AEGIS's CCO or his/her designee is responsible for reviewing and following up on any issues identified as potential conflicts of interest on the questionnaires.

Rules 2.6.6, 6.14.1(e) and Exhibit A of the AEGIS SEF Rulebook relate specifically to conflicts of interest matters.

2.5 Fees and Financial Viability

CFTC Core Principle 13 stipulates that "the swap execution facility shall have adequate financial, operational, and managerial resources to discharge each responsibility of the swap execution facility. The financial resources of a swap execution facility shall be considered to be adequate if the value of the financial resources exceeds the total amount that would enable the swap execution facility to cover the operating costs of the swap execution facility for a 1-year period, as calculated on a rolling basis." Additionally, SEFs are required to maintain impartial access to similarly categorized Participants. AEGIS's Exhibit K approved fee schedule is publicly available, promoting a transparent, fair and non-discriminatory set of costs to

Participants, FCs, Broker Firms and Independent Service Providers (**ISV**) are charged fees, while price takers (MPs) are not charged fees.

The Applicant is capitalized in excess of regulatory requirements and will maintain any future minimum capital amounts needed to meet AMF requirements. CFTC minimum financial requirements include:

- (a) the value of the financial resources exceeds the total amount that would enable the swap execution facility to cover the operating costs of the swap execution facility for a one-year period, as calculated on a rolling basis.
- (b) The financial resources shall include unencumbered, liquid financial assets (*i.e.*, cash and/or highly liquid securities) equal to at least the greater of three months of projected operating costs, as calculated on a rolling basis, or the projected costs needed to wind down the swap execution facility's operations. If a swap execution facility lacks sufficient unencumbered, liquid financial assets to satisfy its obligations, the swap execution facility may satisfy this requirement by obtaining a committed line of credit or similar facility in an amount at least equal to such deficiency.

2.6 Fair and Equitable Access

CFTC Core Principle 2 requires the Applicant to establish transparent rules and procedures for fair and orderly trading and to establish objective criteria for the efficient execution of orders. Participant status, access to, and usage of, the SEF is available to all market participants that meet the criteria set forth by the Applicant. The Applicant vets prospective Participants against the Applicant's eligibility criteria as part of its Participant onboarding procedures. Rule 3.3 (Requirements for Participants) of the AEGIS SEF Rulebook set out the admission and eligibility criteria that Participants must meet. Specifically, to be eligible for admission as a Participant, a Participant applicant must demonstrate to the satisfaction of the Applicant that it:

- a) has entered into a valid and effective Participant Agreement in relation to the SEF;
- b) satisfies the Applicant's onboarding requirements including, but not limited to, "know your client" procedures delineated in Rule 3.3.1;
- c) is classified by the Applicant as an Eligible Contract Participant (**ECP**);
- d) agrees to adhere, on an on-going basis, to the terms of the AEGIS SEF Rulebook, the Participant Agreement, and referenced rules of the CFTC;
- e) has the legal and regulatory capacity to undertake trading in derivatives on a trading venue;

- f) is a Commercial End User, Swap Dealer or Swap Provider;
- g) ensures its Authorized Users have sufficient training, are properly supervised and have adequate experience, knowledge and competence to participate on the SEF in accordance with the AEGIS SEF Rulebook.

In addition, all Quebec Participants will be required to be registered under Quebec derivatives laws, exempt from the registration requirements or not subject to the registration requirements. A Quebec Participant is also required to immediately notify the Applicant if it ceases to meet any of the above criteria represented by it on an ongoing basis.

Pursuant to its obligations under the AEGIS SEF Rulebook, the Applicant has implemented rules, policies and procedures that are designed to not permit unreasonable discrimination among Participants or impose unreasonable or unnecessary burdens on competition.

The Applicant publishes post-trade data as required by the CFTC. In accordance with the CFTC, the Applicant publishes all necessary post-trade information in free of charge at the end of the day via <https://aegis-hedging.com/sef-volumes>

Pre and post trade transparency includes the requirement for Swap Dealers to quote their midmarket price which corresponds to their bid, offer, and executed price.

The SEF shall make available to all Participants information about the Order Book.

The Applicant is not expected to have any activity on the AEGIS SEF Order Book (CLOB functionality), owing to the Applicant's bilateral ISDA requirement of Participants to know who their counterparty is before transacting. Indeed, there has been zero use of the Order Book (CLOB functionality) since commencement of SEF trading, with the only activity for the Applicant taking place via the RFQ platform.

2.7 Regulation of Participants

As required by the CFTC, the AEGIS SEF Rulebook sets out transparent and non-discretionary rules and procedures for fair and orderly trading by Participants and objective criteria for efficient execution of orders. Participants are required to comply with a significant number of rules that govern trading on the Facilities. The applicable general rules are primarily located in Section 3 (Access by Participants, Authorized User, Broker Firms, and Customers) and 4 (Trading Operations) of the AEGIS SEF Rulebook.

The Applicant is dedicated to safeguarding the integrity of the Facilities, and has policies and procedures that are designed to ensure that the Facilities are free from manipulation and other abusive practices. These efforts are a necessary component of efficiently working markets, and the Applicant is committed to ensuring that Participants are able to use the Facilities with the knowledge that it remains open and transparent. Section 6 (Code of Conduct) of the AEGIS SEF Rulebook details ethical standards and sound trading practices.

Further, the AEGIS SEF Rulebook, which governs participation in the Applicant's platforms, prohibit Participants from engaging in any act or course of conduct which is likely to harm the integrity, fairness, orderliness or reputation of the platforms. If the Applicant were to detect that a Participant was in breach of this obligation under the AEGIS SEF Rulebook, the Applicant would have remedies available to it under Section 7 (Discipline and Enforcement) of the AEGIS SEF Rulebook (such as censure, restriction of the Platform, suspension, fine, restitution, expulsion or any other sanction).

The Applicant's compliance personnel are responsible for T+0 Real Time Market Monitoring, as well as coordination with its regulatory service provider, the NFA in T+1 Trade Practice Surveillance and Market Surveillance. This is done through the use of proprietary monitoring tools to determine if there are any potential violations of the AEGIS SEF Rulebook and monitoring compliance with market manipulation rules. The Applicant captures and retains all audit trail data necessary to detect, investigate, and prevent market misconduct and disorderly trading. Such data shall be sufficient to reconstruct all trades and trade-related activity within a reasonable period of time and to provide evidence of any violations of the rules of the Applicant.

Compliance members are trained to detect and escalate unusual trading behavior or patterns (including potential market abuse or market manipulation) to the Applicant's Market Regulation department. The Applicant performs anti-money laundering and counter-terrorist finance checks as part of its participant onboarding procedures. Where there are reasonable grounds to suspect or where there is a suspicion of money laundering or terrorist financing which arises in the course of participant onboarding, this will be reported to the OFAC of the US Department of the Treasury.

The Applicant will provide written notice of Disciplinary Proceedings to the parties and the CFTC consistent with CFTC Regulations. Whenever the Applicant suspends, expels, fines, or otherwise disciplines, or denies any Person access, to the Platform, the Applicant will make the public disclosures required by CFTC Regulations.

2.8 Rulemaking

Pursuant to its obligations under the AEGS SEF Rulebook, the Applicant has implemented rules, policies and procedures that are designed to not permit unreasonable discrimination among Participants or impose unreasonable or unnecessary burdens on competition. The Applicant's rules are covered in the AEGIS SEF Rulebook. The Applicant believes that its rules and policies that govern the activities of Participants are consistent with the rules and policies of other marketplaces, and therefore do not impose any burden on competition that is not reasonably necessary or appropriate.

The AEGIS SEF Rulebook is subject to the standards and requirements outlined by the applicable CFTC rules. At a high level, the AEGIS SEF Rulebook seeks to ensure fair and orderly markets accessible to all eligible Participants that meet the criteria listed in the AEGIS

SEF Rulebook. This aim is accomplished by establishing rules that reflect the CFTC rules, criteria that are not contrary to the public interest, and are designed to:

- (a) ensure compliance with applicable legislation. The AEGIS SEF Rulebook governs participant and membership requirements and includes requirements that Participants will continue to comply with the AEGIS SEF Rulebook and applicable law. The Applicant is obligated to comply with the AEGIS SEF Rulebook and must implement rules that require compliance with the AEGIS SEF Rulebook by its Participants. The Applicant proactively monitors its Participants' compliance with applicable law and regulation, evidenced in part by its market surveillance systems designed to identify market abuse and prevent disorderly trading conditions;
- (b) prevent fraudulent and manipulative acts and practices. Section 6.2 (Sound Trading Practices) of the AEGIS SEF Rulebook describes trading practices and trading conduct requirements, including prohibited trading activities, and prohibits fictitious trades, fraudulent activity and manipulation. The Applicant has instituted procedures to collect information, examine Participants' records, directly supervise the market, maintain sufficient compliance staff, conduct audit trail reviews, perform real-time market monitoring and market surveillance and establish an automated trade surveillance system;
- (c) promote just and equitable principles of trade. All systems of the SEF are available to all Participants and Non-Participants on a non-discriminatory basis. Throughout the AEGIS SEF Rulebook, the Applicant has established transparent and objective standards for access to and trading on the SEF to foster competitive and open market participation. The Applicant believes that compliance with the AEGIS SEF Rulebook and related compliance procedures promote just and equitable principles of trade;
- (d) foster cooperation and coordination with persons or companies engaged in regulating and reviewing information with respect to, and facilitating transactions in the products traded on the SEF. Numerous CFTC Regulations require and authorize the Applicant to provide full assistance and information to the CFTC, and any other regulatory authority (e.g., the AMF) as required by applicable law in connection with any investigation and prosecution of or enforcement action regarding any actual or suspected prohibited trading practice on the SEF. Each Participant is also required by the Participant Agreement, CTA Broker Firm -NPFC Agreement and Rule 3.1.1 of the AEGIS SEF Rulebook to cooperate with the Applicant and any relevant regulator during any investigation that is conducted in relation to access to and trading on the SEF, which includes providing access to information, documents, and any other reasonable request within the control of the Participant, save to the extent the Participant may be restricted in doing so by applicable laws;

- (e) promote a framework for disciplinary and enforcement actions. Under Rule 7.1 (General discipline and enforcement) and Rule 7.14 (Sanctions) of AEGIS SEF Rulebook, the Applicant may take action against a Participant or its authorized trader(s) in circumstances including, but not limited to, where the Participant or its authorized trader(s): (i) engages in any conduct which gives or is likely to give a false or misleading impression as to the market in, or the price of, any product or which secures the price of one or several products at an abnormal or artificial level; or (ii) engages in any act or course of conduct which is likely to harm the integrity, fairness, orderliness or reputation of the Facility; (iii) breaches or attempts to breach the AEGIS SEF Rulebook or cause or contribute to a breach of the AEGIS SEF Rulebook by another Participant; or (iv) submit trade requests or orders on the SEF which are fictitious, or constitute any other form of deception or contrivance;
- (f) ensure a fair and orderly market. The Applicant has prescribed trading rules and collects and evaluates market activity data, maintains and audits its real-time monitoring program, and audits historical data to detect trading abuses. The Applicant periodically reviews its programs and procedures, including risk analysis, emergency planning, and systems testing. The Applicant regularly audits systems and technology tests both for technical and regulatory compliance. The Applicant has the capability to suspend all trading on the SEF during emergency situations. The Applicant also has the ability to suspend trading of specific instruments or instruments of a specific asset class during a trading day, either in response to an emergency situation or by order of the CFTC. The Applicant believes that these measures and its rules are designed to ensure a fair and orderly market.

2.9 Record Keeping

The AEGIS SEF Rulebook requires the Applicant to keep orderly records of its business and internal organization, including all services and transactions undertaken by it to enable the CFTC to monitor it. The Applicant has implemented policies designed to ensure that the CFTC has ready access to the Applicant's records that it is required to maintain under CFTC Regulations, from which the CFTC should be able to reconstruct each key stage of a transaction on the SEF if required.

Rule 2.7 of the AEGIS SEF Rulebook provides that the Applicant "retain all such books and records, including a complete audit trail for all swaps executed on the SEF or subject to the AEGIS SEF Rulebook, investigatory files, and disciplinary files, in accordance with the requirements of CFTC Regulations Section 1.31 and Part 45, for the life of such swap, plus at least five (5) years, in a form and manner acceptable to the (CFTC)".

The Applicant also keeps records of each grant and each denial or limitation of access, including reasons for granting, denying or limiting access, along with a record of any breaches of the AEGIS SEF Rulebook by its Participants.

2.10 Outsourcing

The Applicant has entered into several licensing and services agreements with affiliates and unaffiliated third parties. The Applicant at all times retains responsibility for any functions delegated to any service provider and the ultimate decision-making authority.

Under the AEGIS SEF Rulebook, the Applicant must ensure when outsourcing critical or important operational functions that (among other things), (i) it takes reasonable steps to avoid undue additional operational risk and (ii) the outsourcing does not materially impair the quality of its internal control and the ability of the CFTC to monitor its compliance with regulatory obligations. The Applicant remains fully responsible for discharging its obligations under the regulatory system and must ensure that the outsourcing does not alter its relationship and obligations towards Participants. The Applicant's procedures are designed to ensure that the relevant regulatory requirements are satisfied in connection with outsourcing of critical or important operational functions.

2.11 Enforcement Rules

A SEF is required under the CFTC rules to set rules, conduct compliance reviews, monitor trading activity and take enforcement action, as appropriate, against an AEGIS SEF Party (**ASP**), which includes Persons (as defined by the AEGIS SEF Rulebook, CEA Section 1a(38) and in CFTC Regulation Section 1.3), Participants, Broker Firms, Customers, ISV, and Authorized Users.

The Applicant may prevent an ASP candidate from becoming a Participant, Broker Firm, ISV, Customer, or Authorized User, if in the Applicant's sole discretion, the ASP candidate does not satisfy the eligibility criteria listed in Rule 3.3 (Requirements for Participants) of the AEGIS SEF Rulebook or if the Applicant considers that accepting that applicant candidate as an ASP may prevent the Applicant from complying with applicable law. Under Rules 6 (Code of Conduct) and 7 (Discipline and Enforcement) of the AEGIS SEF Rulebook, the Applicant may also restrict orders, suspend specific instruments, a Person's or one or all of their authorized trader's ability to access the SEF with due cause.

As a CFTC registered SEF, the Applicant is subject to a Review process when it provides SEF trading Platform access to its ASPs. All appeals that relate to the operation of the SEF fall within the scope of Disciplinary Proceedings. ASPs subject to the SEF's jurisdiction may initiate an arbitration claim regarding a variety of matters including, but not limited to, AEGIS SEF Rulebook violations, any potential fraudulent acts, dishonorable or dishonest conduct, access to the SEF or the ability (or inability) to interact with other ASPs. Once received, any claims must be promptly referred to the Market Regulation Department of the Applicant. In the event

that the CCO is directly involved in the subject matter of the claim, the action is referred to the ROC.

The Applicant maintains records of all investigations conducted by the Applicant in accordance with its recordkeeping policy. For example, Rule 2.7 of the AEGIS SEF Rulebook provides that records are maintained. Rule 6.10.1 requires that all records be maintained for "access denials, suspensions, expulsions and other restrictions imposed upon a Participant in accordance with Rule 2.7."

The Applicant has instituted procedures and controls to collect information, examine ASP records, supervise trading on the SEF, maintain sufficient compliance staff, establish procedures for and conduct audit trail reviews, perform automated real-time market monitoring and market surveillance and establish an automated trade surveillance system to evaluate Participants' compliance with the AEGIS SEF Rulebook and applicable law.

The Applicant will comply with its regulatory obligations and supply data and information to the CFTC when required, and will also assist the CFTC in any investigation conducted regarding trading on the SEF.

2.12 Systems and Technology

Each of the Applicant's critical systems has appropriate internal controls to ensure completeness, accuracy, integrity and security of information, and, in addition, has sufficient capacity and a business continuity plan to enable the exchange to properly carry on its business.

Critical systems are those that support the following functions:

- a) RFQ and order entry,
- b) Bidding,
- c) Execution,
- d) Trade reporting,
- e) Trade audit trail, and
- f) Market surveillance

The Applicant operates on software and technology that is maintained in house by a staff of developers lead by its Chief Product Officer. Everything is hosted securely in the cloud at Amazon Web Services. The Applicant has appropriate internal controls designed to provide for completeness, accuracy, integrity and security of information, and, in addition, have

sufficient capacity and a business continuity plan to enable the Facilities to properly carry on their businesses.

The Applicant has put safeguards in place to protect the critical data and system components of its Facilities and reduce the potential risk of market disruptions, including but not limited to market restrictions that could pause or halt trading under market conditions prescribed by the Applicant, such as: (i) a significant price movement during a short period of time in a financial instrument on a regulated market or a related market, and (ii) disorderly trading conditions. These market conditions are discussed in more detail in Rule 4.1.3 (Trading Suspensions and Emergencies).

The Applicant operates and provides to Participants a robust and scalable platform. Standard system monitoring metrics include capacity and performance level alerts. In addition to system level monitoring of capacity and performance of resources, the Applicant's infrastructure automatically scales in response to increased workload. This ensures the platform is well positioned to provide adequate responsiveness to customers.

The Facilities make capacity estimates by regularly monitoring their systems usage as well as maintaining constant communications between internal parties whenever new business or possible changes in the market may increase capacity on the systems. The Applicant conducts regular performance and capacity tests in a production test environment which matches production in its size, scope and infrastructure.

Exhibit V of the AEGIS SEF application to the CFTC to become a Swap Execution Facility contains more detailed information responsive to the Technology used to manage, assess and oversee technology used to run the SEF platform. It provides a risk analysis framework which serves to mitigate potential impacts to the SEF's markets, ASPs, assets and employees, and to safeguard the effective availability of essential products and services. The program is designed to ensure the Applicant can respond appropriately to incidents while protecting the interests of its stakeholders, ensuring the safety of employees and protecting its reputation and brand.

The Applicant and its parent, AHS, design and implement enterprise-wide strategies to manage risk and mitigate potential impacts to SEF operations and stakeholders, including those of the Applicant, by:

- Aligning with international standards;
- Implementing incident response, system resilience (disaster recovery) and business recovery strategies that are both flexible and agile;
- Building effective partnerships with other departments throughout the company that manage risk;

- Employing technology monitoring and availability strategies that evolve with our environment and architecture;
- Identifying opportunities for enhanced resilience;
- Establishing collaborative relationships with external entities, partnerships and agencies; and
- Continually monitoring and adjusting program components to reflect material changes to the business and to meet domestic and international regulatory requirements.

The SEF plans for the unavailability of site, staff and systems, and as a result, is designed to withstand a variety of adverse scenarios. The technology platform and its staff are agile and quickly respond to events to minimize impacts to the SEF's business.

The Applicant has set out appropriate risk management procedures, including those that handle trading errors, trading halts and respond to market disruptions and disorderly trading, including:

- a) Rule 4.7.12: The use of automatic order creation on the AEGIS SEF Platform's Order Book is prohibited.
- b) Rule 4.8.6(c): The use of automatic order creation on the AEGIS SEF Platform's RFQ Function is prohibited.
- c) Volume Suitability Trigger: The Applicant shall alert a Participant who submits an RFQ exceeding predetermined volume thresholds.
- d) Price Suitability Trigger: The Applicant shall alert a Participant who submits an RFQ exceeding predetermined price thresholds
- e) Bid Off/Offer Off: The Financial Counterparty may use the "Off" Functionality (i.e., the ability to cancel unexecuted bids or offers) as deemed necessary in response to changing market conditions
- f) Pending Deal Acceptance: The Financial Counterparty may use the "Deal Decline" Functionality (i.e., the ability to cancel a Pending Deal Acceptance) as deemed necessary in response to changing market conditions
- g) Pending Deal Acceptance Timed Out: The Financial Counterparty may use the "Deal Decline" Functionality (i.e., the ability to cancel a Pending Deal Acceptance) to let a deal time out after 25 seconds as deemed necessary in

response to changing market conditions or a disruption in systems/connectivity/service.

- h) Rule 4.1.2, 4.1.3 and 6.11.2: The Applicant may amend, suspend or remove from trading any product in response to an emergency. The Applicant may temporarily halt or constrain trading if there is a significant price movement in a product on the SEF or a related market during a short period and, in exceptional cases, cancel, vary or correct any transaction. The Applicant may adjust, wind down or shut down the SEF or take any other appropriate action which, in the sole discretion of the Applicant is necessary, in the event of a threat to the capacity of the SEF to perform its functions without systems failures, outages or errors in matching.

Risk analysis and oversight:

Approach to managing associated risks related to technology infrastructure - While the Applicant follows the COSO Internal Controls framework to manage risks across the organization (as further defined below), the Applicant has established a Cybersecurity Controls Policy to sit within the COSO Internal Control framework for purposes of identifying, assessing and managing cybersecurity risks associated with the operation of and changes to its technology infrastructure and software applications.

Control environment – the Applicant’s control environment is the foundation for all other areas of internal control. As such, the control environment of the Applicant influences the way that the business structures activities, establishes its objectives, and assesses its risks. It also influences controls and monitoring procedures within the Applicant. The Applicant’s management emphasizes the importance of controls and ethical behavior throughout the organization. This control environment includes specific process, policies, procedures, and controls encompassing management philosophy and operating style, clear assignment of authority and responsibility, training, confidentiality, integrity and ethical values, and commitment to competence.

Control activities – the Applicant has documented the control objectives for the following categories: Human Resources, Logical Access, Network Security, Execution and Deal Capture, and Client Reporting. The Applicant has also mapped the controls noted in the policy to each Complementary Subservice Organization Controls and Complementary User Entity Controls. Each of these controls are audited annually.

Information and communication - Management ensures and monitors the overall quality, timeliness, and distribution of information-processing through various checklists and established routines detailed in the policies and procedures. Controls are designed so that all information transmitted by the client to the Applicant, and vice versa, is kept secure and not shared with anyone who may be detrimental to the corporate health of the Applicant, or the

client. All potential clients and AEGIS sign a confidentiality agreement that outlines the circumstances of this control.

Monitoring and audit program - Internal controls are continuously evaluated and monitored by the CEO and President with oversight by the CCO. In addition to daily on-the-job monitoring of the operation of internal controls, team managers have assigned monitoring functions and use established checklists and reporting. The Executive team monitors and reports to the Board on team functions, performance, and compliance with laws and regulations. The Applicant utilizes third-party auditors to a) test its internal controls and produce its SOC 1 Report, and b) audit its financials. Whitley Penn produces the SOC 1 report and EEPB audits the Applicant's financials.

Cybersecurity controls - The Applicant recognizes the critical nature of the data and information provided by its clients. The purpose of our cybersecurity controls is to assist the Board, officers, employees, and consultants in managing the Applicant's technology infrastructure and software applications in a secure and responsible manner. These controls are designed to protect the Applicant's client data and information along with the Applicant's own confidential business information. Effective cybersecurity controls provide reasonable, but not absolute assurance for the safeguarding of assets and data, the reliability of financial information, and compliance with laws and regulations. The Applicant's cybersecurity controls are based upon the internal control guidelines as recommended by the NIST Cybersecurity Framework which consists of standards, guidelines and best practices to manage cybersecurity risk.

2.13 Clearing and Settlement

The Applicant's SEF only transacts in bilateral OTC uncleared swaps. There is no clearing or settlement function performed by the SEF. Settlement takes place between the counterparties. Although the SEF's rules require counterparties to settle any deals, the Applicant is not involved in, nor is it responsible for, settlement or clearing and counterparties make their own bilateral arrangements. Participants from Quebec must comply with any laws of the Province of Québec.

POWER OF THE APPLICANT REGARDING COOPERATION

The Applicant confirms that it has the power to cooperate fully with the AMF and self regulatory organizations in the Province of Quebec, and to provide information and documents with respect to its operations that could be reasonably requested by the AMF.

The Applicant has established a process that enables it to respond to requests from regulators regarding the Applicant in a timely manner. It is the Applicant's policy to respond promptly and completely to any proper regulatory inquiry or request for documents. All inquiries and other communications from the AMF will be referred immediately to the Applicant's compliance department.

Rule 2.5 of the AEGIS SEF Rulebook provides that the Applicant will treat as confidential any information received from a Participant or Broker Firm, including, where applicable, any credit settings, in relation to its business on the SEF, except where:

- disclosure is required by law or any tax authority or Regulator having jurisdiction;
- disclosure is made in the interests of co-operation with any regulatory investigation conducted by a relevant Regulator.

The SEF has many rules which specifically address cooperation with the CFTC:

- Rule 2.7.2 provides that the SEF make records available to the CFTC on request
- Rule 3.3.1 states that the SEF and Participants will acknowledge the jurisdiction of the CFTC
- Rule 3.13 states that the SEF and Participants will acknowledge the authority of the CFTC to require inspections of Participants and Broker Firms
- Rule 4.1.3 requires action upon emergencies as directed by the CFTC
- Rule 7.2 requires that the SEF commence an investigation after receipt of a request from the CFTC

Each Participant or Broker Firm is also required by Rule 3.3.1 of the AEGIS SEF Rulebook to cooperate with the Applicant and any relevant regulatory authority during any investigation that is conducted in relation to access to and trading on the SEF. Such cooperation shall include providing access to information, documents, and any other reasonable request within the control of the Participant, save to the extent the Participant may be restricted in doing so by applicable laws.

ADHERANCE OF THE FOREIGN REGULATOR WITH IOSCO STANDARDS

The CFTC has taken steps to ensure its adherence to IOSCO standards, including:

- Signing the IOSCO Multilateral Memorandum of Understanding (**MMoU**), which commits the CFTC to cooperate with other IOSCO members in the supervision of cross-border securities firms.
- Adopting IOSCO's Principles for Financial Market Infrastructures, which set standards for the regulation of central counterparties (CCPs).
- Participating in IOSCO's Technical Committees, which develop detailed guidance on IOSCO standards.
- Working with IOSCO to promote the adoption of IOSCO standards around the world.

The CFTC's adherence to IOSCO standards helps to ensure that the US commodity futures and options markets are regulated in a consistent and effective manner with international standards. This helps to protect investors and promote confidence in the markets.

Some specific examples of how the CFTC has adhered to IOSCO standards include:

- In 2012, the CFTC adopted new rules for swap dealers that are based on IOSCO's Principles for Financial Market Intermediaries.
- In 2014, the CFTC issued a report on the regulation of CCPs that is consistent with IOSCO's Principles for Financial Market Infrastructures.
- In 2015, the CFTC joined the IOSCO MMoU on cooperation between securities regulators.

POWER OF THE FOREIGN REGULATOR IN THE HOME JURISDICTION REGARDING COOPERATION

Satisfactory information sharing and oversight agreements exist between the AMF and the CFTC. The AMF is party to the following memoranda of understanding with the CFTC:

- (a) The IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (the **IOSCO MMOU**). The IOSCO MMOU came into effect on December 5, 2002, and establishes an international benchmark for cooperation and information sharing for the purpose of regulatory enforcement of securities and derivatives markets.

- (b) Three Memoranda of Understanding with the CFTC covering enforcement dated July 7, 1992; covering financial information sharing dated September 23, 1991 and covering cooperation and the exchange of information related to the supervision of Cross-Border Covered Entities dated March 25, 2014.

CONDITIONS OF COMPLIANCE

If authorization is granted, the Applicant undertakes to provide the AMF with the following information and any other information that may be required, notably but not limited to: (i) its annual financial statements; (ii) any material amendment to the laws or regulations governing its activities; (iii) any amendment to its Articles of Association; (iv) any change respecting its right to operate or the existence of conditions respecting the performance of activities in its home jurisdiction; and (v) notice of any situation that could have an impact on its financial viability or its ability to operate.

Furthermore, the Applicant undertakes to comply with any other applicable Quebec law, including *An Act respecting the legal publicity of sole proprietorships, partnerships and legal persons* (R.S.Q., c. P-45), to maintain its recognition or authorization in its home jurisdiction and to abide by any AMF decision.

SUBMISSIONS CONCERNING THE REQUESTED RELIEF

1. The instruments for which the Applicant seeks approval for Quebec Participants to trade on the AEGIS SEF fall under the definition of "derivative," as set forth in section 3 of the Act.
2. The CLOB and RFQ functionality of the AEGIS SEF fall under the definition of "published market" set out in section 3 of the Act because it brings together buyers and sellers of derivatives and uses established, non- discretionary methods under which orders interact with each other.
3. An "exchange" is not defined under the Act; however, subsection 3.1(2) of CP 21-101 provides that a "marketplace" is considered to be an "exchange" if it, among other things, sets requirements governing the conduct of marketplace participants. A swap execution facility has certain obligations to monitor participants' trading activity. Because a swap execution facility sets requirements for the conduct of its participants and surveils the trading activity of its participants, it will be considered by the AMF to be an exchange for purposes of the Act.
4. An exchange and a published market fall under the definition of "regulated entity" set out in section 3 of the Act.
5. Pursuant to CP 21-101 and section 12 of the Act, no regulated entity may carry on derivatives activities in Quebec unless it is recognized by the AMF as an exchange or as a published market or exempt from recognition by the AMF.

6. The Applicant submits that an exemption from recognition is appropriate for the AEGIS SEF because the Applicant is subject to regulation by the CFTC and full regulation by the AMF would be duplicative and inefficient. In addition, the AEGIS SEF provides certain Quebec Participants with significant access to liquidity for which, at least for certain types of transactions, there is no appropriate alternative platform, and the Quebec capital markets will be disrupted if the Requested Relief is not granted.
7. The Applicant understands that this Application will be reviewed and discussed with Staff and that it will be published, along with a draft order, for a 30-day comment period.
8. Based on the foregoing, we submit that it would not be prejudicial to the public interest to grant the Requested Relief.

The Applicant notes that exemptive relief similar to the Requested Relief has been granted by the AMF in (i) In the Matter of NEX SEF Limited (Decision n° 2017-SMV-0059); (ii) In the Matter of 360 Trading Networks Inc. (Decision n° 2017-SMV-0047); and (iii) In the Matter of Refinitiv US SEF LLC (Decision n° 2020-SMV-0069).

CONFIDENTIALITY, CONSENT AND INFORMATION

We request that this application be treated as confidential until such time as the AMF and the Applicant both agree to publish this application for public comment. Enclosed is a certificate of an authorized signatory of the Applicant certifying the truth and accuracy of the facts contained herein.

In support of this Application, we are enclosing the following: (a) a verification statement from an officer of the Applicant confirming our authority to prepare and file this application, and certifying the truth of the facts contained herein as Appendix A; and (b) a draft Order for the Requested Relief, including draft terms and conditions.

Yours truly,

"Shahen Mirakian"

Shahen Mirakian

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ANNEX A

The Applicant seeks the Requested Relief to allow Quebec Participants to trade the following financial instruments on the SEF:

- i. Commodity Swaps and Options;
- ii. Basis Swaps

All product listings can be found <https://aegis-hedging.com/sef-product-listings> on the AEGIS SEF website. AEGIS SEF product listings are based on contracts which have been previously certified by existing Designated Contract Markets (**DCM**). Each financially settled swap contract is comprised of either (a) a referenced price index calculated by an independent, private-sector third party or (b) an underlying formula based on a DCM's futures contract.

Products include but are not limited to:

- i. Aluminum
- ii. Copper
- iii. Steel
- iv. Crude Oil
- v. Natural Gas
- vi. Natural Gas Liquids
 - a. Ethane
 - b. Propane
 - c. N-Butane
 - d. I-Butane
 - e. Natural Gasoline

ANNEX B

The Applicant is authorized by the CFTC to allow trading of the financial instruments set forth in this Annex B.

- i. Permitted Transactions (uncleared bilateral swaps)

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Appendix A

Verification Certificate

To: Autorité des marchés financiers

Re: Application by AEGIS SEF, LLC

I, Andrew Furman, as Chief Compliance Officer of AEGIS SEF, LLC, do hereby certify that the preparation and compilation of the attached application to the Autorité des marchés financiers is authorized and confirm the truth of the facts contained therein as they relate to the operation of the AEGIS SEF, LLC.

DATED June 9, 2023

Chief Compliance Officer, AEGIS SEF, LLC

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DW SEF LLC– Demande de dispense de reconnaissance à titre de bourse et des obligations des Règlements 21-101, 23-101 et 23-103.

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 prévues au *Règlement 21-101 sur le fonctionnement du marché*, RLRQ, c. V-1.1, r. 5, au *Règlement 23-101 sur les règles de négociation*, RLRQ, c. V-1.1, r. 6 et au *Règlement 23-103 sur la négociation électronique et l'accès électronique direct aux marchés*, RLRQ, c. V-1.1, r. 7.1, déposée par DW SEF LLC.

(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 novembre 2023 à :

Me Philippe Lebel
Secrétaire et directeur général des affaires juridiques
Autorité des marchés financiers
Place de la Cité, tour Cominar
2640, boulevard Laurier, bureau 400
Québec (Québec) G1V 5C1
Télécopieur : 418 525-9512
Courrier électronique : consultation-en-cours@lautorite.qc.ca

Information complémentaire

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

Pascal Bancheri
Analyste expert aux OAR
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Autorité des marchés financiers
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October 3, 2023

DELIVERED ELECTRONICALLY

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Attention: Pascal Bancheri, Senior Analyst, Exchanges and SRO Oversight

Dear Mr. Bancheri:

DW SEF LLC – APPLICATION FOR EXEMPTION FROM RECOGNITION AS AN EXCHANGE

We act as Canadian legal counsel to DW SEF LLC (the “**Applicant**” or “**DW SEF**”) and are filing this application with the Autorité des marchés financiers (the “**AMF**”) on the Applicant’s behalf. The Applicant is requesting an order (the “**Order**”) from the AMF exempting the Applicant from the following requirements:

- a decision under section 86 of the *Derivatives Act* (Quebec) (the “**Act**”) exempting the Applicant from the requirement to be recognised by the AMF as an exchange under section 12 of the Act in relation to the operation of a marketplace in the province;
- a decision under section 86 of the Act and section 15.1 of Regulation 21-101 (as defined below) exempting the Applicant from *Regulation 21-101 respecting Marketplace Operation* (“**Regulation 21-101**”);
- a decision under section 86 of the Act and section 12.1 of Regulation 23-101 (as defined below) exempting the Applicant from *Regulation 23-101 respecting Trading Rules* (“**Regulation 23-101**”); and
- a decision under section 86 of the Act and section 10 of Regulation 23-103 (as defined below) exempting the Applicant from Regulation 23-103 respecting Electronic Trading and Direct Electronic Access to Marketplaces (“**Regulation 23-103**”);

(collectively the “**Requested Relief**”).

EXEMPTION FROM SECTION 12 OF THE ACT AND FROM REGULATIONS 21-101, 23-101 AND 23-103

Exemption from Requirement to be Recognised as an Exchange under section 12 of the Act

As described in greater detail in this application (the “**Application**”), the Applicant is subject to the supervision of the United States Commodity Futures Trading Commission (the “**CFTC**”). Recognition requirements to be met by the swap execution facility operated by the Applicant (the “**SEF**”) are stringent and take into consideration elements such as governance, fees, fair and equitable access, regulation, market operations as well as systems and technology, as prescribed by the AMF.

Furthermore, DW SEF confirms that it has the power to co-operate fully with the AMF and SROs in the Province of Quebec, and to provide information and documents with respect to its operations that could be reasonably requested by the AMF.

Based on the foregoing, the Applicant seeks an exemption from the requirement of section 12 of the Act allowing it to carry on derivatives activities in the Province of Quebec without being recognised by the AMF



as an exchange or otherwise. We believe this exemption would not be detrimental to the protection of investors in the Province of Quebec and would contribute to the trading of derivatives in Quebec being more efficient.

Exemption from Regulation 21-101, Regulation 23-101 and Regulation 23-103

The Applicant submits to the AMF that the application of Regulation 21-101, Regulation 23-101 and Regulation 23-103 regarding marketplace operation and trading rules to the Applicant would result in a duplication of the CFTC regulatory framework as applicable to the Applicant and hereby seeks an exemption from Regulation 21-101, Regulation 23-101 and Regulation 23-103.

Exemption Criteria

The AMF *Policy Statement respecting the Authorization of Foreign-Based Exchanges* (the “**Policy Statement**”) outlines the AMF’s approach to and interpretation of regulatory provisions regarding applications for authorization from foreign-based exchanges that are already recognized or authorized in their home jurisdiction. The Policy Statement sets out the information that the AMF expects to receive in support of such applications. This Application contains such information. For convenience, this Application is divided into the following Parts:

Part I Background

Part II Application of Exemption Criteria to the Applicant

1. Regulation of the Exchange
2. Governance
3. Regulation of Products
4. Access
5. Regulation of Participants on the Exchange
6. Rulemaking
7. Due Process
8. Clearing and Settlement
9. Systems and Technology
10. Financial Viability
11. Trading Practices
12. Compliance, Surveillance and Enforcement
13. Record Keeping
14. Outsourcing
15. Fees
16. Information Sharing and Regulatory Cooperation
17. IOSCO Principles

Part III Submissions

Appendix A – Verification Statement

Appendix B – Draft Order for DW SEF LLC

Part I -Background

The Applicant is a limited liability company organized in the State of Delaware and permanently registered as a SEF with the CFTC as of January 22, 2016. In addition to being registered as a SEF in the United States, DW SEF is regulated by the Ontario Securities Commission pursuant to an order granted on June 13, 2016 and varied on March 11, 2021.



DW SEF is wholly-owned by Tradeweb Global LLC, a Delaware limited liability company, 99.9% of which is owned by Tradeweb Markets LLC ("**Tradeweb Markets**"). The owner of the remaining 0.1% of Tradeweb Global is Tradeweb Global Holding LLC, which is also wholly-owned by Tradeweb Markets. Tradeweb Markets is wholly-owned by Tradeweb Markets Inc., a public company that is majority owned by Refinitiv Holdings Ltd., a company that is currently indirectly wholly-owned by London Stock Exchange Group plc. ("**LSEG**"). The voting rights of Tradeweb Markets Inc. not controlled by LSEG are held by public shareholders.

Since 1998, Tradeweb Markets has built a global web-based electronic network of thousands of banks, asset managers, pension funds and insurance companies to buy and sell government bonds and other fixed income and derivative instruments in 22 markets across seven currencies in more than 50 countries.

Like DW SEF, TW SEF LLC ("**TW SEF**") is also a wholly-owned, indirect subsidiary of Tradeweb Markets. DW SEF and TW SEF both have a board of directors that are composed of the same directors. DW SEF and TW SEF both have a senior management team, that is composed of the same Chief Compliance Officer ("**CCO**"). DW SEF and TW SEF both use the services of certain employees of Tradeweb Markets to carry out the day-to-day operations of DW SEF and TW SEF. DW SEF and TW SEF have separate agreements with the National Futures Association ("**NFA**") for regulatory services, separate front-office staff (other than senior management), and a different business model. The technology that supports the DW SEF trading platform is wholly separate from the technology that supports the TW SEF trading platform. TW SEF also obtained an exemption from the AMF from the obligation to be recognized as an exchange and from Regulation 21-101 and Regulation 23-101 on October 23, 2017.

With the passage of the *Dodd-Frank Wall Street Reform and Consumer Protection Act* of 2010 (the "**Dodd-Frank Act**"), and the implementation of the regulations thereunder, many aspects of the over-the-counter ("**OTC**") swaps market were regulated for the first time. Particularly, the U.S. *Commodity Exchange Act* (the "**CEA**"), as modified by Title VII of the Dodd-Frank Act, established a new category of derivatives organized markets: the trading systems or platforms which allow many Participants (as defined below) to enter into and trade swaps by responding to sale or purchase offers which are listed thereon or which facilitate such transactions. Accordingly, as part of this structural change in the derivatives marketplace, Tradeweb Markets established DW SEF to provide a CFTC-regulated trading platform for the trading of swaps in wholesale size. DW SEF offers a central limit order book, as well as a voice-assisted request-for-quote market for interest rate swaps.

The Applicant offers a platform for trading interest rate swaps. DW SEF connects to the Chicago Mercantile Exchange (the "**CME**") and LCH.Clearnet Limited ("**LCH**"), each of which is registered with the CFTC as a Derivatives Clearing Organization ("**DCO**"), to clear transactions executed on DW SEF's platform.

The Applicant offers two separate trading protocols to its Participants:

1. Order Book:

The Applicant offers an electronic trading facility to its Participants to trade swaps using a central limit order book ("**Order Book**") that meets the minimum trading functionality requirement in CFTC Regulation §37.3(a)(2) by providing an electronic trading facility, as defined in Section 1a(16) of the CEA.

The Applicant provides an Order Book that includes an electronic network that matches orders in the facility. Participants in the Order Book have the ability to enter orders in an electronic form only via electronic access to the platform. Subject to DW SEF's Rules (as defined below), (i) all orders are displayed immediately on the Order Book and (ii) all Participants have the ability to view and transact on all orders. DW SEF does not provide for the posting or displaying of indicative bids and offers. Orders are added to the Order Book by listed instrument and, where relevant, per DCO in price/time priority.



Subject to DW SEF's Rules, all orders are matched with each other and executed electronically through the SEF in accordance with an algorithm that gives first priority to orders at the best price and a time priority among orders entered at the same price. Subject to Participant size limits and preferences on order entry (as more fully described below), when the best bid price matches the best offer price in the same swap clearable at the same DCO, a trade occurs.

All listed instruments displayed on DW SEF that clear at the same DCO match continuously. Trades occur whenever bids match offers. DW SEF's price matching system seeks to match incoming orders with resting orders automatically. All new orders browse the contra queue for an order, or orders, with an equivalent trade level (e.g., price, rate, spread, yield). If such an order is found, the new order matches with the contra order.

Additionally, DW SEF permits Participants to impose the following conditions on order entry preferences:

- (a) *OCO (One Cancels the Other or Order Cancels Order)*. An "OCO" order involves the entry of two separate orders where the Participant intends that either one or the other be filled, but not both. If one order is filled, the other is automatically cancelled.
- (b) *Rest or Kill (RoK)*. A "Rest or Kill" order must match with a contra order immediately upon entry to be executed. If not immediately matched, that order will be cancelled.
- (c) *(Only) Best*. An "(Only) Best" order will remain in the Order Book only as long as it is alone at the best price, or matches the best price.
- (d) *Leave*. Because DW SEF treats all orders as firm and actionable, every time a Participant submits a new order on one side of a listed swap, the default preference is for its previous order on that side of the listed swap to be replaced with the new order to ensure that the Participant is working only one order at a time on a given side of any listed swap. If, however, a Participant wants to leave multiple orders at different prices on one side of a listed swap, it may identify the orders as "Leave" orders.
- (e) *Hidden Size/Displayed Size*. A Participant's order in the Order Book can have a displayed size and a hidden size. All Participants' displayed sizes are matched and executed according to standard price/time priority. Once all displayed size is matched and executed at that best price, any hidden size is then displayed for matching and execution. However, if in a particular trade all of a Participant's displayed size is consumed, preference will be given to other Participants' displayed orders (on the standard price/time priority) prior to any hidden order size.

On the DW SEF Order Book, Participants are also afforded an opportunity to "work-up" their trading. This protocol, also known generically as "join the trade," is a trading protocol that automatically opens after a bid is hit or an offer lifted on the Order Book. During the work-up period any interested Participant may transact additional volume at the same price established by the initial execution, as long as contra trading interest exists. The initial Participants to the trade have certain privileges in addition, follow-on trading in that instrument during work-up. Work-up thus provides Participants the option to submit orders of smaller size than perhaps desired, and then to increase the size during the work-up period.

2. Voice Request-for-Quote

DW SEF employs Execution Specialists. The term "**Execution Specialist**" means an employee of DW SEF with responsibilities that include providing assistance to Participants and trading customers in their (i) submission of block trades, package transactions and resubmitted cleared swaps, and (ii) issuance and response to voice request-for-quotes ("**RFQs**") for swaps. A voice RFQ is a method whereby a Participant or trading customer uses the voice functionality of DW SEF in order to transmit a request for quote to other



Participants or trading customers (or the Execution Specialist of such Participants or trading customers) of DW SEF.

For Required Transactions (as such term is defined in the Rules), an Execution Specialist transmits the voice RFQ to at least three unaffiliated voice RFQ recipients (which transmission the Execution Specialist may initially make to other Execution Specialists acting for such different Participants or trading customers) for one-sided (bid or offer quote) or two-sided (both bid and offer) quotes for a particular swap for a specified notional amount. For purposes of a voice RFQ, "unaffiliated" means a voice RFQ recipient that is neither an affiliate of the Participant or trading customer on whose behalf the voice RFQ is requested nor an affiliate of another voice RFQ recipient of such voice RFQ. Upon receipt by the Execution Specialist of an actionable firm bid or offer in response to a voice RFQ from a voice RFQ recipient, the Execution Specialist communicates to the RFQ requester any firm bid or offer pertaining to the same swap resting on the Order Book together with such voice RFQ response, and provides the voice RFQ requester with the ability to execute against any such orders.

Additional Information

DW SEF offers trading in interest rate swaps ("**IRS**") and swap packages in US dollars and Canadian dollars. As of the date of this Application, the following swaps are traded on the SEF:

USD-denominated fixed vs. 3-month LIBOR outright swaps, as well as in the following packages:

- Outright swaps; (Spot-dated and forward-dated)
- Spreads vs. US Treasuries (a "**US Spreadover**")
- Outright swap vs. outright swap
- US Spreadover vs. US Spreadover; and Outright butterflies.

USD-denominated fixed vs. SOFR outright swaps, as well as in the following packages:

- Outright swaps; (Spot-dated and forward-dated)
- Spreads vs. US Treasuries
- Outright swap vs. outright swap
- US Spreadover vs. US Spreadover; and Outright butterflies.

DW SEF offers USD-denominated Basis Swaps, including:

- Spot-dated and forward-dated 3-mo LIBOR vs. 1-mo LIBOR;
- Spot-dated and forward-dated 6-mo LIBOR vs. 3-mo LIBOR;
- Spot-dated and forward-dated Overnight Index Swaps; and
- Spot-dated and forward-dated Fed Funds vs. 3-mo LIBOR.
- Spot-dated and forward-dated SOFR vs. 3-mo LIBOR
- Spot-dated and forward-dated SOFR vs. Fed Funds
- Spot-dated and forward-dated BSBY vs. 3-mo LIBOR
- Spot-dated and forward-dated BSBY vs. SOFR
- Spot-dated and forward-dated BSBY vs Fed Funds

DW SEF also offers CAD-denominated fixed vs. 3-month CDOR outright swaps, as well as in the following packages:

- Outright swaps;
- Spreads vs. Government of Canada benchmark bonds (a "**Canada Spreadover**");
- Outright swap vs. outright swap;
- Canada Spreadover vs. Canada Spreadover; and



- Outright butterflies.

DW SEF also intends to offer CAD-denominated fixed vs. Canadian Overnight Repo Rate Average (CORRA) outright swaps, as well as in the following packages:

- Outright swaps;
- Canada Spreadover;
- Outright swap vs. outright swap;
- Canada Spreadover vs. Canada Spreadover; and
- Outright butterflies.

For USD-denominated and CAD-denominated IRS, all instruments are centrally cleared either at LCH or CME, both of which are CFTC-registered DCOs. The products which reference LIBOR will not be traded after June 2023.

Furthermore, DW SEF allows access to Participants (as defined below), Authorized Users (as defined below) and Independent Software Vendors (“ISVs”). The term “ISV” is defined in DW SEF Rule 101 as “a Person that makes available to Participants or Trading Customers a system or platform offering smart order routing, front-end trading applications, an aggregator platform or a combination of the foregoing but that does not provide Participants or Trading Customers the ability to effect transactions on such system or platform.”

DW SEF has established a series of impartial and transparent criteria for potential Participants that DW SEF is responsible for implementing in a fair and non-discriminatory manner. DW SEF’s fee structure applicable to Participants provides for comparable fees to Participants receiving comparable access to and services from the SEF. Participants may designate Authorized Users to access the SEF in accordance with applicable Rules.

To be eligible for access as an ISV, an applicant must satisfy the conditions set forth in Rule 303(e) and enter into an ISV Agreement with DW SEF. DW SEF Rule 303(e) provides that an ISV may access DW SEF if it satisfies DW SEF’s “technological integrity requirements and not adversely affect DW SEF’s ability to comply with the CEA and CFTC Regulations.” If an ISV meets the aforementioned requirements, then it is granted access to DW SEF. DW SEF must implement ISV access criteria, including applicable fees under the ISV Agreement, in a fair and non-discriminatory manner. DW SEF’s fee structure applicable to ISVs provides for comparable fees to ISVs receiving comparable access to and services from the SEF.

Currently, there are no ISVs connected to DW SEF.

DW SEF has jurisdiction over each Participant, Authorized User, clearing member, trading customer, person authorized to access the SEF (directly or through an ISV or introducing agent) or any other person accessing the SEF or entering any order and/or RFQ or response to an RFQ into the SEF or executing a block trade or re-submitted cleared swap pursuant to the Rules.

In the United States, market participants are required to trade certain IRS (“**made available to trade swaps**” or “**MAT Swaps**”) on SEFs registered with the CFTC. As an initial matter, such MAT Swaps are also required to clear at a DCO registered with the CFTC.

As stated above, DW SEF is a SEF registered with the CFTC and provides clearing services through two CFTC-registered DCOs: LCH and CME.

MAT Swaps are fungible between SEFs, meaning if a market participant enters into a MAT Swap on DW SEF, the market participant is not required to unwind or exit that MAT Swap on DW SEF; the market participant may use another SEF. However, the MAT Swap is not fungible among multiple DCOs, meaning the MAT Swap cannot clear at one DCO and then transfer to another. Market participants must access a



SEF using their CFTC-registered futures commission merchant (“FCM”) and have an account for MAT Swaps at such FCM. DW SEF provides connectivity to multiple FCMs. Market participants can access SEFs from locations in the U.S. and on a global basis depending on local regulatory requirements. The above generally describes the market structure of which DW SEF is a part.

As a SEF, DW SEF offers market participants a trading platform that permits Participants (as defined in DW SEF Rule 101, which includes swap dealers) and Trading Customers (as defined in DW SEF Rule 101, which includes customers of FCMs) to enter into and trade certain MAT Swaps and other swaps by responding to sale or purchase offers which are listed on the trading platform or block trade transactions facilitated via the trading platform. DW SEF offers an Order Book, as well as a voice-assisted RFQ market for MAT Swaps. Trading Customers are customers of FCMs and not swap dealers. DW SEF has jurisdiction over Participants and Trading Customers per DW SEF Rule 301, which provides that, “any person initiating or executing a transaction on or subject to the rules of the SEF directly or through an intermediary, any person for whose benefit such a transaction is initiated or executed and any clearing member with respect to such a transaction” is subject to DW SEF’s rules.

In terms of “order interaction,” the voice-assisted RFQ functionality does not involve order interaction, instead as described in DW SEF Rule 404.B. (Voice RFQ), a Participant or Trading Customer contacts an Execution Specialist who transmits a Voice RFQ for MAT Swaps to at least three unaffiliated Voice RFQ recipients. Upon receipt by the Execution Specialist of an actionable firm bid or offer (or non-firm bid or offer) in response to a Voice RFQ from a Voice RFQ recipient, the Execution Specialist communicates to the Participant or Trading Customer any bid or offer pertaining to the same swap resting on the Order Book together with such Voice RFQ response, and provides the Voice RFQ requester with the ability to execute against any such Orders.

In terms of “order interaction” on the Order Book, as described in DW SEF Rule 404.A.(d) (Order Books (Minimum Functionalities)), matching bids and offers entered into the Order Book match continuously in price then time priority. A matched trade in the Order Book also triggers a Work-Up Session, as defined in DW SEF Rule 404.A.(d)(i). A Work-Up Session is intended to promote Order Book liquidity by affording certain execution priorities to the Work-Up Session initiators and, secondarily, to traders whose Orders are executed in whole or in part during a Work-Up Session.

In its capacity as a provider of the SEF, there are various activities that do not fall within the scope of the Applicant’s operations. With respect to the SEF, the Applicant does not itself provide: (i) trading in any principal, proprietary or agency capacities; (ii) access to third party trading venues; (iii) clearing, settlement or payment systems; (iv) asset management services; or (v) portfolio services.

DW SEF would like to carry on business in Quebec pursuant to the Requested Relief. The Applicant wishes to be able to provide access to its trading platform to various banks, swap dealers and investment banks based in Quebec. It should be noted that retail investors do not have access to the SEF. Participants are typically large financial institutions with the requisite experience and resources to trade swap products.

Part II - Application of Exemption Criteria to DW SEF

1. REGULATION OF THE EXCHANGE

1.1 Regulation of the Exchange

The exchange is regulated in an appropriate manner in another jurisdiction by a foreign regulator (Foreign Regulator).

DW SEF is regulated by the CFTC and has obtained permanent registration with the CFTC to operate a SEF. DW SEF is obliged under CFTC rules to have requirements governing the conduct of its participants, to monitor compliance with those requirements and to discipline participants.



In addition to the CFTC, DW is also regulated by the Ontario Securities Commission and is recognized as an Exempt Foreign Trading Venue by the Swiss Financial Market Supervisory Authority.

1.2 Authority of the Foreign Regulator

The Foreign Regulator has the appropriate authority and procedures for oversight of the exchange. This includes regular, periodic oversight reviews of the exchange by the Foreign Regulator.

The CFTC's oversight of DW SEF as well as the sophisticated information systems, regulations and compliance functions that have been adopted by the Applicant ensure users are adequately protected in accordance with international standards.

Per the CFTC's "Core Principles and Other Requirements for Swap Execution Facilities" (available at <http://www.cftc.gov/idc/groups/public/@newsroom/documents/file/federalregister051613b.pdf>) (the "**Core Principles**"), the Applicant is required to comply with the Core Principles and all applicable CFTC regulations. As part of the CFTC's routine SEF registration review process, DW SEF underwent a comprehensive review of its SEF application for permanent registration, including detailed questions regarding the Rules, compliance and operations. During this registration review process, the Applicant had one or more on-site compliance inspections by the CFTC. On January 22, 2016, the CFTC granted permanent registration to DW SEF, however the CFTC will continue to oversee DW SEF's compliance with its Core Principles through Rule Enforcement Review, as discussed below.

The Core Principles also require that the SEF provide information to the CFTC to demonstrate its compliance with the CFTC's rules. Upon receipt of a request from CFTC Staff, DW SEF's Compliance Department commence an inquiry or investigation. The CFTC routinely performs inspections of trading facilities through what is termed a "Rule Enforcement Review" ("**RER**"). DW SEF anticipates that, as a routine matter, it will be subject to a RER.

DW SEF is a self-regulatory organization ("**SRO**") and, as such, is obligated to discharge its duties under the CEA, which includes the power to investigate, bring regulatory actions, and penalize market participants that violate the rules of DW SEF. Pursuant to those requirements, Chapter 7 of the Rules sets forth DW SEF's discipline and enforcement procedures. Pursuant to a DW SEF enforcement action, DW SEF can fine and suspend a market participant from participation on DW SEF where there is a finding of a violation of the Rules, specifically where a market participant has violated customer protection (investor protection) provisions of the Rules.

Furthermore, the CFTC has investigative and enforcement powers over the Applicant. If the CFTC finds that DW SEF has violated the CEA or the CFTC regulations, the CFTC can bring an enforcement action to de-register DW SEF and/or seek civil monetary penalties for such violations.

2. GOVERNANCE

2.1 Governance

The governance structure and governance arrangements of the exchange ensure:

- (a) **effective oversight of the exchange,**
- (b) **that business and regulatory decisions are in keeping with its public interest mandate,**

DW SEF's compliance with CFTC regulations ensures that its business and regulatory decisions are in keeping with its public interest mandate. DW SEF maintains fair, vigorous and effective regulation.



Additionally, the CCO is generally responsible for overseeing and reviewing compliance with Section 5h of the CEA and any related rules adopted by the CFTC and, in consultation with the Board (as defined below), resolving any conflicts of interest that may arise. Further, the regulatory oversight committee (the "**ROC**") is responsible for overseeing all facets of the regulatory program. The ROC is made up of two independent directors, the CCO and the compliance officers of DW SEF. The ROC is responsible for oversight of the SEF's exercise of its self-regulatory responsibilities, including (i) independent oversight of the SEF's regulatory program, including trade practice and market surveillance; (ii) assisting the Board in minimizing potential conflicts of interests relating to the SEF's self-regulatory obligations; (iii) confirming the SEF's regulatory program is fair and impartial to SEF participants; and (iv) monitoring the SEF's regulatory program for sufficiency, effectiveness, and independence.

- (c) **fair, meaningful and diverse representation on the board of directors and any committees of the board, including**
 - (i) **appropriate representation of independent directors, and**
 - (ii) **a proper balance among the interests of the different persons or companies using the services and facilities of the exchange,**

The CFTC has proposed rules that would require SEFs to have a certain percentage of directors that qualify as "Public Directors." The proposed definition of a Public Director is intended to ensure that such directors are independent from the SEF and its members. Although the CFTC has not yet finalized this requirement, DW SEF has adopted this criteria in its current Board composition. The criteria for a person to be considered to be a Director or committee member are set forth in Chapter 2 of the Rules.

DW SEF is headed by a board of directors (the "**Board**") who manage the Applicant in accordance with the LLC Agreement. The compensation of non-executive members of the Board is not linked to the business performance of the Applicant.

While the Board does not contain a representative of Participants, the representation of a broad range of functions from within the Applicant's business, as well as the two Public Directors (as defined below) who serve on the Board, ensures that the interests of different persons and companies using the SEF are balanced and that feedback from various constituencies is passed on to and considered by the Board. The Public Directors also help to ensure that decisions of the Board are made in a fair and impartial manner.

- (d) **the exchange has policies and procedures to appropriately identify and manage conflicts of interest for all officers, directors and employees, and**

Rule 214 outlines the Applicant's conflict of interest policy which identifies and provides a framework for the management of conflicts of interest.

- (e) **there are appropriate qualifications, remuneration, limitation of liability and indemnity provisions for directors, officers and employees of the exchange.**

DW SEF has adopted and impartially enforces a comprehensive set of rules for the operation and conduct of the SEF (collectively, the "**Rules**", and each a "**Rule**"), which are available online at: <https://www.tradeweb.com/our-markets/market-regulation/sef/>. The Rules, in conjunction with the DW SEF LLC Agreement (the "**LLC Agreement**"), U.S. regulatory requirements and Delaware law govern the DW SEF. The Rules and LLC Agreement are available on the CFTC website (www.cftc.gov).

DW SEF is headed by the Board who manage the Applicant in accordance with the LLC Agreement. There are currently five Directors on the Board. Currently, the Board is comprised of two officers of DW SEF, one employee of DW SEF who is not an officer and the two Public Directors (as defined below).

The LLC Agreement and Rules, in conjunction with the applicable laws of the State of Delaware establish the responsibilities of the Board and its officers. In general, the day-to-day management activities are the



responsibility of the officers of the Applicant, who are directly accountable to the Board and appointed by the Board.

The Board is able to provide effective governance through its Chief Executive Officer (“CEO”), President and senior management. Pursuant to section 3.2 of the LLC Agreement, the Board exercises control and management of the business of the Applicant, with all required powers. The Board may, and has, delegated authority to the officers of the Applicant pursuant to the LLC Agreement.

Board meetings must take place no less than quarterly. A majority of members must be present to constitute a quorum, and the vote of a majority of members present at a meeting at which a quorum is present shall be the act of the Board. Between meetings, the Board may authorize actions by way of written consent, provided all members of the Board sign the consent and agree on the action to be taken.

The Board includes no fewer than the minimum number or percentage of public directors required by CFTC regulations (“Public Directors”). The compensation of Public Directors and other non-executive members of the Board shall not be linked to the business performance of the Applicant. For an individual to be considered a Public Director, the individual must meet the qualifications of a Public Director specified by CFTC regulations, the CEA and other applicable laws in effect for the period of service; principally, such regulations define a Public Director as having no material relationship with a contract market. Currently, DW SEF has two Public Directors.

The LLC Agreement provides that DW SEF will indemnify Board members, managers, officers and employees of the Applicant for damages arising out of the management or conduct of the business, unless such damages result from any violation of law, gross negligence or willful misconduct by the indemnified party.

Rule 214 provides rules for minimizing and resolving conflicts of interest. Under Rule 214, no member of the Board or any committee or panel member may knowingly participate in such body’s deliberations or vote on any significant action if such member: (i) is a named party in interest; (ii) is an employer, employee or fellow employee of a named party in interest; (iii) has a family relationship with a named party in interest; or (iv) has any other significant, ongoing business relationship with a named party in interest. Rule 214 also establishes a process for resolving conflicts of interest and requires documentation of all conflicts.

Rule 213 limits the use and disclosure of material, non-public information gained in connection with a Board member’s participation on the Board or any committee of the Board for any purpose other than the performance of his or her official duties as a member of the Board or such committee. In addition, the Applicant maintains policies regarding the use of data collected in connection with its regulatory obligations. The Applicant does not disseminate data to the public. However, the Applicant transmits data to the appropriate Swap Data Repository (“SDR”) duly registered with the CFTC. Pursuant to the CEA and CFTC regulations, the SDR publicly disseminates certain data.

2.2 Fitness

The exchange has policies and procedures under which it will take reasonable steps, and has taken such reasonable steps, to ensure that each director and officer is a fit and proper person and past conduct of each officer or director affords reasonable grounds for belief that the officer or director will perform his or her duties with integrity.

Rule 210 outlines the eligibility requirements for serving as a Board member, officer or member of a committee or panel. A person may not serve if:

- (i) he/she has been found within the past three years by a final decision of a self-regulatory organization, an administrative law judge, a court of competent jurisdiction or the CFTC to have committed a disciplinary offense;



- (ii) he/she has entered into a settlement agreement within the past three years in which any of the findings or, in absence of such findings, any of the acts charged, included a disciplinary offence;
- (iii) he/she has currently suspended from trading on any contract market, are suspended or expelled from membership with any SRO, are serving any sentence of probation or owes any portion of a fine imposed pursuant to either (A) a finding by a final decision of a SRO, an administrative law judge, a court of competent jurisdiction or the CFTC that such person committed a disciplinary offense, or (B) a settlement agreement in which any of the findings or, in absence of such findings, any of the acts charged, included a disciplinary offense;
- (iv) he/she are currently subject to an agreement with the CFTC or any self-regulatory organization not to apply for registration with the CFTC or membership in such SRO;
- (v) he/she are currently subject to or has had imposed on him within the past three years a CFTC registration revocation or suspension in any capacity for any reason, or has been convicted within the past three years of any of the felonies listed in section 8(a)(2)(D)(ii) through (v) of the CEA; or
- (vi) he/she are currently subject to a denial, suspension or disqualification from serving on a disciplinary committee, arbitration panel or governing board of any SRO.

All employees of the Applicant are required to comply with the Tradeweb Code of Business Conduct and Ethics (the "**Code of Conduct**"). The Code of Conduct serves as a guideline for all directors, officers, employees and independent contractors of Tradeweb Markets Inc. and its subsidiaries, including the Applicant. The purpose of the Code of Conduct is to reaffirm the highest ethical standards of legal and ethical conduct in daily business practice. All employees are required to read the Code of Conduct and acknowledge that they have received and read the Code of Conduct and understand their obligations to comply.

The Applicant collects information to verify - at least annually - that Board members meet the applicable fitness standards. Those reports are submitted to the CCO and a report reflecting that information is provided to the CFTC.

3. REGULATION OF PRODUCTS

3.1 Review and Approval of Products

The products traded on the exchange and any changes thereto are submitted to the Foreign Regulator, and are either approved by the Foreign Regulator or are subject to requirements established by the Foreign Regulator that must be met before implementation of a product or changes to a product.

The Applicant maintains certain procedures for listing new swaps for trading on the SEF. Management considers the following factors with respect to determining if a swap could be traded on the SEF:

- (a) whether there are ready and willing buyers and sellers for the swap;
- (b) the frequency or size of transactions;
- (c) the trading volume;
- (d) the number and types of participants;



- (e) the bid/ask spread;
- (f) the frequency or size of bilateral transactions in this or similar swaps;
- (g) the trading volume of bilateral transactions in this or similar swaps; or
- (h) the usual number of resting firm or indicative bids and offers.

After considering the factors above, DW SEF's management determine whether a swap could be traded on the SEF. The Applicant may elect to list a new swap without approval of the CFTC. This self-certification process requires the Applicant to submit swap information electronically to the CFTC the day preceding the swap's listing. The CFTC may request additional information to confirm the new swap meets CEA requirements and CFTC regulations.

As an alternative to self-certification, the Applicant can elect to request prior CFTC approval of a new swap before listing such swap for trading by submitting a request to the CFTC containing the following:

- (a) a properly completed cover sheet;
- (b) a copy of the new swap's rules, including all rules relating to the new swap's terms and conditions;
- (c) an explanation and analysis of the product and its compliance with applicable provisions of the CEA and CFTC regulations, including documentation relied upon to establish the basis for compliance with applicable law;
- (d) a description of any agreements or contracts with third parties to support trading of the swap on the SEF;
- (e) the certifications required for product approval of a commodity that is a security future or a security futures product as defined in the CEA;
- (f) a request for confidential treatment, if applicable, that complies with CFTC regulations.
- (g) a check or money order payable to the CFTC;
- (h) a certification that DW SEF has posted a notice of pending product certification, and a copy of the submission, on the Applicant's public website; and
- (i) any additional evidence requested by the CFTC staff.

The request is submitted electronically to the CFTC and is deemed approved 45 days after receipt unless it is rejected on the grounds that the terms and conditions of the swap violate the CEA or CFTC regulations.

With respect to the criteria for self-certification of a new swap and the circumstances in which DW SEF would request prior CFTC approval rather than self-certify, DW SEF would likely use the self-certification process. The CFTC stated publicly its intent to "stay" the submissions, whether submitted for approval or self-certified, which would make the submission subject to review regardless of the process chosen for roughly equivalent time periods. The primary difference between the two processes is that the CFTC's stay of the self-certification subjects the submission to public comment for 30 days.

The management and product teams of DW SEF regularly receive input from its customers on the products to offer for trading outside of the MAT process. Therefore, DW SEF bases these decisions on market



interest, as well as the commercial viability, potential profitability, and operational requirements of a new product.

To date, DW SEF has determined to offer non-MAT Swaps for trading. Specifically, DW SEF offers the trading of Canadian Dollar-Denominated IRS (“CAD IRS”). As set forth in DW SEF Rule 403, DW SEF made the applicable filing as required by CEA and CFTC Regulations. CAD IRS transacted on DW SEF are cleared at LCH.

The CFTC has never required DW SEF to remove any financial instrument authorizations for failing to comply with the CFTC Principles for Business.

3.2 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.

Chapter 6 of the Rules sets forth the Applicant’s business conduct standards and specifically prohibits several forms of abusive trading practices. The abusive trading practices set forth in the Rules are those that DW SEF actively monitors through its surveillance program on a trading day plus one basis. These trading practices are used because they reflect the trade practices that the NFA (DW SEF’s Regulatory Services Provider (“RSP”), as discussed below), the CFTC, and CFTC-regulated entities have historically used and continue to use to monitor trading through their respective surveillance programs. In addition, the Core Principles require that DW SEF, “establish and enforce trading, trade processing, and participation rules that will deter abuses and it shall have the capacity to detect, investigate, and enforce those rules”. CFTC Regulation 37.203(a) specifies that DW SEF must:

prohibit customer-related abuses, including, but not limited to, trading ahead of customer orders, trading against customer orders, accommodation trading, and improper cross trading. Specific trading practices that shall be prohibited include front-running, wash trading, pre-arranged trading... fraudulent trading, money passes, and any other trading practices that a swap execution facility deems to be abusive. A swap execution facility shall also prohibit any other manipulative or disruptive trading practices prohibited by the Act or by the Commission pursuant to Commission regulation.

The Applicant conforms with the usual conventions, customs and practices as set forth by the International Swaps and Derivatives Association, as well as CFTC regulations, for trading swaps on DW SEF. Moreover, DW SEF ensures conformity with commercial customs and practices for trading by utilizing market standards for reference data and definitions.

3.3 Risks Associated with Trading Products

The exchange maintains adequate provisions to measure, manage and mitigate the risks associated with trading products on the exchange that may include, but are not limited to, daily trading limits, price limits, position limits, and internal controls.

DW SEF permits trading only in swaps based on underlying markets such as those for currencies, interest rates and default indices that are large and highly liquid and thus are inherently unlikely candidates for manipulation.

The RSP, NFA, conducts product specific monitoring for all SEF products. The product specific monitoring procedures vary depending on whether the specific swap is physically delivered or cash-settled.



In respect of cash-settled swaps linked to a commodity index that are listed for trading on or pursuant to the SEF Rules, the RSP monitors the pricing of the index against which the swap will be settled.

The SEF does not list swaps that are physically delivered. If the SEF lists such a product in the future, the Applicant or RSP will monitor the swap's terms and conditions as they relate to the underlying market.

To achieve sufficient monitoring of cash-settled swaps linked to a price or index derived from prices of products listed for trading on another venue, DW SEF must have either Rules or agreements that allow DW SEF to have access to information on the activities of its Participants on such other venue(s).

Rule 408 states that to reduce the potential threat of market manipulation or congestion, the SEF shall adopt for each of the contracts listed on the platform, as is necessary and appropriate, position limitations or position accountability levels for speculators. DW SEF does not currently have position limits or position accountability levels set for any contract because it has determined that, at this time, setting position limits or accountability levels for contracts on DW SEF is not necessary and appropriate. This is due to the fact that the contracts do not have a deliverable supply. Instead, the contracts are cash settled and such settlement does not depend on the supply of physical commodities or related securities. Further, the contracts are not subject to minimum position limits under statute or CFTC regulations. The CFTC has not yet imposed any position limits or accountability levels for swaps. DW SEF will establish appropriate position limits and/or position accountability levels should the CFTC promulgate such limits related to the contracts.

Rule 409 provides for the adoption of position accountability levels for swaps that are not subject to a position limit pursuant to Section 4(a) of the CEA. DW SEF sets such levels prudently below the level at which position concentrations present a market integrity concern. Any position accountability rules established by the SEF must require traders to provide, upon request by the market regulation team (the "**Market Regulation Team**"), information about their positions in excess of the relevant position accountability threshold and to consent to halt any further increases in its positions.

The Core Principles require SEFs to adopt for each contract, as necessary and appropriate, position limits or position accountability levels for speculative positions at or below the CFTC-set limits. The CFTC has not set position limits and, therefore, DW SEF does not currently have position limits. In addition, DW SEF does not currently have positional accountability limits. DW SEF does not offer swaps that are physically settled.

Each trade on the SEF goes through a pre-execution credit check to ensure that, once the trade is executed, it will clear. DW SEF utilizes self-clearing attestations, manual checks using third-party software and FCM push limits that are stored on the SEF as part of the pre-execution credit check process.

4. ACCESS

4.1 Fair Access

- (a) **The exchange has established appropriate written standards for access to its services including requirements to ensure**
 - (i) **(participants are appropriately registered as applicable under Quebec securities laws, or exempted from these requirements.**

DW SEF does not provide direct access to a participant in Quebec (a "**Quebec User**") unless the Quebec User represents that they have all necessary consents, licenses, approval or authorizations to use the SEF in accordance with the Rules and applicable law. Each Quebec User must also qualify as an eligible contract participant under Section 1a(18) of the CEA (an "**ECP**").



DW SEF requires Quebec Users to immediately notify DW SEF if they cease to meet any of the eligibility criteria. Following notice from the Quebec User and subject to applicable laws, DW SEF will promptly restrict the Quebec User's access to DW SEF if that user is no longer eligible to use the SEF.

DW SEF makes available to Quebec Users appropriate training for each person who has access to trade on DW SEF.

DW SEF does not provide access to a Quebec User to trading in products other than swaps, as defined in section 1(a) of the CEA, without prior AMF approval.

(ii) **the competence, integrity and authority of systems users, and**

DW SEF maintains access requirements that are fair, transparent and reasonable. Entities are entitled to register with the Applicant in one of several categories, depending on their business operations and desired activities. Chapter 3 of the Rules provides clear and transparent access criteria and requirements for:

- (A) persons granted trading privileges under the Rules and who may permit authorized users ("**Participants**");
- (B) persons that make available to Participants a system or platform offering smart order routing, front-end trading applications, an aggregator platform or a combination of the foregoing (also known as ISVs);
- (C) any natural person who is an agent or employee of a Participant authorized by such Participant to access the SEF, and in the case of a liquidity providing participant that has authorized a computer or system to access the SEF via an application programming interface, the natural person such Participant has designated to be responsible for such computer or system's activity on the SEF ("**Authorized Users**"); and
- (D) any Participant's Authorized Users.

(iii) **systems users are adequately supervised.**

Rule 303 provides that a person seeking to act as an ISV may not be a Participant and must satisfy DW SEF's technological integrity requirements and not adversely affect the Applicant's ability to comply with the CEA or CFTC regulations. Rule 305 provides clear and transparent criteria and requirements for Authorized Users who access the SEF.

Rule 303 sets forth the qualification standards for Participants, including that an applicant must represent that it qualifies as an ECP and must itself be a member of or have entered into an arrangement with a DCO or registered clearing agency to clear swaps that it executes on or pursuant to the Rules. Specific requirements pertaining to the relevant access categories are outlined below.

- (b) **The access standards and the process for obtaining, limiting and denying access are fair, transparent and applied reasonably.**

Entities that wish to register with the Applicant are required to complete a written application/agreement which is standardized for each category. The application/agreement forms are designed to ensure that applicants are appropriately identified, are qualified to trade in their jurisdiction, have adequate financial resources, have a client relationship with a registered clearing participant, and have exhibited proper conduct in other capital markets activities. The Applicant reviews the constating documentation and financial statements (if applicable to the category of registration), and confirms legal and regulatory compliance in the home jurisdiction (including any registration or licensing requirements for trading in derivatives for clients). Staff of the legal department review all written applications for participant status. In



the event that an application was refused, or was granted under conditions, an applicant has a right of appeal to the pursuant to Chapter 7 of the Rules.

Under Rule 303, in order to be eligible for admission as a Participant and to maintain continued access to the SEF, the applicant must be in compliance with all recordkeeping requirements set forth in the Rules as well as the applicable law. Pursuant to Rule 503, all Participants must maintain all records required by the CEA, CFTC or the Rules including all records of trading, activity in the underlying commodity and activity in related markets. All such books and records shall be made available for inspection by, and copies thereof shall be delivered to, the Applicant and its authorized representatives upon request.

An Authorized User is an employee of a Participant that is appointed by the Participant. Each Participant that is not a natural person is required to appoint an Authorized User. Participants may appoint additional Authorized Users, in which case the Participant must specify whether the Authorized User is entitled (i) to exercise Trading Privileges on behalf of the Participant subject to the terms and conditions of the Rules, or (ii) to access the SEF on “view only” basis.

Rule 305 requires non-natural person Participants to appoint at least one employee as an Authorized User, which is a status that is subject to limitation, suspension, or revocation provided it is acting in its reasonable discretion in an impartial, transparent, fair, and non-discriminatory manner. A Participant may revoke an Authorized User authorization or User ID by providing written notice of the revocation to DW SEF. DW SEF will then revoke and disable the person’s access to the SEF. The Participant is obligated to ensure that the affected Authorized User cannot access the SEF and the affected person cannot use its User ID. DW SEF must promptly, and within one business day of receiving notice of such event, disallow the entry of Orders or RFQs, responses to RFQs, or submission of Block Trades, Package Transactions, Cross Trades or Resubmitted Cleared Swaps by such person. Rule 305 applies DW SEF’s rules to Authorized Users and makes Participants responsible for actions of its Authorized Users. Participants are obligated to have procedures for day-to-day monitoring of its Authorized Users.

(c) **The exchange does not unreasonably prohibit, condition or limit access by a person or company to services offered by it.**

Rule 303 provides the Applicant’s access criteria, which is applied in an impartial manner through the application process described in Rule 303 and the appeal process described in Rule 204. Failure of an applicant to demonstrate a capacity to comply with the requirements of the Rules or of applicable law may lead to a denial of the application under Rule 302(b). Applicants have the right to appeal a denial or conditional grant of their application under Rule 303(g). Other provisions in the Rules, including Rules 302, 305 and 307, describe the Applicant’s authority to revoke, suspend or limit the access of a Participant or Authorized User.

Moreover, Participants may informally raise complaints with the CFTC in the event they have not been provided with proper access to DW SEF.

(d) **The exchange does not**

- (i) **permit unreasonable discrimination among participants, or**
- (ii) **impose any burden on competition that is not reasonably necessary and appropriate.**

DW SEF 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.



DW SEF's Rules and policies have been designed to avoid unreasonable restraints of trade or the imposition of any material anti-competitive burden on the SEF. The Applicant has not adopted any rule or taken any action with the intent or result of restraining trade. DW SEF does not require Participants to acquire an equity interest in the Applicant and access is available and granted to a broad number of Participants.

- (e) **The exchange keeps records of each grant and each denial or limitation of access, including reasons for granting, denying or limiting access.**

The Applicant keeps records of each grant and each denial or limitation of access, including reasons for granting, denying or limiting access.

5. REGULATION OF PARTICIPANTS ON THE EXCHANGE

5.1 Regulation

The exchange 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.

DW SEF is an SRO and has SRO obligations.

Rule 301 requires any Participants, Authorized Users and other Person accessing the SEF to abide by the Rules and consent to the Applicant's jurisdiction when entering orders or executing trades on or pursuant to the Rules of the SEF. Rule 302(b) provides DW SEF with the right to deny the trading privileges of any person (i) if such person is unable to demonstrate a capacity to adhere to all of the Rules and applicable law; or (ii) for other causes as the Applicant may reasonably decide. Rule 302(c) provides that DW SEF may suspend, condition or revoke the trading privileges of any person that fails to meet any of the qualification requirements for trading privileges, fails to meet any condition placed on such trading privileges, violates any agreement with the Applicant, or has summary action taken against it by DW SEF. Under Rule 718, the CCO may, if practicable, summarily suspend, revoke, limit, condition, restrict or qualify the trading privileges of a Participant or Authorized User. The hearing and appeals process described in Rule 718 ensure that any limitations on access are applied in a fair and impartial manner. Additional information on hearings is contained in Section 7 of this Application.

DW SEF's compliance resources ensure that it can conduct audit trail reviews, trade practice surveillance, market surveillance, real-time market monitoring and complete any inquiries or investigations in a timely manner. The Applicant's compliance staffing and resources include: the CCO, additional employees in the Market Regulation Team and the resources available through the RSP, NFA.

By way of a Regulatory Services Agreement ("**RSA**"), DW SEF has retained the NFA as a RSP.

NFA performs trade practice surveillance using automated systems and reviews trades on a routine basis for suspicious activity, including potential violations of the Rules. NFA conducts market surveillance using automated systems to detect market manipulation, price distortions, and where possible, disruptions of the cash-settlement process. NFA's Market Regulation Department is primarily responsible for performing investigatory work relating to inquiries and investigations. NFA may also conduct an inquiry of DW SEF's members or authorized traders to obtain factual information regarding potential irregularities or exceptions. At DW SEF's request, NFA will perform inquiries, investigations, write reports of findings, and administer and litigate disciplinary proceedings. NFA meets with DW SEF's CCO on at least a monthly basis to discuss new inquiries and investigations and to provide an update on the status of inquiries and investigations. NFA prepares monthly exception reports, which it maintains, and are provided to DW SEF upon request. NFA



also enforces DW SEF's audit trail and recordkeeping requirements through periodic review of all members subject to DW SEF's recordkeeping requirements. NFA receives and promptly reviews financial and related information from DW SEF's members for compliance with DW SEF's minimum financial standards.

DW SEF has established a comprehensive set of Rules and procedures to ensure the financial integrity of transactions entered into on the SEF. Chapter 10 of the Rules establishes the Applicant's requirements for clearing transactions. Where the CFTC has determined that the clearing requirement under applicable law applies to a certain type or class of swap, then DW SEF must submit all such swaps traded on or pursuant to the Rules of the SEF to a DCO, unless DW SEF ascertains that applicable law exempts one or both of the parties to the swap from such clearing requirement.

DW SEF Participants must represent that they are an ECP and meet minimum financial standards. Pursuant to Rule 506, each Participant must notify DW SEF immediately upon becoming aware that it fails to satisfy the minimum financial requirements applicable to it, including the requirement to qualify as an ECP. As RSP, NFA is primarily responsible for reviewing financial and related information for compliance with the SEF's minimum standards.

Chapter 7 of the Rules describes DW SEF's disciplinary and enforcement procedures and demonstrates the Applicant's capacity to detect and investigate rule violations. The Market Regulation Team, in conjunction with the RSP, conduct inquiries and investigations relating to real-time surveillance, trade practices and market surveillance. The RSP commence an investigation upon the receipt by the Applicant of a request from CFTC staff or upon the discovery or receipt of information by the RSP or the Applicant that indicates a possible basis for finding that a violation has occurred or will occur. Rules 706 through 721 govern disciplinary proceedings, including the initiation, litigation, and resolution of such proceedings. Pursuant to Rule 503, DW SEF and its RSP have the right to inspect the systems, equipment and software of Participants and Authorized Users. Rule 702 requires Participants and Authorized Users to produce books and records related to a Rule, inquiry or investigation as requested by the Market Regulation Team (including the staff of the RSP).

DW SEF performs trade practice surveillance, market surveillance and real-time market monitoring to analyze the data collected by the SEF and determine whether any Rule violations have occurred.

To perform trade practice surveillance, NFA utilizes an automated surveillance system. NFA reviews trades conducted on the SEF on a routing basis to determine whether suspicious activity, including any potential violations of the Applicant's rules have occurred. The surveillance system monitors for fraudulent trading, trading practices that DW SEF deem abusive and any other manipulative or disruptive trading practice prohibited by applicable law. In particular, the surveillance system monitors for the following types of transactions:

- (a) Front-Running:
Taking a swaps position based upon non-public information regarding an impending transaction by another person in the same or related swap.
- (b) Wash Trading:
Entering into, or purporting to enter into, transactions to give the appearance that purchases and sales have been made, without incurring market risk or changing the trader's market position.
- (c) Pre-Arranged Trading:



Trading between authorized traders in accordance with an expressed or implied agreement or understanding in a form that is not permitted within CEA, CFTC or DW SEF rules or regulations.

(d) Fraudulent Trading:

Intentional deceptive trading for personal financial gain.

(e) Money Pass:

Non-competitive trading between authorized traders where a profit is passed from one trader to the other.

For trades involving intermediation, the surveillance system monitors for:

(a) Trading Ahead of Customer Orders:

Taking a swaps position based upon non-public information regarding an impending transaction by another person in the same or related swap.

(b) Trading Against Customer Orders:

Directly or indirectly taking the opposite side of a customer's order into a broker's own account or into an account in which a broker has an interest, without open and competitive execution of the order on an exchange (also called Trading Against).

(c) Accommodation Trading:

Non-competitive trading entered into by a trader, usually to assist another with illegal trades.

(d) Improper Cross Trading:

Offsetting or non-competitive match of the buy order of one customer against the sell order of another, a practice that is permissible only when executed in accordance with the CEA or CFTC rules.

(e) RFQ:

For transactions where participants utilize an RFQ system, NFA monitors for instances where the RFQ was not transmitted to the minimum number of required participants and where the requester and requestees are affiliated or commonly controlled by each other.

The surveillance system uses the Applicant's audit trail data to create profiles at the exchange, member, authorized trader and counterparty levels. The profiles include information related to: notional swap values, the types of swap products, the number of trades, accounts traded, trade counter-parties, average trade quantity, estimated profit and loss, average order size and trade exception history. In addition, NFA identifies all authorized traders that are logged on for an unusual amount of time.

In addition to the automated system, NFA utilizes outside quote vendors and market data providers to monitor and review various market situations and relationships. This review includes:

- (a) the basis relationship between a SEF product and the corresponding cash market;



- (b) the price relationship between the SEF product and any related swaps and/or futures products on different exchanges;
- (c) the basis relationship between different tenors in the same asset class;
- (d) historical price information; and
- (e) market news regarding SEF products and related products being monitored and reviewed by NFA on behalf of the DW SEF.

NFA reviews block trades, busted trades and any trades negotiated outside the trading engine that are subsequently reversed to determine whether they were executed in conformity with DW SEF Rules and CFTC regulations.

Trade surveillance is bolstered by real time monitoring of overall activity in the market. The Applicant conducts real time monitoring utilizing NASDAQ's system, by viewing trading activity, tracking specific participants, and monitoring alerts, including those that track pricing and volume.

NFA, as a vendor used by DW SEF, reports potential violations of the Rules to DW SEF. DW SEF then, as an SRO, determines how to proceed with such reports, which may include a report to the CFTC. NFA does maintain discretionary authority to commence its own disciplinary process against market participants on DW SEF if, in the course of conducting an investigation, NFA discovers a violation of an NFA Compliance Rule. NFA is required to confer with DW SEF prior to such investigation.

DW SEF meets with NFA on a regular, monthly basis to discuss the number and type of exception reports in the preceding month, the resolution of such exception reports, and the status of any preliminary inquiries related to exception reports. The NFA produces a monthly report to DW SEF detailing the exception reports and the docket of outstanding matters. DW SEF and the NFA also have periodic meetings of the technology groups, which occasionally include participants outside of the technology groups for substantive input. DW SEF and the NFA also convene ad hoc meetings and teleconferences as needed to address technical, operational, or regulatory issues.

Additionally, DW SEF adheres to the IOSCO principles set out in the "Objectives and Principles of Securities Regulation" (2003) applicable to exchanges and trading systems. As such, the DW SEF maintains operations to detect and deter manipulation and other unfair trading practices which include the processes and systems described above.

6. RULEMAKING

6.1 Purpose of Rules

- (a) **The exchange 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.**

DW SEF maintains a comprehensive set of rules and policies designed to govern the operation of the SEF. Chapter 5 of the Rules lays out the obligations of Participants on DW SEF. Chapters 3, 4 and 6 of the Rules govern trading privileges and conduct.

- (b) **The Rules are not contrary to the public interest and are designed to**
 - (i) **ensure compliance with applicable legislation,**



- (ii) **prevent fraudulent and manipulative acts and practices;**
- (iii) **promote just and equitable principles of trade;**
- (iv) **foster co-operation and co-ordination with persons or companies engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in the products traded on the exchange,**
- (v) **provide a framework for disciplinary and enforcement actions, and**
- (vi) **ensure a fair and orderly market.**

DW SEF has established and enforces compliance with its trading, trade practice and participation Rules. This includes rules related to the terms and conditions of swaps traded or processed on or through the SEF (Rule 401 and Chapter 9 of the Rules), access to the SEF (Chapter 3 of the Rules), audit trail requirements (Rule 505), disciplinary procedures (Chapter 7 of the Rules) and mandatory trading requirements (Rule 501). The Rules are designed to ensure compliance with applicable law, and any person subject to the Rules consents to be bound by applicable law.

As a condition to trading on the SEF, each Participant is required to enter into either a SEF addendum to the DW SEF user agreement or a SEF addendum to the DW SEF markets dealer subscriber agreement, as the case may be, in which the Participant undertakes to comply with the Rules of the SEF. Rule 301 requires any Participants, Authorized Users and other Persons accessing the SEF to abide by the Rules and consent to the Applicant's jurisdiction when entering orders or executing trades on or pursuant to the Rules of the SEF.

Chapter 6 of the Rules sets forth DW SEF's business conduct standards and specifically prohibits several forms of abusive trading practices. The prohibited conduct and trading practices include: front-running (Rule 612), wash trading (Rule 613), impermissible pre-arranged trading (Rule 614), fraudulent acts (Rule 603), fictitious trading (Rule 604), money passes (Rule 614), market disruption (Rule 605), market manipulation (Rule 606) and disruptive trading practices (Rule 607). The procedures for prevention of abusive trading practices is described in section 5 of this Application.

The Applicant has also adopted broad Rules requiring Participants to adhere to just and equitable principles of trade (Rule 602) and prohibiting Participants or Authorized Users from committing acts detrimental to the welfare of the Applicant (Rule 609). Chapter 6 also includes Rules regarding misstatements (Rule 608), supervision (Rule 610), disclosing orders and RFQs (Rule 611) and recordkeeping (Rule 615).

The DW SEF Rules provide the framework for ensuring a fair and orderly market. Pursuant to Rule 605, orders entered into the platform for the purpose of upsetting the equilibrium of the market in any Contract or creating a condition in which prices do not or will not reflect fair market values are prohibited, and any Participant who makes or assists in entering any such order with knowledge of the purpose thereof or who, with such knowledge, in any way assists in carrying out any plan or scheme for the entering of any such order, will be deemed to have engaged in an act detrimental to DW SEF.

In the event of an emergency, Rule 412 provides for Emergency Rules granting the Applicant authority to intervene as necessary to maintain markets with fair and orderly trading and to prevent or address manipulation or disruptive trading practices, whether the need for intervention arises exclusively from the DW SEF market or as part of a coordinated, cross-market intervention.



7. DUE PROCESS

7.1 Due Process

For any decision made by the exchange that affects a participant, or an applicant to be a participant, including a decision in relation to access, exemptions, or discipline, the exchange ensures that:

- (a) **parties are given an opportunity to be heard or make representations, and**

Chapter 7 of the Rules and the RSA provide the framework for the SEF's disciplinary procedures. These procedures are designed to allow the Applicant to discipline, suspend or expel any person that violates the Rules.

Enforcement Staff. The Market Regulation Team is responsible for enforcing the Rules and conducting investigations into alleged violations of the Rules. The Market Regulation Team consists of the CCO, three additional employees and the staff of NFA responsible for providing services to the Applicant pursuant to the RSA. The ROC reviews the size and allocation of regulatory resources and number of regulatory personnel to ensure that DW SEF has adequate enforcement staff.

Disciplinary Panels. Pursuant to Rule 710, each disciplinary panel ("**Disciplinary Panel**") is composed of three individuals selected by the CCO. Except in cases limited to the timely submission of accurate records, each Disciplinary Panel is chaired by an individual who would not be disqualified from serving as a Public Director. All members of a Disciplinary Panel must meet the fitness standards provided in Rule 210. In addition, no member of the Market Regulation Team may serve on a Disciplinary Panel.

Notice of Charges. If the Market Regulation Team authorizes disciplinary proceedings, it will prepare a notice of charges in accordance with Rule 706. The notice of charges will: (i) state the acts, practices or conduct in which the respondent is alleged to have engaged; (ii) state the Rule alleged to have been violated or about to be violated; (iii) advise the respondent of its right to a hearing and its right to be represented by legal counsel or any other representative of its choosing (other than a Director, Officer, DW SEF employee, member of the Disciplinary Panel or any person substantially related to the disciplinary proceedings such as a material witness or other respondent) in all succeeding stages of the disciplinary process; (iv) state the period of time within which the respondent can request a hearing on the notice of charges, which will not be less than 20 days after service of the notice of charges; (v) advise the respondent that any failure to request a hearing within the period stated, except for good cause, will be deemed to constitute a waiver of the right to a hearing; and (vi) advise the respondent that any allegation in the notice of charges that is not expressly denied will be deemed to be admitted. Rule 708 provides the Applicant's procedures for service of the notice of charges.

Right to Representation. Rule 706(b) requires the notice of charges to advise the respondent of its right to be represented by legal counsel or any other representative of its choosing (other than a Director, Officer, DW SEF employee, member of the Disciplinary Panel or other person substantially related to the underlying investigation) in all succeeding stages of the disciplinary proceedings.

Answer to Charges. Rule 707 provides that if the respondent answers a notice of charges, the respondent must file its response within 20 days after being served the notice, or within such other time period determined appropriate by the CCO. Rule 707 also sets forth the requirements for the answer, the consequences of failing to file a timely answer, and the consequences of failing to deny the allegations described in the notice of charges.

Admission or failure to deny charges. Under Rule 707(d), if a respondent admits or fails to specifically deny any of the allegations in the notice of charges, the Disciplinary Panel shall find that the violations set forth in such allegations have been committed and shall impose a sanction for such violations. The



Disciplinary Panel shall promptly notify the respondent in writing of any sanction imposed pursuant to Rule 707 and advise the respondent that the respondent may request a hearing on such sanction within 20 days of the respondent being served with such notice.

Denial of Charges; Right to Hearing. Pursuant to Rule 707(b), a respondent may request a hearing before a Disciplinary Panel in an answer to a statement of charges. A respondent may also request a hearing following the imposition of a sanction under Rule 707(d).

Settlement offers. Pursuant to Rule 709, a respondent or potential respondent may, at any time, submit a written offer to settle anticipated or instituted disciplinary proceedings. The Disciplinary Panel may accept the offer of settlement, but may not alter the terms of a settlement offer unless the respondent or potential respondent agrees.

Hearings. Rules 710, 711, 712 and 713 establish detailed procedures for forming a Disciplinary Panel, convening a disciplinary proceeding, reviewing evidence and conducting hearings. Under Rule 711, all hearings will be conducted before a Disciplinary Panel, which will be promptly convened following reasonable notice to each respondent.

Decisions. Pursuant to Rule 714, following a hearing, the Disciplinary Panel will issue an order rendering its decision based on the weight of the evidence. A decision by a majority of the disciplinary Panel will constitute the decision of the Disciplinary Panel. The Applicant will serve a copy of the order of the disciplinary panel to the respondent and the Market Regulation Team. The order will include: (i) the notice of charges or summary of the allegations; (ii) the answer, if any, or a summary of the answer; (iii) a brief summary of the evidence introduced at the hearing (or, where appropriate, incorporation by reference of the investigation report); (iv) findings of fact and conclusions concerning each allegation, including each specific Rule that the respondent is found to have violated; (v) the imposition of sanctions, if any, and the effective date of each sanction; and (vi) notice of the respondent's right to appeal pursuant to Rule 716.

Right to appeal. Rule 716 provides appeal procedures that allow the respondent to appeal an adverse decision of the Disciplinary Panel to an Appeals Panel (the "Appeals Panel"). The Appeals Panel's written order will be the final action of DW SEF and is not subject to internal appeal.

Penalty. Pursuant to Rule 717, the CCO may summarily impose a fine against a Participant or Authorized User that fails to (i) timely pay fees, costs, charges or fines, (ii) make timely and accurate submissions to the Applicant of notices, reports or other information required by the Rules, or (iii) keep any books and records required by the Rules. The Applicant will set the amount of summary fines imposed pursuant to Rule 717, with the maximum fine not exceeding \$5,000 for each violation. The Market Regulation Team will give notice of any summary fine imposed pursuant to Rule 717 to each Participant or Authorized User subject to the fine. The notice will specify (i) the Rule violation for which the fine is being imposed, (ii) the date of the violation and (iii) the amount of the fine.

Under Rule 717, all summary fines must be paid or appealed pursuant to Rule 716 within 20 days of serving the notice of fine.

Summary Actions. If the CCO reasonably believes that immediate action is necessary to protect the best interests of the Applicant or the marketplace, the CCO may, in accordance with Rule 718, summarily suspend, revoke, limit, condition, restrict or qualify the trading privileges of a Participant or Authorized User and may take other summary action against a Participant or any of its Authorized Users in accordance with the Rules. Before taking such action, the CCO must consult with the Board.

Whenever practicable, the Market Regulation Team will provide prior written notice to the Participant, Authorized User or other person against whom the action is brought. If prior written notice is not practicable, DW SEF will give notice at the earliest possible opportunity pursuant to Rule 718(b). Such notice will state the action, the reasons for the action, and the effective time, date and duration of the action. Upon serving



the notice, the Market Regulation Team will advise the recipient of its right to a prompt hearing before a Disciplinary Panel and its right to be represented by legal counsel or other representative at such hearing.

If a hearing is requested, the Disciplinary Panel will promptly convene a hearing to be conducted in accordance with Rule 713. After the hearing, the Disciplinary Panel will issue to the respondent a written order affirming, modifying or reversing the summary action. The order will include a description of the summary action taken, a summary of the evidence introduced at the reinstatement hearing, a statement of findings of fact and conclusions, a description of any action taken or to be taken by DW SEF and the effective date, time and duration thereof.

A respondent whose trading privileges are suspended, revoked, limited, conditioned, restricted or qualified pursuant to Rule 718 may apply for reinstatement through the process described in Rule 719.

- (b) **it keeps a record of, gives reasons for, and provides for appeals or reviews of its decisions.**

Pursuant to Rule 215, DW SEF maintains complete and accurate books and records of all activities relating to the business of DW SEF, including investigatory files, disciplinary files, and all books and records required to be maintained pursuant to the CEA and CFTC regulations. Chapter 7 of the Rules provides additional information on appeals from disciplinary proceedings.

8. CLEARING AND SETTLEMENT

8.1 Clearing Arrangements

The exchange has or requires its participants to have appropriate arrangements for the clearing and settlement of transactions for which clearing is mandatory through a clearing house.¹

The CFTC mandates the clearing of certain instruments and, as such, those instruments are required to be cleared on the SEF. Traded instruments that can be cleared are treated as intended to be cleared (ITBC) on the SEF. Instruments that are not eligible to be cleared may be added to the SEF in the future but currently no instruments of this type are listed of the SEF.

Chapter 10 of the Rules sets forth DW SEF's clearing arrangements, which require Participants to have appropriate arrangements for the clearing and settlement of transactions. Rule 1004 governs swaps that have been rejected from clearing. Upon rejection, such swaps are deemed void *ab initio*, and the SRO is notified of same.

8.2 Risk Management of Clearing House

The exchange has assured itself that the clearing house has established appropriate risk management policies and procedures, contingency plans, default procedures and internal controls.

As stated above, DW SEF provides clearing at two CFTC-registered DCOs: LCH and CME. DW SEF offers clearing at these DCOs based on its customer demand, the fact that these are the only DCOs that clear swaps offered on DW SEF, the fact that DW SEF FCMs are connected to the DCOs, operational reasons, and other market conditions.

DW SEF lists IRS for which the CME and/or LCH act as a DCO. Each DCO is registered with and regulated by the CFTC. The Dodd-Frank Act requires DCOs to comply with core principles pertaining to compliance,

¹ For the purposes of these criteria, "clearing house" also means "clearing agency".



financial resources, participant and product eligibility, risk management, settlement procedures, treatment of funds, default rules and procedures, rule enforcement, system safeguards, reporting, recordkeeping, public information, information sharing, antitrust considerations and legal risk.

The CME is one of the world's leading central counterparty clearing services for exchange-traded contracts and OTC derivatives transactions. The Applicant has satisfied itself that the CME applies robust risk management standards and applicable CFTC customer protection standards for all products it clears. In addition, the Applicant has satisfied itself that CME has in place advanced financial safeguards to protect and mitigate the consequences of a participant default.

LCH, owned by the London Stock Exchange Group, is a multi-asset class and multi-national clearing house, serving major exchanges and platforms as well as a range of OTC markets. LCH clears swaps in 17 currencies and clears more than 50% of the global interest rate swap market. The Applicant has satisfied itself that LCH maintains the highest standards of risk management to ensure the protection of markets.

All swaps traded on the DW SEF are settled in cash by the DCO. For example, the settlement amount for IRS is based on the net amount of interest owed between the swap counterparties. The amount of interest owed by each party is calculated on the basis of a reference interest rate applied over a period of time to a notional amount, where the referenced rates, period of time and notional amount are fixed by the relevant swap contract. Each reference rate may be constant or may be determined on the basis of the 1-, 3- or 6-month LIBOR or CDOR for U.S. dollar or Canadian dollar deposits, as well as such other reference rates as may be the subject of interest rate swap clearing by the CME and/or LCH.

As stated above, under the Dodd-Frank Act, DCOs must comply with DCO Core Principles. The CFTC performs periodic audits of DCOs in order to ensure they are in full compliance with the DCO Core Principles, which include the requirement for risk management, internal controls and contingency plans. In addition to the Applicant's response under Section 8.2 of this Application, it is noted that the rules of each DCO mandate that the organization have risk management policies and procedures in place, as is required by the CFTC. Additionally, DCOs participate in annual industry-wide business continuity disaster recovery testing, the results of which provide further comfort related to appropriate policies and procedures by the DCO.

9. SYSTEMS AND TECHNOLOGY

9.1 Systems and Technology

Each of the exchange'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.**

DW SEF provides an electronic platform for trading IRS using an Order Book with advanced functionality and a voice RFQ system. DW SEF developed this technology in compliance with the “Principles for the Oversight of Screen-Based Trading Systems for Derivative Products” developed by the Technical Committee of IOSCO. Tradeweb Markets maintains dedicated in-house Information Security and Enterprise Risk Management (“ERM”) departments, which have a direct reporting line to the Global Chief Risk and Administrative Officer. The Information Security department, headed by the Global Chief Informational Security Officer, is responsible for Tradeweb Market’s information security-related measures and controls. The key elements of the Information Security program are Identity & Access Management, Data Leak Prevention, Security Incident Response & Analysis, Vulnerability & Threat Management, and Secure Software Development. The ERM department, led by the Global Head of Enterprise Risk, is responsible for managing Tradeweb Market’s firm-wide Risk Management Framework and Operational Resiliency programs. The key elements of the ERM program are Risk Assessments, Risk Event Management, Business Continuity Management, Third Party Risk Management, Client Due Diligence, and the Policy Framework. Both the Information Security and ERM departments follow a unified approach in an effort to effectively monitor Tradeweb Market’s systems and mitigate risk.

Due to the proprietary and confidential nature of the data generated, processed, and transmitted on a daily basis, the Applicant has a series of robust policies, standards, and procedures in place. These robust policies, standards, and procedures are dedicated to the protection of data and relevant systems from common threats, such as errors, security attacks, fraud, and natural disasters. The Applicant’s system infrastructure including telecommunication, power, environmental controls, and all network components including but not limited to servers, routers, switches, and firewalls classified as critical components needed for support of the production.

DW SEF also has a dedicated internal audit team which assesses system safeguards related to the SEF. The internal audit team reviews the internally produced annual risk assessments, the SOC1 and SOC2 reports, relevant policy and procedural documents and interviews key internal stakeholders. A key role of the internal audit function is to identify critical services to sustain the operation of business processes and ensure the fulfillment of statutory and regulatory responsibility and to identify assets that support critical information technology and business services.

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 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.**

The Applicant maintains a closed network environment, protected by perimeter firewalls and routers which are programmed to allow connection only from authorized dealers and clients of DW SEF. Third party network monitoring, reporting, and analysis tools are used to monitor and log network activity on the firewall servers. In the event any anomalies are detected, alerts are generated for information security and network personnel review and resolution. On an annual basis, vulnerability assessments and penetration tests are conducted by an external vendor. The results are then reviewed, investigated and tracked for security anomalies and vulnerabilities and resolved by the infrastructure and information security departments. In addition, DW SEF personnel monitor the message flow for system capacity, utilization, traffic, network bandwidth and overall performance.

The Applicant operates a proprietary trading platform which provides intra-datacenter resilience within its primary New Jersey location and a redundant solution in its Chicago-based back-up location. Critical data is replicated in real time between the primary and secondary locations ensuring archiving and processing of all trading information. DW SEF has implemented the following specific backup features for the system:

The network architecture supporting the Applicant's system has been designed to minimize single points of failure by providing equipment and route redundancy. Redundancy in the system provides for high systemic availability. The Applicant's systems have dimensioned sufficient bandwidth to handle peak volume. DW SEF maintains connections to the internet through two independent internet service providers ("ISPs") from its New Jersey headquarters and is able to reroute traffic between the ISPs in the event of an ISP outage.

The network and application architecture of the Applicant's systems is designed to allow for real-time data replication between the DW SEF primary and secondary data center locations, such that its systems can be operated from either location in case the primary location becomes non-functional. In the event that the main facility becomes inoperable, business continuity plan procedures would be invoked to failover the system to the secondary location allowing for the continued operation of the DW SEF products and services.

DW SEF monitors the availability of the network architecture supporting its systems for normal operations, including monitoring of network traffic and congestion levels. Specific monitoring occurs with respect to: functionality and performance of servers and applications, messaging infrastructure, trade and post trade connectivity for Participants, and connectivity for remote access users. Appropriate escalation procedures are in place for resolving any performance or capacity issues.

The Applicant maintains redundant services and hardware within its primary environment as well as an inventory of hardware that may be used should network hardware fail.

The Applicant recommends that Participants put in place certain controls with respect to their internal operations related to their activity on the SEF. These



recommended controls include: proper configuration of firewalls and network routers; appropriate limitations on access to the SEF; adequate security protocols for account and customer profiles, including password/PIN security; entitlement review of their user accounts; and development and implementation of data backup and recovery plans. Full backups are available off-site for up to six months.

The Applicant maintains backup systems and subsystems designed to prevent interruptions in the performance of any system function as a result of technical or other malfunctions, whether in the context of disaster recovery, business continuity, regular hardware failures, or otherwise. All data generated and stored in the Applicant's system is backed-up to remote sites and maintained as required. Each location is provided with redundant network infrastructure components from multiple providers and is monitored on a regular basis for performance, response time, and any system failures.

The Applicant maintains reasonable procedures to review and keep current the development and testing methodology of these systems.

9.3 Information Technology Risk Management Procedures

The exchange has appropriate risk management procedures in place including those that handle trading errors, trading halts and respond to market disruptions and disorderly trading.

DW SEF has developed a program of risk analysis and oversight to identify and minimize sources of operational risk by implementing appropriate controls and procedures and through the development of reliable, secure and scalable automated systems. Under the oversight of the Board, the Market Regulation Team (including the RSP) implements the monitoring, surveillance and other enforcement functions. The Rules, in conjunction with the RSA, provide the framework for the Applicant's surveillance activities.

Pursuant to the RSA, NFA performs trade practice and market surveillance which monitors trading activity on a trade day plus one (T+1) basis. NFA monitors for certain types of suspicious transactions in connection with the time, size and percentage parameters that are set based on the Applicant's Rules or NFA standards, which are revised from time to time based on product offerings, market activities, trader profile information and DW SEF's procedures. NFA reviews all trades executed on the SEF or pursuant to the Rules.

The Applicant has primary responsibility for the SEF's real-time market monitoring. The Market Regulation Team reviews trading activity on the SEF, including Order Book trades, RFQs and responses to RFQs. The Market Regulation Team receives and reviews alerts of aberrational prices, excessive volume and other anomalies in trading on the SEF. Pursuant to Rule 407, DW SEF may cancel or adjust trades when necessary to mitigate market disrupting events caused by the improper or erroneous use of the SEF or by system defects or malfunctions. The Applicant may review a trade based on its independent analysis of market conditions or upon request from a Participant. In such circumstances, DW SEF notifies Participants pursuant to Rule 407 that a trade is under review.

DW SEF has adopted procedures and guidelines for implementing an emergency intervention in the market. Under Rule 412, an emergency means any occurrence or circumstance that, in the opinion of the Board, the CEO or the Chief Administrative Officer ("CAO"), requires immediate action and threatens or may threaten the fair and orderly trading in, or the liquidation of or delivery pursuant to, any swap traded pursuant to the Rules (an "Emergency").

In the event of an Emergency, the CAO or any individual designated by the CAO and approved by the Board may place into immediate effect a temporary emergency addition to the Rules which may provide



for, or may authorize the Board or any committee thereof to undertake, actions necessary or appropriate to respond to the Emergency, including such actions as: (i) imposing or modifying position or price limits;

(ii) extending, limiting or changing the trading hours in respect of one or more swaps; (iii) suspending or curtailing trading, or limiting trading to liquidation only, in any or all swaps; (iv) ordering the liquidation of swaps or the reduction of positions; (v) requiring additional margin to be collected; (vi) modifying or suspending any provision of the Rules; and/or (vii) taking market actions as may be directed by the CFTC.

If the CEO, CAO or a designee determines that emergency rules must be implemented, the decision must be reviewed by the Board as soon as practicable under the circumstances and may be revoked, suspended or modified by the Board.

DW SEF will promptly notify its Participants whenever the Applicant, the Board or any officer or designee implements an emergency rule. DW SEF will use reasonable efforts to notify the CFTC and the AMF prior to implementing, modifying or terminating an emergency rule. If such prior notification is not possible or practicable, the Applicant will notify the CFTC and the AMF as soon as reasonably practicable, but in all circumstances within 24 hours of the implementation, modification or termination of such emergency rule.

Any action taken in respect of an Emergency remains subject to the conflict of interest requirements set forth in Rule 214.

If the Emergency is related to a swap that is fungible with financial products traded on another platform, the Applicant will attempt to coordinate its response with any guidance received from the CFTC.

10. FINANCIAL VIABILITY

10.1 Financial Viability

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

The Applicant has adequate financial, operational and managerial resources to satisfy its financial responsibilities. DW SEF calculates its financial resources quarterly to ensure that the amount of such resources are sufficient (and sufficiently liquid) to cover its operating costs for a one-year period, as calculated on a rolling basis.

In addition, the Applicant maintains unencumbered, liquid financial assets (i.e., cash and/or highly liquid securities) equal to at least six months' operating costs. To the extent that any portion of its financial resources are not sufficiently liquid, DW SEF may include a committed line of credit or other, similar liquidity facility to meet this liquidity requirement. The Applicant may not, however, apply any such line of credit or liquidity facility towards the calculation of available financial resources sufficient to meet one year of projected operating costs.

DW SEF does not and will not hold any money on behalf of Participants.

11. TRADING PRACTICES

11.1 Trading Practices

Trading practices are fair, properly supervised and not contrary to the public interest.

Chapter 6 of the Rules sets forth DW SEF's business conduct standards and specifically prohibits several forms of abusive trading practices. The prohibited conduct and trading practices include: front-running (Rule 612), wash trading (Rule 613), impermissible pre-arranged trading (Rule 614), fraudulent acts (Rule 603),



fictitious trading (Rule 604), money passes (Rule 614), market disruption (Rule 605), market manipulation (Rule 606) and disruptive trading practices (Rule 607). DW SEF has also adopted broad Rules requiring Participants to adhere to just and equitable principles of trade (Rule 602) and prohibiting Participants or Authorized Users from committing acts detrimental to the welfare of the Applicant (Rule 609). These trading practices ensure that the SEF is fair, properly supervised and not contrary to the public interest.

11.2 Orders

Rules pertaining to order size and limits are fair and equitable to all market participants and the system for accepting and distinguishing between and executing different types of orders is fair, equitable and transparent.

Chapter 4 (Trading Standards) of the Rules specifies trading procedures to be followed by Participants when entering and executing orders traded or posted on the platform, including block trades. Such Rules are fair and equitable to all Participants.

11.3 Transparency

The exchange has adequate arrangements to record and publish accurate and timely information as required by applicable law or the Foreign Regulator. This information is also provided to all participants on an equitable basis.

Consistent with Rule 403, DW SEF publishes information on its website daily regarding prices, trading volume and other data as required by CFTC regulations. The Applicant also makes available a centralized pricing screen on the SEF providing a real-time view of resting orders and any indicative bids and offers. Also in accordance with Rule 403, DW SEF makes available to Participants an indicative, non-attributed pricing page on the SEF for certain types of swaps of the most commonly traded tenors within such type of swap.

Rule 403(a) requires the Applicant to transmit required swap creation data ("**Required Swap Creation Data**", as defined in CFTC regulation 45.1) for each swap executed or pursuant to the Rules to the appropriate SRO in the form and manner, and within the timeframe, required by the CEA and CFTC Regulations. The Applicant may provide such Required Swap Creation Data to Participants and Authorized Users no earlier than the time it transmits such information to an SRO and in a form that does not disclose the identities, or otherwise facilitate identification, of the parties to the swap.

DW SEF uses Depository Trust and Clearing Corporation as its SDR for all products.

12. COMPLIANCE, SURVEILLANCE AND ENFORCEMENT

12.1 Jurisdiction

The exchange or the Foreign Regulator has the jurisdiction to perform member and market regulation, including the ability to set rules, conduct compliance reviews and perform surveillance and enforcement.

Rule 301 requires any Participants, Authorized Users and other persons accessing the SEF to abide by the Rules and consent to the Applicant's jurisdiction when entering orders or executing trades on or pursuant to the Rules of the SEF. The Applicant is registered with and regulated by the CFTC in accordance with the CEA and applicable CFTC regulations.



12.2 Member and Market Regulation

The exchange or the Foreign Regulator maintains appropriate systems, resources and procedures for evaluating compliance with exchange and legislative requirements and for disciplining participants.

DW SEF has made adequate arrangements and has adequate resources to enforce its Rules. The Applicant's Board and Market Regulation Team (including the RSP) are responsible for detecting, investigating and taking disciplinary action with respect to violations of the Rules. There are three full-time equivalents operating as the Market Regulation Team.

DW SEF's compliance resources ensure that it can conduct audit trail reviews, trade practice surveillance, market surveillance, real-time market monitoring and complete any inquiries or investigations in a timely manner. The Applicant's compliance staffing and resources include: the CCO, additional employees in the Market Regulation Team and the resources available through the RSA with NFA.

NFA primarily conducts daily market surveillance, daily trade practice surveillance and inquiries and investigations. The Applicant's employees within the Market Regulation Team are primarily responsible for real-time market monitoring. NFA also provides services related to disciplinary proceedings. In addition, NFA maintains - in the manner specified by CFTC regulations - all records, including audit trail data, created in conjunction with providing regulatory services to DW SEF. NFA provides these records to DW SEF upon request.

Chapter 7 of the Rules describes DW SEF's disciplinary and enforcement procedures and demonstrates DW SEF's capacity to detect and investigate rule violations. In accordance with Rules 701 through 705, the Market Regulation Team conducts inquiries and investigations relating to real-time surveillance, trade practices and market surveillance. Rules 706 through 721 govern disciplinary proceedings, including the initiation, litigation, and resolution of such proceedings. For additional information on DW SEF's disciplinary and enforcement procedures, see section 7 of this Application.

Pursuant to Rule 703, the Market Regulation Team prepares a written investigation report regardless of whether the evidence gathered during an inquiry or investigation forms a reasonable basis to believe that a violation within the Applicant's jurisdiction has occurred or is about to occur or whether the evidence gathered results in closing the matter without further action or through a summary action. Any written investigation report contains the reasons for initiating the investigation (including a summary of the complaint, if any), all relevant facts and evidence gathered, and the analysis, conclusions and recommendation of the RSP. Under Rule 703, all investigations must be completed in a timely manner and, absent mitigating factors, no later than 12 months after the date that the investigation is opened.

For each potential respondent, the RSP will recommend either: (i) closing the investigation without further action; (ii) entering into a summary action; (iii) resolving the investigation through an informal disposition, including the issuance by the Market Regulation Team of a warning letter (provided that no more than one warning letter for the same potential violation may be issued to the same potential respondent during a rolling 12-month period); (iv) initiating disciplinary proceedings; or (v) negotiating a settlement. The RSP provides the CCO with an investigation report for a determination as to whether the investigation report is complete.

The RSP is responsible for performing the investigatory work relating to trade practice, market surveillance and real-time market monitoring inquiries and investigations. The RSP will commence an investigation upon the receipt by the Applicant of a request from CFTC staff or upon the discovery or receipt of information by the RSP or the Applicant that indicates a possible basis for finding that a violation has occurred or will occur. On a monthly basis, the RSP prepares reports detailing the number of inquiries and investigations opened or closed during the month, along with the specific allegations. Such inquiries and investigations are discussed at a monthly meeting between SEF and the RSP.



The Market Regulation Team is responsible for documenting any differences between actions taken by the Applicant and any recommendation made by NFA acting as RSP.

The CCO must fulfill the duties in Rule 212, which include establishing procedures for the remediation of non-compliance issues identified by the CCO through internal audit findings, among other sources. The CCO also prepares an Annual Compliance Report that includes a description of material compliance matters, including noncompliance issues identified through a compliance office review, look-back, internal or external audit finding, self-reported error, or validated complaint, and an explanation of how they were resolved. The CCO also conducts additional internal audits on an ad hoc basis in response to the CCO's oversight of DW SEF.

12.3 Availability of Information to Regulators

The exchange 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 AMF, on a timely basis.

Pursuant to Rule 503, the Applicant and its RSP have the right to inspect the systems, equipment and software of Participants and Authorized Users. Rule 702 requires Participants and Authorized Users to produce books and records related to a Rule, inquiry or investigation as requested by the Market Regulation Team (including the staff of the RSP). DW SEF maintains records that are accessible to the AMF as they are to the CFTC. Should records be requested by the AMF, they will be furnished in a form and manner suitable to the AMF.

13. RECORD KEEPING

13.1 Record Keeping

The exchange 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.

DW SEF's recordkeeping program satisfies the relevant criteria set forth in CFTC regulation 1.31 and Part 45 of the CFTC regulations. The SEF retains all books and records on electronic storage media in a non-rewritable, non-erasable format that fulfill the criteria set forth in CFTC regulation 1.31(b).

Under Rule 309, the Applicant may, but is not obligated to, record conversations and retain copies of electronic communications between Officers, employees or agents of the Applicant, on the one hand, and Participants, Authorized Users and other Persons, on the other hand. Any such recordings or copies thereof are retained as required by applicable law.

DW SEF also maintains records relating to the swaps traded on or pursuant to the Rules of the SEF, including in particular an obligation to maintain full, complete, and systematic records, together with all pertinent data and memoranda, of all of the Applicant's activities with respect to swaps, including the real-time swap data reporting requirements set out in Part 43 of the CFTC's regulations as well as the swap creation data reporting requirements in Part 45 thereof. The RSP generates records relating to the provision of services pursuant to the RSA. Such records are maintained in accordance with the CEA and CFTC regulations, and will be provided to DW SEF upon request.

DW SEF maintains comprehensive audit trail data to accurately reconstruct all trading on the SEF. The Applicant has established comprehensive audit trail processes that capture trading information to facilitate their trade practice and market surveillance activities. The audit trail program is based on original source documents that are unalterable, sequentially identified records. The records reflect the terms of the order



entered, the time of the order, a unique user identifier for the user entering the order and an account identifier. The system further reflects information regarding orders which are filled, unfilled or cancelled.

The audit trail also includes an electronic transaction history database that contains a history of all RFQs, orders and trades as well as the following: (i) all data entered into the trade entry/order matching system to allow the transaction to match and clear; (ii) the customer type indicator code; (iii) timing and sequencing data enabling each order to be reconstructed; (iv) if the trade is to be allocated, the identity of each account to which fills are allocated and information regarding order allocation including legal entity identifier of the agent; and (v) the legal entity identifier of the reporting counterparty. All audit trail data contained in the transaction database is organized in a manner that allows the Market Regulation Team to search, sort and present the information in order to reconstruct trading and identify potential violations. All data gathered as part of the audit trail is maintained in accordance with the CFTC's recordkeeping requirements and is kept in a manner that does not allow for unauthorized alteration, erasure or other potential loss.

Annual reviews are conducted for compliance with the SEF's audit trail and recordkeeping requirements. Such reviews include: reviewing randomly selected samples of front-end audit trail data for order routing systems; reviewing the process by which user identifications are assigned and user identification records are maintained; reviewing usage patterns associated with user identifications to monitor for violations of user identification rules; and reviewing account numbers and customer type indicator codes in trade records to test for accuracy and improper use.

Upon completion of such review, the RSP identifies to the Market Regulation Team Participants that have demonstrated deficiencies in complying with the SEF's audit trail requirements, and the Market Regulation Team may sanction such Participants for purposes of deterring additional violations. Such sanctions are subject to the restrictions on warning letters described in Rule 703.

CFTC regulation §1.31 requires books and records required to be kept under the CEA be kept for five years and be readily accessible for the first two years of the five year period, except records of swaps or related cash or forward transactions, which must be kept until the termination, maturity, expiration, transfer, assignment, or novation date of the transaction and for five years after the date. Records of oral communications required to be kept under CFTC regulation §1.31 must be kept for one year. All records must be open to inspection by any CFTC or United States Department of Justice representative, and be provided promptly upon request in the form specified at the expense of the person required to keep the records. It also specifies that electronic records be kept in native file format and only CFTC-required records be stored on the medium employed.

Part 45 of the CFTC regulations sets forth swap data recordkeeping and reporting requirements for SDRs, DCOs, SEFs, swap dealers, major swap participants, and swap counterparties who are not swap dealers or major swap participants. Part 45 of the CFTC regulations set forth which data must be reported, requires creation of various identifiers (unique swap identifiers, legal entity identifiers, unique product identifiers) determines who the reporting counterparty is, addresses use of a third-party to facilitate reporting, and reporting errors and omissions.

Chapter 5 of the Rules (Obligations of Participants, Authorized Users and Trading Customers) requires Participants to maintain records in the manner prescribed by the CEA, CFTC Regulations and the Rules. Such books and records shall be made available to DW SEF or the RSP upon request.



14. OUTSOURCING

14.1 Outsourcing

Where the exchange has outsourced any of its key services or systems to a service provider, it has appropriate and formal arrangements and processes in place that permit it to meet its obligations and that are in accordance with industry best practices.

Pursuant to the RSA, NFA serves as the SEF's RSP and performs certain surveillance, investigative, and regulatory functions as described in the Rules. DW SEF's Board monitors the sufficiency, effectiveness and independence of all facets of the Applicant's regulatory program, including ensuring that the RSP has the capacity and resources necessary to provide timely and effective regulatory services.

Pursuant to Rule 1108, the CCO has supervisory authority with respect to any functions performed by NFA pursuant to the RSA. The RSP and CCO hold monthly meetings to discuss new inquiries and investigations and provide a general update relating to the status of continuing inquiries and investigations. The RSP and the CCO also evaluate the staff and resources devoted to enforcement of the Rules.

DW SEF retains exclusive authority over regulatory decisions. Under Rule 407, the Applicant maintains exclusive authority over decisions to cancel or adjust the price of trades. The decision to issue disciplinary charges is made by the Market Regulation Team, and therefore, remains under the exclusive authority of the Applicant. Pursuant to Rule 303, DW SEF also retains exclusive authority to deny access to the SEF.

To implement its operating model, DW SEF has entered into a Services Agreement with Tradeweb Europe Limited, an affiliate of Tradeweb Markets. The services provided to DW SEF under the Services Agreement include: technology support and development services such as product development, application support and operations/back office support as well as corporate level services such as legal, administrative, finance, human resources, facilities and marketing. Tradeweb Europe Limited is a non-arm's length entity from DW SEF. Tradeweb does not outsource any part of the production service support or development to any third party. All development is performed by in-house application development teams.

15. FEES

15.1 Fees

- (a) **All fees imposed by the exchange 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.**
- (b) **The process for setting fees is fair and appropriate, and the fee model is transparent.**

The Applicant charges consistent fees for all Participants that receive comparable access to the SEF. DW SEF is required pursuant to CFTC Regulation 37.202 to provide Participants with impartial access to DW SEF, which includes: (i) establishing access criteria that are impartial, transparent and applied in a fair and non-discriminatory manner and (ii) establishing comparable fee structures for Participants receiving comparable access or services. DW SEF's executives and Board establish fees pursuant to these regulatory requirements and based on commercial considerations. While DW SEF is not required to disclose fees to the public, DW SEF does provide a notice to each Participant as to the fees and any discounts applicable to a transaction. DW SEF does offer certain liquidity provider discounts in a fair manner to participating liquidity providers based on relationship history (e.g., length of time as a liquidity provider; volume of liquidity provider activity).



16. INFORMATION SHARING AND OVERSIGHT ARRANGEMENTS

16.1 Information Sharing and Regulatory Cooperation

The exchange has mechanisms in place to enable it to share information and otherwise cooperate with the AMF, self-regulatory organizations, other exchanges, clearing agencies, investor protection funds, and other appropriate regulatory bodies.

Pursuant to Rule 215, the Applicant: (i) keeps, or causes to be kept, complete and accurate books and records of accounts of DW SEF, including all books and records required to be maintained pursuant to the CEA and CFTC regulations; (ii) retains all such books and records for the life of each swap transacted pursuant to the Rules and five years following the termination of such swap, and must make such books and records readily accessible for inspection, in each case in the form and manner required under the CEA and CFTC regulations; and (iii) may disclose such books and records to any government agency, SRO or other person if DW SEF believes such disclosure is necessary and appropriate in exercising a legal or regulatory function, whether or not a formal arrangement governing the disclosure exists or a request for information was made.

Rule 503 requires each Participant to prepare and maintain all books, ledgers and other records required by CFTC regulations and the Rules and make them available at the request of the Applicant, the CFTC or the United States Department of Justice. Pursuant to Rule 504, the Applicant and its RSP have the right to inspect the systems, equipment and software of Participants and Authorized Users. These rules are binding on all Participants and Authorized Users, pursuant to the SEF Addendum to the DW SEF User Agreement or the SEF Addendum to the DW SEF Markets Dealer Subscriber Agreement.

Rule 702 requires Participants and Authorized Users to produce books and records as requested by the Market Regulation Team, including the staff of the RSP.

Pursuant to Rule 1107, DW SEF has broad discretion to enter into information-sharing agreements to coordinate surveillance with other markets that trade financial instruments related to the swaps listed for trading on the SEF or pursuant to the Rules. The Applicant may enter into agreements or other arrangements or procedures to coordinate surveillance with domestic or foreign regulators, SROs, 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 DW SEF deems necessary or appropriate or is required by applicable law.

Rule 215 provides that DW SEF can provide information and cooperate with regulatory bodies to fully meet the requirements of this section. Rule 215(c) states: the Applicant may disclose, to any government agency, SRO or other person, information concerning or associated with a Participant or other person if the Applicant believes such disclosure is necessary and appropriate in exercising a legal or regulatory function, whether or not a formal arrangement governing the disclosure exists or a request for information was made.

16.2 Oversight Arrangements

Satisfactory information sharing and oversight agreements exist between the AMF and the Foreign Regulator.

Satisfactory information sharing and oversight agreements exist between the AMF and the Foreign Regulator pursuant to a memorandum of understanding (“MOU”) between the AMF and CFTC that provides a comprehensive framework for consultation, cooperation and information-sharing related to the day-to-day supervision and oversight of cross-border regulated entities. The MOU came into effect on March 25, 2014.



17. IOSCO PRINCIPLES

17.1 IOSCO Principles

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

To the extent it is consistent with the laws of Delaware and the United States, as applicable, the Applicant adheres to the standards of the IOSCO, including those set out in the “Principles for the Regulation and Supervision of Commodity Derivatives Markets (2011)”.

Part III - Submissions

Submissions Concerning the Requested Relief

1. The instruments for which the Applicant seeks approval for Quebec Users to trade on the SEF fall under the definition of “derivative,” as set forth in section 3 of the Act.
2. The SEF falls under the definition of “published market” set out in section 3 of the Act because it brings together buyers and sellers of derivatives and uses established, non-discretionary methods under which orders interact with each other.
3. An “exchange” is not defined under the Act; however, subsection 3.1(2) of the Policy Statement to Regulation 21-101 respecting Marketplace Operation (the “**21-101 Policy Statement**”) provides that a “marketplace” is considered to be an “exchange” if it, among other things, sets requirements governing the conduct of marketplace participants. A swap execution facility has certain obligations to monitor participants’ trading activity. Because a swap execution facility sets requirements for the conduct of its participants and surveils the trading activity of its participants, it will be considered by the AMF to be an exchange for purposes of the Act.
4. An exchange and a published market fall under the definition of “regulated entity” set out in section 3 of the Act.
5. Pursuant to the 21-101 Policy Statement and section 12 of the Act, no regulated entity may carry on derivatives activities in Quebec unless it is recognized by the AMF as an exchange or as a published market or exempt from recognition by the AMF.
6. The Applicant submits that an exemption from recognition is appropriate for the DW SEF because the Applicant is subject to regulation by the CFTC and full regulation by the AMF would be duplicative and inefficient.
7. The Applicant understands that this Application will be reviewed and discussed with AMF Staff and that it will be published, along with a draft order, for a 30-day comment period.
8. Based on the foregoing, we submit that it would not be prejudicial to the public interest to grant the Requested Relief.

**Similar Relief has been Granted**

9. The Applicant also notes that exemptive relief similar to the Requested Relief has been granted by the AMF in (i) In the Matter of Refinitiv US SEF LLC (Decision n° 2020-SMV-0069) and (ii) In the Matter of TW SEF LLC (Decision n° 2017-SMV-0058).

Other Matters

10. In support of this Application, we are enclosing the following: (a) a verification statement from an officer of the Applicant confirming our authority to prepare and file this application, and certifying the truth of the facts contained herein as Appendix A; and (b) a draft Order for the Requested Relief, including draft terms and conditions, contained herein as Appendix B.
11. The Applicant consents to the publication of this Application for public comment.

Yours truly,

(signed) "*Andrew Grossman*"

Andrew Grossman
Partner

Copies to: Devi Shanmugham, Global Head of Compliance, Tradeweb Markets LLC
Michael Sullivan, Chief Compliance Officer, Dealerweb Inc.
Mark Bissegger, Norton Rose Fulbright Canada LLP

Enclosures



APPENDIX A

VERIFICATION STATEMENT

To: Autorité des marchés financiers

The undersigned hereby authorizes the making and filing of the attached application by Norton Rose Fulbright Canada LLP on its behalf and confirms the truth and accuracy of the information contained therein.

DATED at New York City this 3rd day of October, 2023.

DW SEF LLC

By: _____

Name: Douglas Friedman

Title: General Counsel and Secretary



APPENDIX B

Draft Order for DW SEF LLC

DECISION No.: 2023-SMV-00XX

FILE No.: ●

RE: DW SEF LLC

Exemption from recognition of DW SEF LLC as an exchange under section 12 of the *Derivatives Act*, CQLR, c. I-14.01

Exemption from the obligations under *Regulation 21-101 respecting Marketplace Operation*, CQLR, c. V-1.1, r. 5 and *Regulation 23-101 respecting Trading Rules*, CQLR, c. V-1.1, r. 6

Exemption from the obligations under *Regulation 23-103 respecting Electronic Trading and Direct Electronic Access to Marketplaces*, CQLR, c. V-1.1, r. 7.1

Considering the application filed by DW SEF LLC ("DW SEF" or the "Applicant") regarding its swap execution facility (the "Facility") with the Autorité des marchés financiers (the "AMF") on [●], 2023, (the "Application"), in order to obtain an exemption from the following obligations:

1. the obligation to be recognized as an exchange under the first paragraph of section 12 of the *Derivatives Act*, CQLR, c. I-14.01 (the "DA"), in order to carry on its activities in Quebec;
2. the obligations under *Regulation 21-101 respecting Marketplace Operation*, CQLR, c. V-1.1, r. 5 ("Regulation 21-101") and *Regulation 23-101 respecting Trading Rules*, CQLR, c. V-1.1, r. 6 ("Regulation 23-101") that are applicable thereto; and
3. the obligations under *Regulation 23-103 Respecting Electronic Trading and Direct Electronic Access to Marketplaces* ("Regulation 23-103") pursuant to section 86 of the Act and section 10 of *Regulation 23-103*, CQLR, c. V-1.1, r. 7.1

(together, the "Requested Exemption");

Considering the facts and representations provided by DW SEF in support of the Application, in particular:

1. The Applicant is a limited liability company formed pursuant to the laws of Delaware that is an indirect wholly-owned subsidiary of Tradeweb Markets LLC;
2. The Applicant provides an electronic platform for trading interest rate swaps using a central limit order book with advanced functionality and a voice request-for-quote system;
3. In the United States, the Applicant operates under the jurisdiction of the Commodity Futures Trading Commission (the "CFTC") and has obtained registration with the CFTC to operate a swap execution facility;
4. The Applicant 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;



5. The Applicant has retained the National Futures Association to be a regulatory services provider ("RSP");
6. The Applicant carries on exchange activities within the meaning of derivatives legislation through the Facility;
7. The Applicant intends to welcome certain eligible Quebec participants and to provide them with access to the Facility;
8. The Applicant does not have an office or establishment in Quebec and has no intention of establishing one;
9. The Applicant obtained an exemption from recognition as an exchange from the Ontario Securities Commission on June 13, 2016 and such exemption was subsequently varied on March 11, 2021; and
10. Based on the information available to and subject to the exercise of powers specified in the laws and regulations of the CFTC and exercised by it, there is no obligation for the eligible participants of the Applicant that have an establishment in Quebec to be registered with a government body or agency of the United States or to become members of a derivatives regulatory body or of another entity in the United States to carry on the activities described in this decision by the mere fact of being an eligible participant on the Facility;

Considering the publication of a notice of the Application inviting interested persons to make representations in writing to the AMF in the Bulletin of the AMF dated ● ●, 2023 [(2023) Vol. ●, No. ●, B.A.M.F., item ●] for a 30 day period, as provided in section 14 of the DA;

Considering that no comments have been received in response to this publication;

Considering the AMF's conclusion that the Applicant meets the expectations set out in the Policy Statement respecting the Authorization of Foreign-Based Exchanges established by decision No. 2005-PDG-0087 rendered on March 30, 2005 and published in the AMF Bulletin on April 1, 2005 [(2005) Vol. 2, No. 13, B.A.M.F., Supplement];

Considering the existence of cooperation and information exchange agreements pertaining to the supervision of the Applicant's activities between the AMF and the CFTC;

Considering the AMF's opinion that the Applicant's activities on the Facility are comparable to exchange activities within the meaning of derivatives legislation;

Considering section 86 of the DA, under which the AMF may, based on the conditions it determines, exempt a derivative, a person, a group of persons, an offer or a trade from any or all of the requirements or obligations under the DA if it considers that the exemption is not prejudicial to the public interest;

Considering the powers delegated in accordance with section 24 of the *Act respecting the Autorité des marchés financiers*, CQLR, c. A-33.2;

Considering the AMF's power to determine if it is still appropriate to grant the exemptions based on the conditions set forth in this decision as a result of its monitoring of developments in domestic and international capital markets and the Applicant's activities;

Considering the confirmation by the Applicant of the acceptance of the terms and conditions set forth in this decision;



Considering the analysis carried out by the *Direction principale de l'encadrement des structures de marché* and its recommendation that the granting of the Requested Exemption based on the conditions set out in this decision is not prejudicial to the public interest.

Therefore, the AMF grants, under section 86 of the DA, the Requested Exemption based on the following conditions:

1. Information provided in support of the Application

The Applicant shall ensure that the information, facts and statements provided in support of its Application are true and remain so at all times.

2. Regulation and supervision of the Applicant

- 2.1 The Applicant will maintain its permission to operate as a swap execution facility with the CFTC and will continue to be subject to the regulatory supervision of the CFTC.
- 2.2 The Applicant will continue to comply with the ongoing requirements applicable to it as the operator of a swap execution facility authorized by the CFTC.
- 2.3 The Applicant will promptly notify the AMF if its permission to operate a SEF has been revoked, suspended or amended by the CFTC, or the basis on which its permission to operate a swap execution facility has been granted has significantly changed.

3. Access

- 3.1 The Applicant will not provide direct access to an eligible participant unless the said eligible participant is appropriately registered as applicable under the Act or not subject to or exempt from the registration requirement under section 7 of the Act and qualifies as an "accredited counterparty" as defined in section 3 of the Act and as an "Eligible Contract Participant", as defined in Section 1a(18) of the CEA and the CFTC's rules and regulations promulgated thereunder (individually, an "**eligible Quebec participant**" and collectively, "**eligible Quebec participants**").
- 3.2 The Applicant shall offer appropriate training to eligible Quebec participants, including training for each person authorized to trade on the Facility.
- 3.3 Before giving any person access to the Facility as an eligible Quebec participant, the Applicant shall ensure that it, if applicable:
 - 3.3.1 obtains a written certificate from the person indicating that the person is an accredited counterparty as defined in the DA and an "accredited counterparty" as defined in section 3 of the Act and as an "Eligible Contract Participant", as defined in Section 1a(18) of the CEA and the CFTC's rules and regulations promulgated thereunder;
 - 3.3.2 informs the person that the certificate referred to in paragraph 3.3.1 of this decision shall be deemed to be fully binding each time the person performs a trade or enters an order, requests a quote or answers a request for a quote;
 - 3.3.3 is immediately notified by the person when such person is no longer an eligible Quebec participant;



- 3.3.4 obtains a written confirmation from the person that the appropriate clearing arrangements for the clearing and the settlement of each of the transactions on the Facility have been implemented;
 - 3.3.5 obtains confirmation from the person that the entity responsible for the clearing or the settlement of a transaction performed by that person on the Facility of which it is a member is duly recognized or exempt from being recognized as a clearing house or settlement system in Quebec by the AMF;
 - 3.3.6 obtains confirmation from the person that such person will act on its own behalf, unless the person is a dealer or an advisor duly registered under the DA or exempt from those requirements; and
 - 3.3.7 obtains confirmation from the Investment Industry Regulatory Organization of Canada ("IIROC") that the person who is a dealer-member of the IIROC complies with IIROC regulations.
- 3.4 The Applicant shall withdraw an eligible Quebec participant's access to the Facility once it is notified that said participant is no longer an eligible Quebec participant.

4. Activities in Quebec and transactions performed by eligible Quebec participants

In Quebec, the Applicant carries out exchange activities on the Facility pertaining to eligible products and does not allow eligible Quebec participants to perform transactions on products other than eligible products.

5. Appointment of an agent in Quebec

The Applicant has appointed and maintained an agent to represent it in Quebec and has informed the AMF of its name and contact information.

The Applicant shall also notify the AMF as soon as possible of any change of agent.

6. Disclosure

- 6.1 The Applicant shall provide to eligible Quebec Participants disclosure that:
- 6.1.1 their rights and remedies against the Applicant may only be governed by the laws of the United States, rather than by those of Quebec, and may be required to be pursued in the United States rather than in Quebec; and
 - 6.1.2 the rules applicable to trading on its Facility may be governed by the laws of the United States rather than the laws of Quebec.

7. Supervision of the Applicant

The CFTC shall continue to act as the authority primarily responsible for supervising the Applicant.

8. Documents filed with the CFTC

- 8.1 The Applicant shall promptly file the following information with the AMF, and no later than 10 business days following the filing date with or transmission date to the CFTC of such information, if the Applicant is required to provide to or file such information with the CFTC:



- 8.1.1 details of any material legal proceeding instituted against it;
- 8.1.2 notification that the Applicant has instituted a petition for a judgment of bankruptcy or insolvency or similar relief, or to wind up or liquidate the Applicant or has a proceeding for any such petition instituted against it; and
- 8.1.3 the appointment of a receiver or the making of an arrangement with its creditors.

9. Notice or filing with the AMF

- 9.1 The Applicant shall promptly notify the AMF, and no later than 10 business days following the date on which it was informed, of:
 - 9.1.1 any change to its regulations or laws, to the rules and regulations of the United States applicable to the trading of eligible products on the Facility if that change may materially affect its ability to satisfy the conditions of this decision;
 - 9.1.2 any condition or any change in circumstances whereby the Applicant is unable or anticipates it will not be able to continue to meet any of the relevant rules and regulations of the CFTC;
 - 9.1.3 any known investigations of the Facility, or any disciplinary action against the Applicant by the CFTC or any other regulatory authority to which it is subject;
 - 9.1.4 any matter or issue known to the Facility that may materially and adversely affect its financial or operational viability, including, but not limited to, any declaration of an emergency pursuant to Facility's rules;
 - 9.1.5 any default, insolvency, or bankruptcy of an eligible participant of the Applicant known to the Applicant or its representatives that may have a material adverse impact upon the Applicant, a clearing house or an eligible Quebec Participant; and
 - 9.1.6 any material systems outage, malfunction or delay.
- 9.2 The Applicant shall promptly notify the AMF, and no later than 10 business days following the change date of any material change to its business, its operations or the information provided in the Application, including, but not limited to, the changes made to the regulatory supervision by the CFTC, its governance structure, the access model to the Facility, the eligibility criteria for the eligible Quebec Participants and the systems and technology used for its activities;
- 9.3 The Applicant shall promptly file with the AMF, and no later than 10 business days following the date of publication of the final version, a copy of any report related to its inspection by the CFTC.

10. Quarterly reporting

- 10.1 The Applicant shall maintain the following updated information and submit such information in a manner and form acceptable to the AMF, within 30 days of the end of each calendar quarter, and at any time promptly upon the AMF's request:
 - 10.1.1 an updated list of all eligible Quebec Participants and, to the extent known by the Applicant, the list of clients of the said participant located in Quebec;



- 10.1.2 the legal entity identifier assigned to each eligible Quebec Participant in accordance with the standards set by the Global Legal Entity Identifier System and, to the extent known by the Applicant, the identifier of each of the clients of the said participant located in Quebec;
- 10.1.3 the list of all eligible Quebec Participants that the Applicant has referred to the CFTC in the last quarter, and, to the extent known by the Applicant, the eligible Quebec Participants that have been disciplined by the CFTC or the RSP with respect to activities on the Facility, and the aggregate number of all participants that the Applicant has referred to the CFTC in the last quarter;
- 10.1.4 the list of new investigations, active investigations and investigation files completed during the quarter by the Applicant or the RSP relating to eligible Quebec Participants, and the aggregate number of active investigations during the quarter relating to all the Applicant participants;
- 10.1.5 the list of all entities who applied for status as an eligible Quebec Participant or access to the Facility and who were denied such status or access during the quarter, together with the reasons for each denial;
- 10.1.6 copies of all amendments to the Applicant's Form SEF filed with the CFTC during the quarter, including but not limited to, any amendments to the Applicant's trading rules;
- 10.1.7 the list of all products available for trading on the Facility during the quarter, indicating the additions, deletions or changes since the prior quarter;
- 10.1.8 the total trading volume and value originating from eligible Quebec Participants, and to the extent known by the Applicant, from clients of the said participants located in Quebec, presented on a per eligible Quebec Participant and per client basis, if any, for each product;
- 10.1.9 the proportion of the total trading volume and total value on the Facility conducted by eligible Quebec Participants and, to the extent known by the Applicant, conducted by clients of the said participant located in Quebec relative to the total trading volume and value of all trades, for each eligible Quebec Participant and for each of its clients, if any; and
- 10.1.10 the list outlining each material incident of systems failure, delay, malfunction or security breach that occurred during the quarter for any system relating to trading activity, including trading, routing or data, specifically identifying the date, duration, reason and corrective action taken.

11. Annual reporting

- 11.1 The Applicant shall promptly file with the AMF any annual financial report or annual financial statements (audited or unaudited) provided to or filed with the CFTC.
- 11.2 The Applicant will arrange to have any annual "Service Organization Controls" report prepared by the Applicant filed with the AMF promptly after filing with the CFTC.

12. Information sharing with the AMF

The Applicant shall promptly provide and cause the RSP to provide the AMF with any other information relating to its activities, that may be useful in the performance of the AMF's duties and



exercise of its powers, and that it may request from time to time, and otherwise cooperate with the AMF, subject to any applicable privacy or other laws governing the sharing of information and the protection of personal information.

13. Confidentiality

The Applicant shall keep confidential the information obtained in connection with its activities with its eligible Quebec Participants, the whole, in compliance with the applicable privacy laws.

14. Compliance

The Applicant shall comply with any decision of the AMF regarding its activities in Quebec.

Montreal, ●, 2023.

●

Superintendent, Securities Markets

7.3.2 Publication

Japan Securities Clearing Corporation Demande de dispense

Vu la demande sous examen coordonné reçue par l'Autorité des marchés financiers (l'« Autorité ») de Japan Securities Clearing Corporation (« JSCC ») conformément à l'*Instruction générale 11-203* relative au traitement des demandes de dispense dans plusieurs territoires, pour laquelle l'autorité principale est la Commission des valeurs mobilières de l'Ontario (la « CVMO »), visant à obtenir une dispense de l'application des articles 28 à 35, 37 à 42, 45 et 46 du *Règlement 94-102 sur la compensation des dérivés et la protection des sûretés et des positions des clients*, RLRQ, c. I-14.01, r. 0.001 (le « Règlement 94-102 »), au motif que le déposant est soumis, au Japon, à des dispositions équivalentes (la « dispense souhaitée »);

Vu la demande de dispense qui vise en outre à pouvoir regrouper les positions de clients sur les swaps de taux d'intérêt compensés et sur certains contrats à terme sur les obligations japonaises de 10 ans (« large » ou « e-mini ») et options sur ces contrats à terme afin de permettre de couvrir ou de garantir ces contrats à terme et swaps de taux d'intérêt, et toutes espèces, titres ou biens utilisés pour couvrir ou garantir les swaps de taux d'intérêt compensés et les contrats à terme sur yen japonais (les « CTY »), dans les comptes de participants compensateurs offrant des services à un client local;

Vu les expressions définies dans le *Règlement 14-101 sur les définitions*, RLRQ, c. V-1.1, r. 3 et le Règlement 94-102 applicables à la présente décision lorsqu'elles y sont employées, sauf indication contraire;

Vu les déclarations suivantes du déposant :

1. JSCC, une filiale du Japan Exchange Group, Inc., est une société par actions dont les titres sont inscrits aux fins de négociation à la cote de la bourse de Tokyo et constituée en 2002 sous le régime de la Companies Act (loi sur les sociétés) du Japon, et son siège est situé au 2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo 103-0026 Japon;
2. JSCC est autorisée à fournir des services de compensation de swaps de taux d'intérêt en vertu de la Financial Instruments and Exchange Act (Japan), loi no 25 de 1948 (la « FIEA » ou « Loi relative aux instruments financiers et aux opérations boursières du Japon »). Elle est réglementée et supervisée par l'Agence des services financiers du Japon (l'« ASFJ »), une agence gouvernementale, et est soumise à la surveillance de la Banque du Japon en ce qui concerne ses activités de compensation de swaps de taux. L'ASFJ publie des « Comprehensive Guidelines for Supervision of Financial Market Infrastructures » (lignes directrices exhaustives relativement à la supervision des infrastructures financières) (les « lignes directrices »), qui reprennent en substance les principes énoncés dans le rapport d'avril 2012 publié par le Comité sur les paiements et les infrastructures de marché et l'Organisation internationale des commissions de valeur (l'« OICV ») intitulé « Principes pour les infrastructures des marchés financiers » (« PIMF »). Une évaluation menée par l'OICV sur la mise en œuvre de ces principes au Japon a conclu que les PIMF y étaient mis en œuvre d'une façon complète et cohérente;
3. Conformément aux dispositions contenues dans la FIEA, JSCC doit mener ses activités de compensation de swaps de taux d'intérêt conformément à ses règles commerciales, les IRS Business Rules (les « règles commerciales »), qui sont soumises à l'approbation du Premier ministre du Japon;
4. Les règles commerciales définissent les droits et les obligations relatives aux activités de compensation de swaps de taux d'intérêt, y compris le cadre de gestion des risques, afin d'assurer la stabilité des opérations de compensation de JSCC. La FIEA, ainsi que le règlement

du conseil des ministres japonais sur les transactions sur dérivés de gré à gré, exigent que certains swaps de taux libellés en devise japonaise soient compensés par une chambre de compensation réglementée. En outre, cette loi et ce règlement exigent que certains dérivés de gré à gré soient déclarés (i) à des référentiels centraux agréés au Japon ou (ii) à des référentiels constitués dans une juridiction étrangère et désignés par le Premier ministre;

5. JSCC ne contrevient à aucun égard important à la législation pertinente en vigueur au Japon;
6. L'Autorité européenne des marchés financiers a accordé à JSCC l'autorisation d'agir à titre de contrepartie centrale d'un pays tiers en vertu du *European Market Infrastructure Regulation*. Aux États-Unis, et depuis 2015, JSCC bénéficie d'une dispense d'autorisation de l'inscription à titre de *derivatives clearing organization* en vertu de la *Commodity Exchange Act* en ce qui concerne son activité de compensation de swaps de taux. En Australie, JSCC a été désignée comme une « facilité désignée » (*prescribed facility*) en vertu du *Corporations Amendment (Central Clearing and Single Sided Reporting) Regulation 2015* (règlement relatif à l'amendement des sociétés [compensation centrale et déclaration unilatérale]). À Hong Kong, la JSCC a obtenu de la Securities and Futures Commission l'autorisation de fournir des services de négociation automatisés, ainsi que la désignation en tant que contrepartie centrale. JSCC a obtenu de l'autorité fédérale suisse de surveillance des marchés financiers la reconnaissance en tant que contrepartie centrale étrangère en vertu de la *Loi sur l'infrastructure des marchés financiers*, afin d'offrir des services de compensation de swaps de taux d'intérêt aux entités commerciales. Au Royaume-Uni, JSCC a obtenu une reconnaissance temporaire de la Banque d'Angleterre pour la fourniture de tous ses services de compensation en tant que contrepartie centrale d'un pays tiers en vertu des *Central Counterparties (Amendment, etc., and Transitional Provision) (EU Exit) Regulations 2018*;
7. JSCC s'est vu accorder une dispense temporaire de l'obligation d'être reconnu à titre de chambre de compensation par l'autorité principale le 29 septembre 2023 (la « décision temporaire de dispense de reconnaissance ») et a déposé une autre demande aux fins d'obtenir une décision de dispense subséquente en Ontario;
8. La décision temporaire de dispense de reconnaissance prévoit que les activités du déposant sont limitées aux « services de compensation autorisés » au sens prévu dans cette décision;
9. Ces services de compensation sont offerts aux banques spécifiées à l'annexe 1 de la *Loi sur les Banques*, L.C. 1991, ch. 46, et situées en Ontario pour leurs transactions de swaps sur taux d'intérêt par l'intermédiaire d'un participant du déposant qui n'est pas un résident en Ontario et qui est un intermédiaire compensateur au sens du Règlement 94-102;
10. JSCC utilise les modèles de compensation autorisés dans la décision temporaire de dispense de reconnaissance ou toute décision de dispense de reconnaissance subséquente rendue par la CVMO;
11. JSCC est une chambre de compensation réglementée aux termes du Règlement 94-102;
12. JSCC propose actuellement la compensation pour (a) certains swaps de taux d'intérêt et (b) certains CTY, dans chaque cas, dans les comptes de swaps de taux d'intérêt des clients, conformément à l'article 59 des règles commerciales;
13. JSCC offre ses services de compensation par le biais de l'ouverture d'un compte individuel et distinct au nom de chacun de ses participants relativement à ses positions et sûretés ainsi que pour chaque client du participant; les positions et sûretés de chaque participant étant ainsi distinctes de celles de chaque client;
14. Relativement aux sûretés des clients, le participant doit déposer sans délai la marge reçue du client et les règles commerciales de JSCC lui interdisent la compensation entre comptes de

clients différents, de sorte que cette structure de compte n'introduit pas de risque lié aux autres clients;

15. Le fait d'autoriser les clients locaux à regrouper leurs marges pour les swaps de taux d'intérêt compensés et les CTY dans les comptes de client relatifs aux swaps compensés conformément aux règles commerciales ne rendra pas les clients plus vulnérables aux insuffisances de fonds en cas d'insolvabilité d'un participant de JSCC ou du client, ni ne nuira à leur capacité de transférer leurs positions. Le montant de la marge initiale d'un client qui aurait choisi d'opérer un regroupement de marges est calculé sur la base du portefeuille global de swaps de taux d'intérêt et de CTY dans le compte de swaps;
16. Dans l'hypothèse d'une défaillance d'un participant, celui-ci aurait la possibilité de demander la compensation d'une partie ou de la totalité de sa position en CTY avec sa position en swaps de taux d'intérêt et à calculer la marge requise pour le portefeuille sur la base de la méthodologie de calcul pour ces swaps de taux. De plus, conformément aux règles commerciales et celles correspondantes sur les CTY, les positions dans le compte de CTY seraient automatiquement transférées au compte de swaps de taux d'intérêt et la compensation s'effectuerait dans le compte de swaps de taux d'intérêt du client, les deux produits étant confondus pour les besoins de la compensation;
17. Compte tenu que JSCC collecte la marge reçue par le participant relativement à chaque compte de client individuel dans un compte ségrégué, la probabilité que chaque compte de client soit pleinement couvert lorsqu'un participant et/ou client est en situation de défaut est élevée, et faciliterait le transfert rapide et complet des positions du client vers un ou plusieurs participant(s) et/ou client(s) solvable(s);
18. Dans l'hypothèse où un participant ferait défaut, celui-ci reste responsable du risque de crédit de ses clients;
19. Si la demande de dispense est accordée, les CTY 10 ans (« large » ou « e-mini ») seront admissibles au regroupement dans les comptes de client relatifs aux swaps de taux d'intérêt compensés aux fins de regroupement de marges, ainsi que les autres instruments qui pourraient être admissibles dans l'avenir au regroupement;
20. La dispense souhaitée ferait également en sorte que JSCC n'aurait qu'à être en conformité avec les règles qui lui sont applicables en vertu des dispositions spécifiées dans l'annexe A de la présente décision et qui sont comparables aux articles 28 à 35, 37 à 42, 45 et 46 du Règlement 94-102. Les lignes directrices reprennent la substance des PIMF et l'OICV a conclu dans son rapport d'évaluation que les dispositions au Japon sur les chambres étaient conformes aux PIMF, y compris en ce qui a trait aux pratiques sur les marges;

Vu l'acte d'autorisation de signature de certains actes, documents ou écrits pris en vertu de l'article 24.1 de la *Loi sur l'encadrement du secteur financier*, RLRQ, c. E-6.1 et les pouvoirs délégués conformément à l'article 24 de cette même loi;

Vu l'article 86 de la *Loi sur les instruments dérivés*, RLRQ, c. I-14.01 qui permet à l'Autorité, aux conditions qu'elle détermine, de dispenser un dérivé, une personne, un groupement de personnes, une offre ou une opération de tout ou partie des obligations prévues par cette loi, lorsqu'elle estime que cette dispense ne porte pas atteinte à l'intérêt public;

Vu l'analyse effectuée par la Direction de l'encadrement des activités de compensation et la recommandation de la Direction principale de l'encadrement des activités de marché et des dérivés d'accorder la dispense souhaitée du fait qu'elle ne porte pas atteinte à l'intérêt public.

En conséquence, l'Autorité accorde à JSCC la dispense souhaitée aux conditions suivantes :

- (i) JSCC respecte en tous points la décision temporaire de dispense de reconnaissance, dont l'obligation de respecter le *Règlement 24-102 sur les obligations relatives aux chambres de compensation*, RLRQ, V-1.1, r. 8.01;
- (ii) JSCC devra faire l'objet d'une décision subséquente de dispense de reconnaissance de la CVMO et la respecter en tous points lorsque la décision temporaire de dispense de reconnaissance cessera de produire ses effets;
- (iii) JSCC se conforme aux dispositions en vigueur au Japon indiquées à l'annexe A.

La présente décision prend effet à la date de la décision rendue par l'autorité principale.

Fait le 5 octobre 2023.

Hugo Lacroix
Surintendant des marchés de valeurs

ANNEXE A

Juridiction étrangère	Dispositions applicables	Dispositions du Règlement 94-102 applicables au déposant malgré la conformité de celui-ci avec la législation de la juridiction étrangère
Japon	Règles Commerciales de compensations des swaps de taux d'intérêt de JSCC Agence des services financiers du Japon : lignes directrices exhaustives pour la supervision des infrastructures de marché - chambres de compensation, systèmes de paiement, dépositaires centraux et systèmes de règlement de titres et référentiels centraux de juin 2022, tel que modifié	Article 36 sur la conservation des dossiers Article 43 sur la déclaration des sûretés de client à l'organisme de réglementation Article 44 sur la déclaration des sûretés à l'intermédiaire direct

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