

AEGIS-SEF RULEBOOK

## AEGIS SEF, LLC dba AEGIS Markets – Swap Execution Facility Rulebook

Effective Date: July 19, 2022\*

(\* On July 19, 2022, the CFTC issued its Order of Registration in the matter of the Application of AEGIS SEF, LLC for Registration as a Swap Execution Facility.)

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AEGIS SEF, LLC (“**AEGIS-SEF**”) DBA AEGIS MARKETS, IN ACCORDANCE WITH THE REQUIREMENTS OF PART 37 OF THE REGULATIONS OF THE COMMODITY FUTURES TRADING COMMISSION (“**CFTC**”) APPLICABLE TO ANY SWAP EXECUTION FACILITY (“**SEF**”), HEREBY PROVIDES THIS RULEBOOK (“**AEGIS-SEF RULEBOOK**”), WHICH SETS FORTH THE RULES APPLICABLE TO EACH PARTICIPANT, AUTHORIZED USER, BROKER FIRM, CUSTOMER, OR INDEPENDENT SOFTWARE VENDOR (“**ISV**”) THAT USES THE TRADING PLATFORM OWNED AND OPERATED BY AEGIS-SEF (“**AEGIS-SEF PLATFORM**”).

BY (1) BECOMING A PARTICIPANT AUTHORIZED TO USE THE AEGIS-SEF PLATFORM, (2) ACCESSING THE AEGIS-SEF PLATFORM, (3) ENTERING ANY ORDER OR TRANSACTION INTO THE AEGIS-SEF PLATFORM, OR (4) SUBMITTING ANY CONTACT INFORMATION INTO THE AEGIS-SEF PLATFORM, WHETHER DIRECTLY OR THROUGH AN INTERMEDIARY, AND WITHOUT ANY NEED FOR ANY FURTHER ACTION, UNDERTAKING OR AGREEMENT, A PARTICIPANT, ITS AUTHORIZED USER(S), BROKER FIRMS, CUSTOMERS, AND ANY ISV AGREE:

(I) TO BE BOUND BY, AND COMPLY WITH, THE RULES AND THE OBLIGATIONS IN THIS AEGIS-SEF RULEBOOK, APPLICABLE LAW, AND THE APPLICABLE PARTICIPANT AGREEMENT OR BROKER FIRM AGREEMENT (SEE THE FORMS OF SUCH AGREEMENTS AVAILABLE ON AEGIS-SEF WEBSITE AVAILABLE AT: <https://aegis-hedging.com/swap-execution-facility>), IN EACH CASE TO THE EXTENT APPLICABLE TO SUCH PERSON;

(II) TO BECOME SUBJECT TO THE JURISDICTION OF AEGIS-SEF WITH RESPECT TO ANY AND ALL MATTERS ARISING FROM, RELATED TO, OR IN CONNECTION WITH, THE STATUS, ACTIONS OR OMISSIONS OF SUCH PERSON IN ANY WAY RELATED TO AEGIS-SEF;

(III) TO PERMIT AEGIS-SEF, AND ANY REGULATORY SERVICES PROVIDER AUTHORIZED TO ACT ON BEHALF OF AEGIS-SEF, TO ACCESS ANY AND ALL INFORMATION RELEVANT TO ACTIVITIES RELATED TO THE BUSINESS OF AEGIS-SEF;

(IV) TO ASSIST AEGIS-SEF IN COMPLYING WITH ITS LEGAL AND REGULATORY OBLIGATIONS, COOPERATE WITH AEGIS-SEF AND THE CFTC IN ANY INQUIRY, INVESTIGATION, AUDIT, EXAMINATION OR PROCEEDING; AND

(V) TO AUTHORIZE AEGIS-SEF TO PROVIDE INFORMATION REGARDING SUCH PERSON TO ANY REGULATORY SERVICES PROVIDER, THE CFTC OR ANY SELF-REGULATORY ORGANIZATION, SUCH AS THE NATIONAL FUTURES ASSOCIATION (“**NFA**”).

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## SECTION I. DEFINITIONS

- 1.1 Account Administrator.** Has the meaning set forth in Rule 3.10.1.
- 1.2 AEGIS-CTA or AEGIS CTA, LLC.** AEGIS-CTA is a new wholly-owned subsidiary formed by AEGIS-HS to register as a CTA with the CFTC and become a member of NFA, at which time AEGIS-HS will transfer all its CTA activities to AEGIS-CTA and, at such time, various references herein to “AEGIS-HS acting as a CTA,” should be understood to mean “AEGIS-CTA acting as a CTA.”
- 1.3 AEGIS or AEGIS-HS or AEGIS Hedging Solutions, LLC.** The managing member of AEGIS SEF, LLC. At the time this version of the AEGIS-SEF Rulebook was drafted, AEGIS-HS was itself registered with the CFTC as a CTA; provided, however, that AEGIS-HS has formed a new wholly-owned subsidiary, AEGIS-CTA, which will register as a CTA with the CFTC and become a member of NFA, at which time AEGIS-HS will transfer all its CTA activities to AEGIS-CTA.
- 1.4 AEGIS-SEF or AEGIS SEF, LLC.** A Delaware limited liability company, dba AEGIS Markets, which is registered with the CFTC as a SEF.
- 1.5 AEGIS-SEF Platform.** The swap trading platform operated by AEGIS-SEF, which comprises the following swap transaction execution methods: (i) the Order Book, which is an electronic trading facility operated by AEGIS-SEF to provide Participants, Authorized Users, and Broker Firms with the ability to execute listed SEF Contracts and Bespoke SEF Contracts from the interaction of multiple bids and multiple offers as described in Rule 4.7; (ii) the RFQ Function, which is a request for quote system operated by AEGIS-SEF to permit Participants, Authorized Users and Broker Firms to execute listed SEF Contracts and Bespoke SEF Contracts as described in Rule 4.8; and (iii) the Offline Execution Functionality, which allows Permitted Offline Transactions to be pre-arranged or pre-negotiated away from the AEGIS-SEF Platform and then such swaps may be brought by a Broker Firm to the AEGIS-SEF Platform for execution, as described in Rule 4.8A.
- 1.6 AEGIS-SEF Rulebook.** The then-effective version of this rulebook, as modified and amended from time to time, which sets forth the rules applicable to each Participant, Authorized User, Broker Firm, Customer, or Independent Software Vendor (“**ISV**”) that accesses or uses the AEGIS-SEF Platform.
- 1.7 Affiliate.** A Person who directly or indirectly, controls, is controlled by, or is under common control with another Person.
- 1.8 Appeal Panel.** A panel comprised of a chair and two individuals appointed by the Board to consider appeals under Section VII.
- 1.9 Applicable Law.** With respect to any Person, any statute, law, regulation, rule or ordinance of any governmental or self-regulatory authority applicable to such Person, including the CEA and CFTC Regulations.
- 1.10 As Soon As Technologically Practicable.** As defined in CFTC Regulation §§ 43.2 and 45.1, as soon as possible, taking into consideration the prevalence, implementation, and use of technology by comparable market participants.
- 1.11 Audit Trail.** Has the meaning set forth in Rule 4.15.1.

- 1.12 Authorized User.** A natural person who is either employed by or is an agent of a Participant, a Broker Firm or an ISV and who is authorized by AEGIS-SEF as an Authorized User in accordance with Rule 3.6.
- 1.13 Bespoke SEF Contract.** A “Bespoke SEF Contract” is any Swap, the terms and conditions of which must be an uncleared bilateral swap that is a Permitted Transaction, and each Bespoke SEF Contract must be a subset of one or more of the SEF Contracts listed by AEGIS-SEF from time to time for trading on the Order Book in accordance with Sections V and X of this AEGIS-SEF Rulebook.
- 1.14 BFH Transaction.** A “bona fide hedging transaction or position” as defined in CFTC Regulations Section 150.1, as set forth in Position Limits for Derivatives, Final Rule, 86 Fed. Reg. 3236, at 3463-3464, published January 14, 2021 (“**2021 Position Limits Final Rule**”).
- 1.15 Bids/Offers.** Multiple bids to purchase (“**Bids**”) or offers to sell (“**Offers**”) a SEF Contract.
- 1.16 Block Trade.** As defined in CFTC Regulation §43.2, a publicly reportable swap transaction that (1) Involves a swap that is listed on a swap execution facility or designated contract market; (2) Is executed on a swap execution facility’s trading system or platform that is not an order book as defined in §37.3(a)(3) of this chapter, or occurs away from the swap execution facility’s or designated contract market’s trading system or platform and is executed pursuant to the swap execution facility’s or designated contract market’s rules and procedures; (3) Has a notional or principal amount at or above the appropriate minimum block size applicable to such swap; and (4) Is reported subject to the rules and procedures of the swap execution facility or designated contract market and the rules described in this part, including the appropriate time delay requirements set forth in §43.5. AEGIS-SEF does not allow Block Trades to be executed on its AEGIS-SEF Platform or pursuant to its AEGIS-SEF Rulebook.
- 1.17 Board.** The Board of Directors of AEGIS-SEF.
- 1.18 Broker Firm.** An Introducing Broker or a Commodity Trading Advisor (including AEGIS-CTA or any third-party CTA), and possibly an Interdealer Broker or FCM, each of which has signed the Broker Firm Agreement provided by AEGIS-SEF and is authorized to act as a broker or perform agency functions on the AEGIS-SEF Platform on behalf of one or more Customers. Each Broker Firm is generally in the business of representing CEUs and other ECPs in soliciting indicative Bids/Offers or firm Orders from one or more Financial Counterparties to enter into SEF Contracts in which a CEU/ECP and a Financial Counterparty will be the swap counterparties, and the Broker Firm is not a party to such SEF Contracts. Any CTA or IB, using the AEGIS-SEF Platform as a Broker Firm, would be able to offer its Customers the ability to view and compare indicative Bids/Offers or firm Orders for uncleared bilateral swaps solicited from multiple Financial Counterparties without violating the Commodity Exchange Act (“CEA”) and the CFTC’s Regulations thereunder as interpreted by CFTC Staff Letter No. 21-19. Broker Firms may also, at times, bring Permitted Offline Transactions involving two Customers to AEGIS-SEF for execution using the Offline Execution Functionality under Rule 4.8A.
- 1.19 Broker Firm Agreement.** An agreement (using the form of SEF User Agreement applicable to Broker Firms shown on the AEGIS-SEF website) between AEGIS-SEF and a Broker Firm that must be signed in order for said Broker Firm to have access to the AEGIS-SEF Platform for the submission of Orders and Permitted Offline Transactions, transmission of RFQs, access to information, execution of SEF

Contracts, or entry of information onto the AEGIS-SEF Platform, all on behalf of one or more Participants.

- 1.20 Business Day.** The twenty-four hour day, on all days except Saturdays, Sundays and legal holidays, in the location of the reporting counterparty or registered entity reporting data for the swap.
- 1.21 Business Hours.** The consecutive hours of one or more consecutive Business Days.
- 1.22 CCO or Chief Compliance Officer.** The individual appointed by the President of AEGIS-SEF to serve as AEGIS-SEF's chief compliance officer.
- 1.23 CEA or Commodity Exchange Act.** The Commodity Exchange Act, as it may be amended from time to time, which is found at (7 U.S.C. Section 1, et seq.).
- 1.24 CEU or Commercial End-User.** A Person that is not a "financial entity" as defined in CEA Section 2(h)(7)(C)(i), is capable of using a SEF Contract to hedge or mitigate commercial risk as defined in CFTC Regulation Section 50.50(c), and provides or causes to be provided to a registered Swap Data Repository or, if no registered Swap Data Repository is available, the Commission, the information specified in CFTC Regulation Section 50.50(b), or any successor regulation thereto.
- 1.25 CFTC or Commission.** The Commodity Futures Trading Commission.
- 1.26 CFTC Regulations.** The regulations of the CFTC, as they may be amended from time to time, which are found in Chapter 1 of Title 17 of the Code of Federal Regulations.
- 1.27 N/A.**
- 1.28 Clearing Firm.** Means a clearing member of a DCO that is authorized pursuant to the rules of such DCO to clear transactions in any or all SEF Contracts.
- 1.29 Collateral Data.** As defined in CFTC Regulation 45.1, the data elements necessary to report information about the money, securities, or other property posted or received by a swap counterparty to margin, guarantee, or secure a swap, as specified in appendix 1 to CFTC Regulations Part 45.
- 1.30 Commodity Type.** The category of asset class for a SEF Contract.
- 1.31 Contract Market.** Has the meaning set forth in CFTC Regulation Section 1.3.
- 1.32 Contract Specifications.** The terms and conditions, rules or other trading protocols, for each listed SEF Contract as set forth and made available, from time to time, on the AEGIS-SEF website in accordance with Section X, Contract Specifications of Listed SEF Contracts, of this AEGIS-SEF Rulebook. The process for listing any SEF Contract on the AEGIS-SEF Platform is described in Section V, Contracts to be Traded, of this AEGIS-SEF Rulebook.
- 1.33 Contract Term.** The length of the settlement period for a SEF Contract, including, but not limited to, monthly, weekly and daily SEF Contracts.

- 1.34 Control.** The possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of securities, by contract, or otherwise. The terms “controlling” or “controlled” shall have meanings correlative to the foregoing.
- 1.35 Counterparty.** A Participant or a Participant’s Customer that is a party to a SEF Contract and whose Legal Entity Identifier is reported by AEGIS-SEF to an SDR as a party to a SEF Contract.
- 1.36 CTA or Commodity Trading Advisor.** Has the meaning set forth in CEA Section 1a(12) and CFTC Regulation Section 1.3.
- 1.37 CTI or Customer Type Indicator.** Has the meaning set forth in Rule 4.15.4 and CFTC Regulation Section 1.35(g).
- 1.38 Customer.** A Person for whom a Broker Firm (i) initiates an RFQ, (ii) enters Orders, (iii) enters a Permitted Offline Transaction, and/or (iv) conducts any other Intermediated Transaction.
- 1.39 Customer Account.** An account carried by a Participant or a Customer.
- 1.40 DCO or Derivatives Clearing Organization.** Has the meaning attributed to such term by CEA Section 1a(15).
- 1.41 Designated Participant.** A Designated Participant is a Financial Counterparty (including a Broker Firm acting on behalf of a NPFC) that has been designated by a Requesting Participant (which Requesting Participant is itself a Market Participant or NPECP) to receive an RFQ using the RFQ Function of the AEGIS-SEF Platform.
- 1.42 Director.** An individual serving on the Board.
- 1.43 Disciplinary Proceedings.** Any inquiry, investigation, disciplinary proceeding, summary imposition of fines, summary suspension or other summary action conducted pursuant to Section VII of the Rules.
- 1.44 Disciplinary Offense.** Has the meaning set forth in CFTC Regulation Section 1.63(a)(6).
- 1.45 Disciplinary Panel.** Either or both of a Review Panel and a Hearing Panel, as required by the context. No person may serve on a Disciplinary Panel who meets any of the categories listed in CFTC Regulation Section 1.63(b).
- 1.46 ECP or Eligible Contract Participant.** Has the meaning set forth in CEA Section 1a(18) and CFTC Regulation Section 1.3.
- 1.47 Eligible Affiliate of a CEU.** An Affiliate of a CEU that is eligible for the Hedging Affiliate Exception with respect to a SEF Contract.
- 1.48 Emergency.** The occurrences or circumstances which, in the opinion of the Board or an Officer, require immediate action to be taken in accordance with Rule 4.1.3, in which AEGIS-SEF has the authority to intervene to maintain markets with fair and orderly trading and to prevent or address manipulation or disruptive trading practices with respect to any SEF Contract, including the following:
- (a) any circumstance that may materially affect the performance of a SEF Contract

- (b) any manipulative or attempted manipulative activity;
- (c) any actual, attempted or threatened corner, squeeze, congestion, or undue concentration of positions in a SEF Contract;
- (d) any circumstance that may have a severe, adverse effect upon the functions and facilities of AEGIS-SEF, including, but not limited to, acts of God, fire, flood or other natural disasters, bomb threats, acts of terrorism or war, severely inclement weather, or failure or malfunction of all or a portion of the AEGIS-SEF Platform, or other system breakdowns or interruptions such as power, computer, communication or transportation systems or the internet; or
- (e) any circumstance in which it appears to the Board that any Person is in a financial or operational condition or is conducting business such that the Person cannot be permitted to continue in business without jeopardizing the safety of Participants or the AEGIS-SEF Platform.

**1.49 *Emergency Rules.*** Has the meaning set forth in Rule 4.1.3.

**1.50 *End-User Exception.*** The exception, under CEA Section 2(h)(7)(A), as amended from time to time, to the mandatory clearing requirement for Swaps under CEA Section 2(h)(1)(A).

**1.51 *Error Trade.*** An Error Trade is a swap transaction that is executed as defined in Rule 4.13.2 of this Rulebook.

**1.52 *Execution.*** As defined in CFTC Regulation §§43.2 and 45.1, an agreement by the parties, by any method, to the terms of a swap that legally binds the parties to such swap terms under applicable law.

**1.53 *Execution Date.*** As defined in CFTC Regulation §§43.2 and 45.1, the date of execution of a particular swap.

**1.54 *Execution Specialist.*** An employee of AEGIS-SEF responsible for assisting Participants and Broker Firms (and any of their employees) in entering on the AEGIS-SEF Platform any Permitted Offline Transactions and receiving reports of a Broker Firm's recordkeeping and audit trail requirements.

**1.55 *Expiry.*** A SEF Contract with a specific date of expiration.

**1.56 *FCM or Futures Commission Merchant.*** Has the meaning set forth in CEA Section 1a(28) and CFTC Regulations Section 1.3.

**1.57 *Financial Counterparty.*** A Financial Counterparty is either (i) a Swap Dealer ("**SD**") subject to regulation by the CFTC or a Prudential Regulator, or (ii) any other ECP, but only with respect to swaps in which it is "dealing" (i.e., acting as a swap provider), whose swap dealing activity is not greater than the applicable "de minimis" threshold for registration as a SD under the definition of SD in CFTC Regulations Section 1.3. A Financial Counterparty that is a Participant, whether acting as a Designated Participant or otherwise, is generally willing to take either the "buy" or the "sell" side in most SEF Contracts and, therefore, is in the business of "providing liquidity," when it posts or fills an open Order in the AEGIS-SEF Order Book in accordance with Rule 4.7, or when it responds to an RFQ in the RFQ Function of the AEGIS-SEF Platform in accordance with Rule 4.8. A Financial Counterparty that is not a Participant, is similarly generally willing to take either the "buy" or the "sell" side in most SEF Contracts and, therefore, is in the business of "providing liquidity," when it acts as a NPFC

and pre-arranges or pre-negotiates a Permitted Offline Transaction with a Market Participant or an NPECP acting through a Broker Firm in the Offline Execution Functionality in accordance with Rule 4.8A. A Financial Counterparty, over the course of time, receives a profit for providing liquidity through the capture of the bid to mid-market or the ask to mid-market. The role played by Financial Counterparties is commonly referred to as “market making” across all financial markets.

- 1.58 *Financial Entity.*** As defined in CFTC Regulation §45.1, the meaning set forth in CEA Section 2(h)(7)(C).
- 1.59 *Global Legal Entity Identifier System.*** As defined in CFTC Regulation §45.1, the system established and overseen by the Legal Entity Identifier Regulatory Oversight Committee for the unique identification of legal entities and individuals.
- 1.60 *Governmental Authority.*** Any domestic or foreign government (or political subdivision), governmental or regulatory authority, agency, court, commission or other governmental or regulatory entity (including any Self-Regulatory Organization).
- 1.61 *Hearing Panel.*** Means a Disciplinary Panel that will, pursuant to the procedures set forth in Section VII, adjudicate disciplinary cases following the issuance of a notice of charges authorized by the Review Panel and execute other duties as provided for in Section VII. The members of the Hearing Panel will be appointed in accordance with Rule 7.9.
- 1.62 *Hedging-Affiliate Exception.*** The exception, under CEA Section 2(h)(7)(D), as amended from time to time, to the mandatory clearing requirement for Swaps under CEA Section 2(h)(1)(A).
- 1.63 *Hedging Contract.*** A SEF Contract that is a Permitted Transaction in which both Counterparties thereto have entered into an already existing ISDA Master Agreement (or similar agreement governing such Permitted Transaction), along with any accompanying Schedule, Credit Support Annex, and any other applicable annex, both Counterparties thereto are Participants and at least one Counterparty thereto is a Participant that is also: (i) a Commercial End-User that is eligible for the End-User Exception with respect to such SEF Contract, (ii) an Eligible Affiliate of a CEU that is eligible for the Hedging-Affiliate Exception with respect to such SEF Contract, or (iii) a Financial Counterparty that is a Pass-Through Swap Counterparty for whom such SEF Contract is a Pass-Through Swap Offset; provided, further, that if the commodity underlying any such SEF Contract is, or becomes, subject to the trade execution requirement in CEA Section 2(h)(8) as a result of a “made available to trade” or other comparable determination, then such Market Participant shall be required to be both eligible for and have elected, as applicable, the End-User Exception or the Hedging-Affiliate Exception.
- 1.64 *IB or Introducing Broker.*** Has the meaning set forth in CEA Section 1a(23) and CFTC Regulation Section 1.3.
- 1.65 *Insolvency and Insolvent.*** The occurrence of any of the following events with respect to a Person:
- (a) the Person is determined to be insolvent by a Governmental Authority or Self-Regulatory Organization;

- (b) if the Person is a member of the Securities Investor Protection Corporation, a court of competent jurisdiction finds that the Person meets any one of the conditions set forth in clauses (A), (B), (C) or (D) of Section 5(b)(1) of the Securities Investor Protection Act of 1970;
- (c) in the event of the entry or the making of a decree or order by a court, Governmental Authority or other supervisory authority of competent jurisdiction: (a) adjudging the Person as bankrupt or insolvent, (b) approving as properly filed a petition seeking reorganization, arrangement, liquidation, dissolution, adjustment or composition of or in respect of the Person under the Bankruptcy Code or any other applicable federal, state or other U.S. or non-U.S. law, including any bankruptcy, insolvency, reorganization, liquidation, dissolution or similar law, (c) appointing a receiver, custodian, liquidator, provisional liquidator, administrator, provisional administrator, assignee, trustee, sequestrator or other similar official for the Person or for any substantial part of its property, ordering the winding up or liquidation of the Person's affairs, (e) consenting to the institution by the Person of proceedings to be adjudicated as bankrupt or insolvent;
- (d) the filing by the Person of a petition, or any case or proceeding, seeking reorganization or relief under the Bankruptcy Code or any other applicable federal, state or other U.S. or non-U.S. law, including any bankruptcy, insolvency, reorganization, liquidation, dissolution or similar law, or the consent by the Person to the filing of any such petition, case or proceeding or to the appointment of a receiver, custodian, liquidator, provisional liquidator, administrator, provisional administrator, assignee, trustee, sequestrator or other similar official for the Person or for any substantial part of its property, or the making by the Person of an assignment for the benefit of its creditors, or the admission by the Person in writing of its inability to pay its debts generally as they become due, or the taking of corporate or similar action by the Person in furtherance of the foregoing.

**1.66** *Intermediary.* Means any Introducing Broker or Commodity Trading Adviser registered with the Commission.

**1.67** *Intermediated Transaction.* Means any transaction on the AEGIS-SEF Platform conducted through an Intermediary.

**1.68** *ISO or Independent Systems Operator.* The organization that manages the power grid and sets the pricing against which SEF Contracts in power markets settle. As used in these Rules, the term ISO also applies to regional transmission organizations ("**RTOS**"), such as PJM Interconnection, and state reliability councils, such as the Electric Reliability Council of Texas ("**ERCOT**").

**1.69** *ISV or Independent Software Vendor.* A Person that makes available to Participants 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 the ability to effect transactions on such system or platform.

**1.70** *ISV Agreement.* Means an agreement entered into between AEGIS-SEF and an ISV (using the form of SEF User Agreement applicable to ISVs shown on the AEGIS-SEF website), setting forth the rights and obligations of ISVs seeking access to the AEGIS-SEF Platform.

**1.71** *Large Notional Off-Facility Swap.* As defined in CFTC Regulation §43.2, an off-facility swap that has a notional or principal amount at or above the appropriate minimum block size applicable to such publicly reportable swap transaction and is not a block trade as defined in §43.2.

- 1.72 Last Trading Day.** The last day an Expiry may be traded as set forth in the Contract Specifications.
- 1.73 LEI or Legal Entity Identifier.** As defined in CFTC Regulation §45.1, a unique code assigned to swap counterparties and entities in accordance with the standards set by the Global Legal Entity Identifier System.
- 1.74 Legal Entity Identifier Regulatory Oversight Committee.** As defined in CFTC Regulation §45.1, the group charged with the oversight of the Global Legal Entity Identifier System that was established by the Finance Ministers and the Central Bank Governors of the Group of Twenty nations and the Financial Stability Board, under the Charter of the Regulatory Oversight Committee for the Global Legal Entity Identifier System dated November 5, 2012, or any successor thereof.
- 1.75 Limit Order.** Has the meaning given to it in Rule 4.7.8(a).
- 1.76 Liquidity Provider.** A Participant that has entered into a Liquidity Provider Agreement, which provides Participant with certain incentives as a liquidity provider.
- 1.77 Market Participant.** A Market Participant is a type of Participant that includes: (i) a CEU or an Eligible Affiliate of a CEU, which buys or sells a SEF Contract for the sole purpose of hedging its exposure to commercial risk, or (ii) a CEU, an Eligible Affiliate of a CEU, a commodity pool, an equity fund, or any other ECP that buys or sells a SEF Contract as an investment or for speculative purposes. Each Market Participant must be an Eligible Contract Participant (ECP) as defined in Section 1a(18) of the CEA. The term “Market Participant” shall not include any Financial Counterparty; provided, however, that a Person that acts as a Financial Counterparty may also sign a second Participant Agreement, with a separate User ID, which the Person may use when and if such Person is eligible to, and elects to, enter into a SEF Contract as a Market Participant, in accordance with Rule 3.3.11. The term “Market Participant” shall not include any Broker Firm (e.g., any CTA or IB) acting on behalf of its Customer(s); provided, however, that a Person that acts as a Broker Firm may also sign a Participant Agreement, with a separate User ID, which the Person may use when and if such Person is eligible to, and elects to, enter into a SEF Contract as Market Participant in accordance with Rule 3.15.5. A Market Participant is a “price taker” and is sometimes referred to as an “aggressor” on the AEGIS-SEF Platform, as such traders remove liquidity from the market by entering orders that are immediately executed – hence “aggressor,” because the “aggressor” purchases SEF Contracts at the current at-market price for Offers or Bids, either by transacting on firm Bids and Offers for SEF Contracts at the then-applicable at-market price in the AEGIS-SEF Order Book in accordance with Rule 4.7, and/or initiating requests for quotes for SEF Contracts using the RFQ Function of the AEGIS-SEF Platform in accordance with Rule 4.8.
- 1.78 Market Regulation Department.** AEGIS staff responsible for functions including market operations, trade surveillance and compliance.
- 1.79 Nominating Committee.** The committee of the Board constituted in accordance with Rule 2.4.2.
- 1.80 NPECP or Non-Participating Eligible Contract Participant.** Any Person that is an Eligible Contract Participant, but which is NOT a Participant on AEGIS-SEF, and which enters into an agreement with a Broker Firm that satisfies the requirements of Rule 4.8A.6. Such a Broker Firm may then, acting as such NPECP’s agent, cause a pre-arranged or pre-negotiated SEF Contract between (i) such NPECP and (ii) an NPFC, another NPECP, or a Participant to be executed as a Permitted Offline Transaction using the Offline Execution Functionality of the AEGIS-SEF Platform in accordance with Rule 4.8A.



- 1.81 NPFC or Non-Participating Financial Counterparty.** A Financial Counterparty that is an NPECP, but which is NOT a Participant on AEGIS-SEF and for whom a Broker Firm, as agent, can execute SEF Contracts on its behalf subject to the prior approval of NPFC.
- 1.82 Off-Facility Swap.** As defined in CFTC Regulation §43.2, any swap transaction that is not executed on or pursuant to the rules of a swap execution facility or designated contract market.
- 1.83 Officer.** Has the meaning given to it in Rule 2.2.1.
- 1.84 Offline Execution Functionality.** The Offline Execution Functionality is one of the three forms of swap execution functionality available on the AEGIS-SEF Platform for executing all SEF Contracts, including any Bespoke SEF Contract. As described in Rule 4.8A, Offline Execution Functionality means the functionality provided within the AEGIS-SEF Platform for the execution of Permitted Offline Transactions that have been pre-negotiated or pre-arranged away from the AEGIS-SEF Platform and brought to the AEGIS-SEF Platform by a Broker Firm for execution using the Offline Execution Functionality.
- 1.85 Operating Agreement.** The Limited Liability Company Agreement of AEGIS-SEF, or, where explicitly referenced, the Limited Liability Company Agreement of AEGIS Hedging Solutions, LLC, as the managing member of AEGIS-SEF, as such Limited Liability Company Agreement may be amended or restated from time to time.
- 1.86 Order.** Either a bid to purchase (“**Bid**”) or an offer to sell (“**Offer**”) a Swap that is a SEF Contract; provided, that such Order is submitted on the AEGIS-SEF Platform for execution in compliance with the AEGIS-SEF Rulebook using either the Order Book or the RFQ Function.
- 1.87 Order Book.** The Order Book is one of the three forms of swap execution functionality available on the AEGIS-SEF Platform for executing all SEF Contracts, including any Bespoke SEF Contract. As described in Rule 4.7, the Order Book is a trading system or platform in which all Participants on the AEGIS-SEF Platform have the ability to: (i) enter multiple bids to purchase and offers to sell such SEF Contracts, (ii) observe bids to purchase and offers to sell such SEF Contracts entered by other Participants, (iii) transact on (i.e., accept or fill) bids to purchase and offers to sell such SEF Contracts, and (iv) observe the price, quantity, product and delivery date of all such SEF Contracts that are executed from time to time using either the Order Book or the RFQ Function of the AEGIS-SEF Platform.
- 1.88 Package Transaction.** A “Package Transaction” means a transaction involving two or more instruments: (i) that is executed between two or more parties that are Participants; (ii) that is priced or quoted as one economic transaction with simultaneous or near simultaneous execution of all components; (iii) that has at least one component that is a swap that is a Required Transaction; and (iv) where the execution of each component is contingent upon the execution of all other components. AEGIS-SEF does not allow Package Transactions to be executed on its AEGIS-SEF Platform or pursuant to its AEGIS-SEF Rulebook.
- 1.89 Participant.** A Person that (i) is (a) a Financial Counterparty or (b) a Market Participant; (ii) has signed a Participant Agreement; and (iii) is authorized pursuant to Rule 3.3 to enter into a SEF Contract for its own account using the AEGIS-SEF Platform.

- 1.90 Participant Agreement.** An agreement between AEGIS-SEF and a Participant that must be signed in order for a Participant that is a Financial Counterparty or a Market Participant to have access to the Order Book or the RFQ Function of the AEGIS-SEF Platform for the execution or entry of SEF Contracts (using the form of SEF User Agreement applicable to Participants shown on the AEGIS-SEF website). Execution of a Participant Agreement is not required for any Person that is an ECP to execute any SEF Contract using the Offline Execution Functionality of the AEGIS-SEF Platform.
- 1.91 Pass-Through Swap.** As set forth in Paragraph (2)(i)(A) of the definition of a BFH Transaction in CFTC Regulations Section 150.1, a “pass-through swap” is “a swap position entered into by one person for which the swap would qualify as a bona fide hedging transaction or position pursuant to paragraph (1) of this definition (the bona fide hedging swap counterparty) that is opposite another person (the pass-through swap counterparty).”
- 1.92 Pass-Through Swap Counterparty.** As set forth in Paragraphs (2)(i)(A) and (B) of the definition of a BFH Transaction in CFTC Regulations Section 150.1, a “pass-through swap counterparty” (i) is a party to a Pass-Through Swap, (ii) “is opposite to” a “person for which the [Pass-Through S]wap would qualify as a bona fide hedging transaction or position pursuant to paragraph (1) of th[e] definition [of BFH Transaction],” and (iii) seeks to enter into a Pass-Through Swap Offset that “reduces the [Pass-Through Swap Counterparty’s] price risks attendant to [such Pass-Through Swap].”
- 1.93 Pass-Through Swap Offset.** As set forth in Paragraph (2)(i)(B) of the definition of a BFH Transaction in CFTC Regulations Section 150.1, a “pass-through swap offset” “(1) is a futures contract position, option on a futures contract position, or swap position entered into by the [P]ass-[T]hrough [S]wap [C]ounterparty; and (2) reduces the [P]ass-[T]hrough [S]wap [C]ounterparty’s price risks attendant to the [P]ass-[T]hrough [S]wap.” As explained in Paragraph (2)(i) of the definition of BFH Transaction, for a Pass-Through Swap Offset to be eligible for classification as a BFH Transaction, such Pass-Through Swap Offset must be paired with a Pass-Through Swap.
- 1.94 Permitted Transaction.** Any transaction [involving a swap, but] not involving a swap that is subject to the trade execution requirement in Section 2(h)(8) of the Act [i.e., the CEA].
- 1.95 Permitted Offline Transaction.** A Permitted Transaction submitted to AEGIS-SEF for execution using the Offline Execution Functionality under Rule 4.8A following some form of pre-arrangement or pre-negotiation between or among eligible parties that takes place away from the AEGIS-SEF Platform.
- 1.96 Person.** Has the meaning set forth in CEA Section 1a(38) and in the CFTC Regulation Section 1.3.
- 1.97 Position Limit.** Means the maximum position, either net long or net short, in one SEF Contract or a combination of various SEF Contracts that may be held or controlled by one person, or subject to aggregation with such person's position, as prescribed by AEGIS-SEF and/or the CFTC.
- 1.98 Position Transfer.** A SEF Contract that is executed by AEGIS-SEF personnel for administrative purposes outlined in Rule 4.12.
- 1.99 Posting Participant.** A Participant that submits an Order for a SEF Contract (i.e., a bid to purchase or an offer to sell such SEF Contract) into the Order Book on the AEGIS-SEF Platform as a firm offer to enter into such SEF Contract with other Participants that are eligible to, and which elect to, accept (i.e., fill) that Order using the Order Book function of the AEGIS-SEF Platform, as described in Rule 4.7.

- 1.100 *President.*** The individual appointed to serve as AEGIS-SEF's President.
- 1.101 *Proprietary Account.*** Has the meaning set forth in CFTC Regulation Section 1.3.
- 1.102 *Proprietary Information.*** Has the meaning set forth in Rule 9.2.1.
- 1.103 *Public Dissemination and Publicly Disseminate.*** As defined in CFTC Regulation §43.2, to make freely available and readily accessible to the public, Swap Transaction and Pricing Data for a Publicly Reportable Swap Transaction in a non-discriminatory manner, through the internet or other electronic data feed that is widely published. Such public dissemination shall be made in a consistent, usable, and machine-readable electronic format that allows the data to be downloaded, saved, and analyzed.
- 1.104 *Publicly Reportable Swap Transaction.*** As defined in CFTC Regulation §43.2, (1) Unless otherwise provided in this part—
- (i) Any executed swap that is an arm's-length transaction between two parties that results in a corresponding change in the market risk position between the two parties; or
  - (ii) Any termination, assignment, novation, exchange, transfer, amendment, conveyance, or extinguishing of rights or obligations of a swap that changes the pricing of the swap.
- (2) Examples of executed swaps that do not fall within the definition of publicly reportable swap may include:
- (i) Internal swaps between one-hundred percent owned subsidiaries of the same parent entity;
  - (ii) Portfolio compression exercises; and
  - (iii) Swaps entered into by a derivatives clearing organization as part of managing the default of a clearing member.
- (3) These examples represent swaps that are not at arm's length and thus are not publicly reportable swap transactions, notwithstanding that they do result in a corresponding change in the market risk position between two parties.
- 1.105 *Regulatory Services Agreement.*** The agreement(s), if any, between AEGIS-SEF and any Regulatory Service Provider(s) whereby certain functions mandated under the CEA, such as market monitoring and trade practice surveillance, are delegated to one or more Regulatory Services Provider(s).
- 1.106 *Regulatory Services Provider.*** The National Futures Association (“**NFA**”) or such other organizations, if any, that provide regulatory services to AEGIS-SEF, together with any such organization's employees and agents.
- 1.107 *Reporting Counterparty.*** For purposes of Part 43, as defined in CFTC Regulation §43.2, the party to a swap with the duty to report a Publicly Reportable Swap Transaction in accordance with Part 43

and section 2(a)(13)(F) of the CEA; and for purposes of Part 45, as defined in CFTC Regulation §45.1, the counterparty required to report swap data pursuant to Part 45, selected as provided in §45.8.

- 1.108 *Request for Quote Function or RFQ Function.*** The RFQ Function is one of the three forms of swap execution functionality available on the AEGIS-SEF Platform for executing all SEF Contracts, including any Bespoke SEF Contract. As described in Rule 4.8, the RFQ Function allows a Requesting Participant to submit an RFQ seeking an indicative quote or a firm Order from one or more Designated Participants for a Bid to purchase or an Offer to sell such SEF Contract; provided, however, that only the Designated Participant(s) chosen by the Requesting Participant in its RFQ will be allowed to: (i) observe the terms of the SEF Contract requested in such RFQ, or (ii) submit an indicative Bid/Offer or a firm Order in response to such RFQ; and provided, further, that the Requesting Participant shall be informed by AEGIS-SEF of any relevant open Order resting at that time in the Order Book on the AEGIS-SEF Platform that may be responsive to such RFQ, all as more fully described in Rule 4.8. As also described in Rule 4.8, all Participants on the AEGIS-SEF Platform have the ability to observe the price, quantity, product and delivery date(s) of all SEF Contracts that are executed from time to time using either the Order Book or the RFQ Function of the AEGIS-SEF Platform.
- 1.109 *Requesting Participant.*** A Market Participant, or a Broker Firm on behalf of a NPECP, that submits an RFQ using the RFQ Function of the AEGIS-SEF Platform seeking an indicative quote or a firm Order from one or more Designated Participants for a Bid to purchase or an Offer to sell a SEF Contract, subject to the provisions of Rule 4.8.
- 1.110 *Required Swap Continuation Data.*** As defined in CFTC Regulation §45.1, all of the data elements that must be reported during the existence of a swap to ensure that all swap data concerning the swap in the Swap Data Repository remains current and accurate, and includes all changes to the Required Swap Creation Data occurring during the existence of the swap. For this purpose, Required Swap Continuation Data includes:
- (i) All life-cycle-event data for the swap; and
  - (ii) All swap valuation, margin, and collateral data for the swap.
- 1.111 *Required Swap Creation Data.*** As defined in CFTC Regulation §45.1, all data for a swap required to be reported pursuant to CFTC Regulations Section 45.3 for the swap data elements in appendix 1 to CFTC Regulations Part 45.
- 1.112 *Required Transaction.*** Any transaction involving a Swap that is subject to the trade execution requirement in CEA Section 2(h)(8).
- 1.113 *Respondent.*** A Participant, Authorized User, Broker Firm, or Customer under investigation for alleged Rule violation(s) or against which charges have been filed.
- 1.114 *Review Panel.*** Means a Disciplinary Panel that will, pursuant to the procedures set forth in Section VII, review investigation reports submitted to it by the Market Regulation Department to determine (a) whether a reasonable basis exists to believe that a violation of a Rule of AEGIS-SEF has occurred and (b) whether commencing Disciplinary Proceedings in respect of such potential violation is warranted. The members of the Review Panel will be appointed in accordance with Rule 7.4.

- 1.115 RFQ.** A request for an indicative quote on a Bid to purchase or an Offer to sell a SEF Contract, which RFQ is submitted using the RFQ Function of the AEGIS-SEF Platform under Rule 4.8.
- 1.116 Risk-Based Limits.** Means the risk-based limits established by a Clearing Firm in accordance with CFTC Regulation 1.73.
- 1.117 Rules.** Any rule, interpretation, stated policy, or instrument corresponding to any of the foregoing, including the provisions of this AEGIS-SEF Rulebook, in each case as adopted from time to time by AEGIS-SEF.
- 1.118 SD or Swap Dealer.** Has the meaning given to it in CEA Section 1a(49) and CFTC Regulation Section 1.3.
- 1.119 SEF or Swap Execution Facility.** Has the meaning given to it in CEA Section 1a(50) and CFTC Regulation Section 1.3 and that is registered with the Commission pursuant to CEA Section 5h and CFTC Regulations Part 37.
- 1.120 SEF Activity.** “SEF Activity” means business for which a Participant, Authorized User, Broker Firm, or Customer is subject to the AEGIS-SEF Rulebook or which is purportedly conducted subject to the AEGIS-SEF Rulebook, including but not limited to the Execution of any SEF Contract on the AEGIS-SEF Platform.
- 1.121 SEF Contract.** A “SEF Contract” is any Swap listed for trading on the AEGIS-SEF Platform or any Bespoke SEF Contract. All SEF Contracts may be executed using one of the three forms of swap execution functionality available on the AEGIS-SEF Platform, namely the RFQ Function under Rule 4.8, the Order Book under Rule 4.7, or the Offline Execution Functionality under Rule 4.8A.
- 1.122 SEF Official.** Any Officer or employee of AEGIS-SEF and any member of the Board, a committee established by the Board, a Disciplinary Panel or Appeal Panel.
- 1.123 SEF Participant Committee.** The committee of the Board constituted in accordance with Rule 2.4.3.
- 1.124 SEF Requirements.** The Rules; other requirements implemented by AEGIS-SEF pursuant to the Rules; each term of a SEF Contract; and the participant documentation and other contractual obligations between a Participant (including its Authorized Users) or Broker Firm (including AEGIS-CTA acting as a CTA and any third party that is a CTA) or Customers or ISV and AEGIS-SEF.
- 1.125 SEF User Agreement.** A “SEF User Agreement” is the form of contract to be entered into with AEGIS-SEF by each Person seeking access to the AEGIS-SEF Platform applicable to such Person’s classification, specifically: (i) any ECP that is a Financial Counterparty will execute the AEGIS-SEF Platform - Participant Agreement for Market Participants and Financial Counterparties, and will elect the designation of “Financial Counterparty” on page one of that agreement; (ii) any ECP that is a Market Participant will execute the AEGIS-SEF Platform - Participant Agreement for Market Participants and Financial Counterparties, and will elect the designation of “Market Participant” on page one of that agreement; (iii) any ECP that is a Market Participant, and that also purchases CTA services from AEGIS-HS pursuant to an AEGIS Hedging Solution, LLC Engagement Letter, may elect to execute the Addendum to AEGIS Hedging Solutions, LLC Engagement Letter, in lieu of executing the agreement under clause (ii) immediately above; (iv) any Person that is a Broker Firm, acting on behalf of its Customers (which Customers must also be ECPs), will execute the AEGIS-SEF Platform -

Participant Agreement for Broker Firms; and (v) any Person that is an ISV will execute the AEGIS-SEF Platform – Independent Software Vendor Agreement.

- 1.126 Self-Regulatory Organization.** Has the meaning set forth in CFTC Regulations Section 1.3 and includes any Swap Execution Facility, Contract Market, and registered futures association, such as the NFA.
- 1.127 Settlement Price.** The price for each SEF Contract based on relevant settlement prices from reference sources for SEF Contracts; provided, that, for SEF Contracts actively traded on the AEGIS-SEF Order Book, the Settlement Price shall be the settlement price for the most recently filled Order (i.e., the most recently executed SEF Contract shown on the Order Book) for such SEF Contract at the end of each trading day.
- 1.128 Supervised Persons.** Any directors, officers, employees or agents of any Participant, including but not limited to Authorized Users.
- 1.129 Swap or swap.** Has the meaning given to it in CEA Section 1a(47) and CFTC Regulations Section 1.3, as well as any foreign exchange forward, as defined by CEA Section 1a(24) or foreign exchange swap, as defined by CEA Section 1a(25).
- 1.130 Swap Data.** As defined in CFTC Regulation §45.1, the specific data elements in appendix 1 to CFTC Regulation Part 45 required to be reported to a Swap Data Repository pursuant to CFTC Regulation Part 45 or made available to the Commission pursuant to CFTC Regulation Part 49, as applicable.
- 1.131 Swap Data Repository or SDR.** As defined in CFTC Regulation §1.3, any person that collects and maintains information or records with respect to transactions or positions in, or the terms and conditions of, swaps entered into by third parties for the purpose of providing a centralized recordkeeping facility for swaps.
- 1.132 Swap Data Validation Procedures.** As defined in CFTC Regulation §45.1, procedures established by a Swap Data Repository pursuant to CFTC Regulation §49.10 to accept, validate, and process swap data reported to the SDR pursuant to CFTC Regulation Part 45.
- 1.133 Swap Transaction and Pricing Data.** As defined in CFTC Regulation §43.2, all data elements for a swap in appendix A to CFTC Regulations Part 43 that are required to be reported or publicly disseminated pursuant to CFTC Regulations Part 43.
- 1.134 Terms Incorporated by Reference.** As defined in Rule 4.10.2, “*Terms Incorporated by Reference*” means the documents and agreements between the counterparties to a SEF Contract (including, without limitation, mutual credit risk mitigation agreements (including ISDA Master Agreements, the ISDA Schedules, ISDA Credit Support Annexes, ISDA Protocols, and any other ISDA Annexes thereto), other master agreements, terms supplements, master confirmation agreements, master netting agreements, and incorporated industry definitions) governing such SEF Contract existing at the time of execution of such SEF Contract.
- 1.135 Terms of Regulatory Oversight Committee Review.** The periodic and ongoing review by the Regulatory Oversight Committee and the President of the regulatory compliance requirements of AEGIS-SEF pursuant to the CEA and the CFTC Regulations thereunder, and the performance by the CCO of its obligations with respect to such regulatory compliance, pursuant to Rule 2.12 of this

Rulebook and the Regulatory Oversight Committee Charter set forth in Exhibit A hereto, as may be amended or modified from time to time by the Board.

- 1.136 Trade Risk Limit.** A risk-based limit established for a Participant.
- 1.137 Trade Communication.** As defined in Rule 4.10.2, “Trade Communication” means the written communication containing the economic terms specific to a SEF Contract provided by AEGIS-SEF to the Participant(s) and/or Authorized User(s) who executed such SEF Contract on the AEGIS-SEF Platform.
- 1.138 Trading Privileges.** The right granted to a Participant, Customer, or a designated Broker Firm acting on behalf of a Customer, to: (i) post an open Order or accept (i.e., fill) an open Order for a SEF Contract using the Order Book under Rule 4.7 (but not including any NPECs), (ii) submit an RFQ for a SEF Contract, submit indicative Bids/Offers, or a firm Order, in response to an RFQ for a SEF Contract, or accept Bids/Offers or firm Orders (i.e., execute) for a SEF Contract using the RFQ Function under Rule 4.8, or (iii) submit a Permitted Offline Transaction to an Execution Specialist using the Offline Execution Functionality under Rule 4.8A.
- 1.139 Trading Hours.** For any Business Day, the hours specified on the trading calendar on the AEGIS-SEF website.
- 1.140 Unique Transaction Identifier.** As defined in CFTC Regulation §45.1, a unique alphanumeric identifier with a maximum length of 52 characters constructed solely from the upper-case alphabetic characters A to Z or the digits 0 to 9, inclusive in both cases, generated for each swap pursuant to CFTC Regulations §45.5.
- 1.141 User ID.** The unique identifier that enables AEGIS-SEF to identify the Person: (i) entering or accepting an Order using the Order Book which must be included on each Order, (ii) submitting or responding to an RFQ using the RFQ Function which must be included on each RFQ and each response thereto, and (iii) submitting a Permitted Offline Transaction using the Offline Execution functionality which must be included on each Permitted Offline Transaction that is submitted to an Execution Specialist for execution.
- 1.142 Valuation Data.** As defined in CFTC Regulation 45.1, the data elements necessary to report information about the daily mark of the transaction, pursuant to CEA section 4s(h)(3)(B)(iii), and to CFTC Regulations §23.431, if applicable, as specified in appendix 1 to CFTC Regulations Part 45.

**Rules of Construction.** The following rules of construction shall apply to this AEGIS-SEF Rulebook:

- (a) the headings are for convenience only and do not affect the meaning of the Rules;
- (b) all references to time are to local time in Houston, Texas except where expressly provided otherwise;
- (c) words denoting a singular number include the plural number where the context permits and vice versa;
- (d) where the context permits or requires, any pronoun shall include the corresponding masculine, feminine and neuter forms; and

- (e) references to statutory provisions include those provisions as amended, and any rules or regulations promulgated thereunder.

## **SECTION II. GOVERNANCE & OWNERSHIP**

### **2.1 *Composition of the Board; Board Powers.***

- 2.1.1 AEGIS Hedging Solutions, LLC, as the managing member of AEGIS-SEF, has caused AEGIS-SEF to form its own board of directors for AEGIS-SEF, which will have authority to manage the day-to-day business operations of AEGIS-SEF in accordance with the Operating Agreement of AEGIS-SEF. All references herein to the Board shall refer to the Board of Directors of AEGIS-SEF and all references herein to the Operating Agreement shall refer to the Operating Agreement of AEGIS-SEF.
- 2.1.2 The Board has the power to call for review, and to affirm, modify, suspend or overrule, any and all decisions and actions of standing committees or special committees of the Board or any panel of the Officers related to the day-to-day business operations of AEGIS-SEF; provided, however, that the Board shall not have the authority to overrule any decision by the ROC with respect to the ROC's responsibilities set forth herein.
- 2.1.3 The Board may act only by the decision of an absolute majority in number of the Directors by vote at a meeting, by unanimous written consent without a meeting, or as otherwise set forth in the Operating Agreement.
- 2.1.4 Each Director shall be appointed in accordance with the Operating Agreement and shall serve until his or her successor is duly appointed, or until his or her earlier resignation or removal, with or without cause. Additionally, in accordance with CFTC Regulation Section 1.64(b), twenty (20) percent or more of the regular voting members of the Board shall be persons who: (i) are knowledgeable of futures trading or financial regulation or are otherwise capable of contributing to governing board deliberations; (ii) are not Participants on the AEGIS-SEF Platform, (iii) are not currently salaried employees of AEGIS-SEF; (iv) are not primarily performing services for AEGIS-SEF in a capacity other than as a member of the AEGIS-SEF Board; and (v) are not officers, principals or employees of a firm which is a Participant on the AEGIS-SEF Platform either in its own name or through an employee on behalf of the firm. No person may serve on the Board who meets any of the categories listed in CFTC Regulation Section 1.63(b).
- 2.1.5 Each Director is entitled to indemnification pursuant to the Operating Agreement with respect to matters relating to AEGIS-SEF.
- 2.1.6 The Board shall have procedures, as may be further set forth in policies that AEGIS-SEF may adopt, to remove a member from the Board where the conduct of such member is likely to be prejudicial to the sound and prudent management of AEGIS-SEF.
- 2.1.7 The Board shall review its performance and that of its individual members annually and shall consider periodically using external facilitators for such review.



- 2.1.8 Public Members of the Board of AEGIS-SEF. As described herein, AEGIS-HS, and consequently AEGIS-SEF, is not a publicly-traded company and, consequently, all the voting members of the board of directors that have been elected by shareholders of AEGIS-HS are holders of material ownership interests in AEGIS-HS, and in turn its wholly-owned subsidiary, AEGIS-SEF.

However, in recognition of the self-regulatory functions to be performed by AEGIS-SEF as described heretofore in this AEGIS-SEF Rulebook, the Board of AEGIS-HS, as the managing member of AEGIS-SEF, has approved a resolution authorizing two voting members of the five voting members of AEGIS-SEF's Board of Directors to be "Public Directors" as the term "Public Director" is defined in Appendix B to Part 38 of the CFTC's Regulations applicable to Contract Markets (with all references therein to "contract market" converted to "SEF"). Accordingly, as the term "material relationship" is defined in Appendix B to Part 38 of the CFTC's Regulations applicable to Contract Markets, no Public Director of AEGIS-SEF shall have any "material relationship" with AEGIS-SEF, AEGIS-CTA or AEGIS-HS.

Any Public Director of AEGIS-SEF shall be nominated and authorized, and may be removed, in accordance with the provisions of the Limited Liability Company Agreement (the "**Operating Agreement**") of AEGIS-SEF applicable to the nomination, authorization and removal, in general, of members of the Board of Directors of AEGIS-SEF; provided, however, that upon removal of any such voting member of the AEGIS-SEF Board that is a Public Director, such voting member of the AEGIS-SEF Board must be replaced by another Public Director.

The applicable definition of "Public Director" is provided under Core Principle 16 of section 5(d) of the Act, CONFLICTS OF INTEREST, in Appendix B to Part 38 of the CFTC's Regulations applicable to Contract Markets (provided, that each reference therein to "contract market" is replaced with the term "SEF"):

"(2) Public director

(i) To qualify as a public director of a contract market, an individual must first be found, by the board of directors, on the record, to have no material relationship with the contract market. A "material relationship" is one that reasonably could affect the independent Judgment or decision making of the director.

(ii) In addition, a director shall be considered to have a "material relationship" with the contract market if any of the following circumstances exist:

(A) The director is an officer or employee of the contract market or an officer or employee of its affiliate. In this context, "affiliate" includes parents or subsidiaries of the contract market or entities that share a common parent with the contract market;

(B) The director is a member of the contract market, or an officer or director of a member. "Member" is defined according to section 1a(34) of the Commodity Exchange Act and Commission Regulation 1.3;

(C) The director, or a firm with which the director is an officer, director, or

partner, receives more than \$100,000 in combined annual payments from the contract market, or any affiliate of the contract market (as defined in subsection (2)(ii)(A)), for legal, accounting, or consulting services. Compensation for services as a director of the contract market or as a director of an affiliate of the contract market does not count toward the \$100,000 payment limit, nor does deferred compensation for services prior to becoming a director, so long as such compensation is in no way contingent, conditioned, or revocable;

(D) Any of the relationships above apply to a member of the director's "immediate family," i.e., spouse, parents, children and siblings.

(iii) All of the disqualifying circumstances described in subsection (2)(ii) shall be subject to a one-year look back.

(iv) A contract market's public directors may also serve as directors of the contract market's affiliate (as defined in subsection (2)(ii)(A)) if they otherwise meet the definition of public director in this section (2).

(v) A contract market shall disclose to the Commission which members of its board are public directors, and the basis for those determinations."

## **2.2 Officers.**

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

2.2.2 Any Officer may also be a director, officer, partner or employee of AEGIS-SEF or of any of its Affiliates.

2.2.3 The Officers shall have such powers and duties in the management of AEGIS-SEF as the Board may prescribe from time to time, subject to any limitation set forth in the Operating Agreement.

## **2.3 Eligibility/Fitness.**

2.3.1 An individual may not serve as a Chief Compliance Officer, if the individual would be disqualified from registration pursuant to CEA Sections 8a(2) or 8a(3).

2.3.2 The Chief Compliance Officer shall immediately notify the President of AEGIS-SEF if such individual meets one or more of the criteria in Rule 2.3.1. The CCO shall provide to AEGIS-SEF, where applicable, changes in registration information within 30 days and certification of compliance accordingly. AEGIS-SEF shall verify information supporting compliance with eligibility criteria.

- 2.3.3 To serve as a member of the Board, an individual must possess the ability to contribute to the effective oversight and management of AEGIS-SEF, taking into account the needs of AEGIS-SEF and such factors as the individual's experience, perspective, skills and knowledge of the industry in which AEGIS-SEF operates. This shall include sufficient expertise, where applicable, in financial services, risk management, and execution services.
- 2.3.4 A Director or Officer must meet any qualifications set forth from time to time in the Operating Agreement.

## **2.4 *Standing Committees.***

- 2.4.1 The Board shall have the following three standing committees: the Nominating Committee, the SEF Participant Committee, and the Regulatory Oversight Committee. The Board may from time to time constitute and appoint in accordance with the Operating Agreement, such additional standing committees of the Board as it may from time to time deem necessary or advisable.

Each member of such standing committees must be a Director, one of whom the Board shall designate as the chairperson of each standing committee. Each standing committee shall assist in the supervision, management and control of the affairs of AEGIS-SEF within its particular area of responsibility, subject to the authority of the Board. Subject to the authority of the Board, each standing committee shall determine the manner and form in which its proceedings shall be conducted. Each standing committee may act only by the decision of an absolute majority in number of the members of such committee, by vote at a meeting or by unanimous written consent without a meeting. The Board has the authority to overrule the decisions of a standing committee.

- 2.4.2 Nominating Committee. The Nominating Committee of the Board reports to the Board and shall consist of at least two Directors appointed from time to time by the Board. The Nominating Committee shall have the authority to (i) identify individuals qualified to serve on the Board, consistent with the criteria that the Board require and any composition requirement that the Commission promulgates; and (ii) administer a process for the nomination of individuals to the Board.
- 2.4.3 SEF Participant Committee. The SEF Participant Committee of the Board reports to the Board and shall consist of at least two Directors appointed from time to time by the Board. The SEF Participant Committee shall (i) determine the standards and requirements for initial and continuing Participant eligibility, (ii) review appeals of staff denials of Participant applications, and (iii) approve Rules that would result in different categories or classes of Participants receiving disparate access to the AEGIS-SEF Platform. The SEF Participant Committee shall not, and shall not permit AEGIS-SEF to, restrict access or impose burdens on access to the AEGIS-SEF Platform in a discriminatory manner, within each category or class of Participants or between similarly-situated categories or classes of Participants.
- 2.4.4 Regulatory Oversight Committee. For more information regarding the membership, the role, and the responsibilities of the Regulatory Oversight Committee (the "**ROC**"), please see Exhibit A to this Rulebook, which contains the Regulatory Oversight Committee Charter ("**ROC Charter**").

- 2.4.5 Special Committees. In addition to the standing committees, the Board shall have the power and authority to create and terminate, in accordance with the Operating Agreement, special committees of the Board and designate their composition, responsibilities and powers.

## **2.5 Confidentiality.**

- 2.5.1 No member of the Board or any committee established by the Board or by or pursuant to the Rules will use or disclose any material non-public information obtained in connection with such member's participation in the Board or such committee for any purpose other than the performance of his or her official duties as a member of the Board or such committee.
- 2.5.2 In compliance with § 1.59(b) of the Commission's regulations, no Officer, employee or agent of AEGIS-SEF will:
- (i) trade, directly or indirectly, in any commodity interest traded on or cleared by AEGIS-SEF;
  - (ii) trade, directly or indirectly, in any related commodity interest;
  - (iii) trade, directly or indirectly, in a commodity interest traded on contract markets or swap execution facilities or cleared by derivatives clearing organizations other than AEGIS-SEF if the employee has access to material, non-public information concerning such commodity interest;
  - (iv) trade, directly or indirectly, in a commodity interest traded on or cleared by a linked exchange if the employee has access to material, non-public information concerning such commodity interest; and
- 2.5.3 Additionally, Officers, employees or agents of AEGIS-SEF may not disclose to any other person any material, non-public information which such employee or agent obtains as a result of his or her employment at AEGIS-SEF where such employee or agent has or should have a reasonable expectation that the information disclosed may assist another person in trading any commodity interest; provided, however, that such rules shall not prohibit disclosures made in the course of an employee's or agent's duties, or disclosures made to another self-regulatory organization, linked exchange, court of competent jurisdiction or representative of any agency or department of the federal or state government acting in his or her official capacity.
- 2.5.4 All Officers, employees and agents of AEGIS-SEF, and all Officers, employees or agents of AEGIS-HS seconded to or otherwise performing any task on behalf of AEGIS-SEF, are prohibited from disclosing to AEGIS-HS/AEGIS-CTA any material, non-public information which such Officer, employee or agent obtains as a result of his or her performing any task at or on behalf of AEGIS-SEF which relates to any commodity interest trading by a Broker Firm other than AEGIS-HS/AEGIS-CTA on behalf of such Broker Firm's Customers, where such officer, employee or agent has or should have a reasonable expectation that the information disclosed may assist AEGIS-HS/AEGIS-CTA in gaining any unfair competitive advantage over such other Broker Firm; provided, however, that such rules shall not prohibit disclosures made in the course of an employee's duties, or disclosures made to another self-regulatory organization, linked exchange, court of competent jurisdiction or

representative of any agency or department of the federal or state government acting in his or her official capacity.

## **2.6 Conflicts of Interest.**

### **2.6.1 Named Party in Interest Conflict**

- (a) No member of the Board, any Disciplinary Panel or any Appeal Panel will knowingly participate in such body's deliberations or voting in any matter involving a named party in interest where such member (i) is the named party in interest in the matter, (ii) is an employer, employee or fellow employee of a named party in interest, (iii) has any other significant, ongoing business relationship with a named party in interest, excluding relationships limited to SEF Contracts, or (iv) has a family relationship with a named party in interest.
- (b) Prior to consideration of any matter involving a named party in interest, each member of the deliberating body who does not choose to abstain from deliberations and voting will disclose to the Chief Compliance Officer whether such member has one of the relationships listed in clause (a) above with a named party in interest.
- (c) The Chief Compliance Officer will determine whether any member of the relevant deliberating body who does not choose to abstain from deliberations and voting is subject to a conflicts restriction under this paragraph (c). Such determination will be based upon a review of the following information: (i) information provided by such member pursuant to clause (b) above; and (ii) any other source of information that is held by and reasonably available to AEGIS-SEF.

### **2.6.2 Financial Interest in A Significant Action Conflict**

- (a) No member of the Board, any Disciplinary Panel or any Appeal Panel will participate in such body's deliberations and voting on any significant action if such member has a direct and substantial financial interest in the result of the vote, as determined pursuant to clause (c) below.
- (b) Prior to consideration of any significant action, each member of the deliberating body, who does not choose to abstain from deliberations and voting, will disclose to the Chief Compliance Officer any information that may be relevant to a determination of whether such member has a direct and substantial financial interest in the result of the vote.
- (c) The Chief Compliance Officer will determine whether any member of the relevant deliberating body, who does not choose to abstain from deliberations and voting, is subject to a conflicts restriction under this paragraph (c). Such determination will be based upon a review of the following information: (i) information provided by such member pursuant to clause (b) above; and (ii) any other information reasonably available to AEGIS-SEF, taking into consideration the exigency of the significant action being contemplated.

- (d) Any member of the Board, any Disciplinary Panel or any Appeal Panel, who would otherwise be required to abstain from deliberations and voting pursuant to clause (a) above, may participate in deliberations, but not voting, if the deliberating body, after considering the factors specified below, determines that such participation would be consistent with the public interest; provided, however, that before reaching any such determination, the deliberating body will fully consider the information specified in clause (c) above which is the basis for such member's substantial financial interest in the significant action that is being contemplated. In making its determination, the deliberating body will consider: (i) whether such member's participation in the deliberations is necessary to achieve a quorum; and (ii) whether such member has unique or special expertise, knowledge or experience in the matter being considered.

2.6.3 Documenting Conflicts Determinations. The minutes of any meeting to which the conflicts determination procedures set forth in this Rule 2.6 apply will reflect the following information:

- (a) the names of all members of the relevant deliberating body who attended such meeting in person or who otherwise participated in such meeting;
- (b) the name of any member of the relevant deliberating body who voluntarily recused himself or herself or was required to abstain from deliberations or voting on a matter and the reason for the recusal or abstention, if stated;
- (c) the information that was reviewed for each member of the relevant deliberating body; and
- (d) any determination made in accordance with clause (d) of Rule 2.6.2 above

2.6.4 Regulatory Oversight Committee. Set forth in Exhibit A to this Rulebook is the Regulatory Oversight Committee Charter ("**ROC Charter**"), which explains and describes AEGIS-SEF's Regulatory Oversight Committee ("**ROC**") as follows: Section I – Purpose; Section II – Responsibilities and Authority; Section III – Membership Composition; Section IV – Meetings; Section V – Reporting; and Section VI – Publicly Available Information.

2.6.5 Rules to Detect and Minimize Conflicts of Interests in Decision-Making Process.

CEA Section 5h(f)(12) sets forth the twelfth SEF Core Principle entitled "Conflicts of Interest," which says:

**"(12) Conflicts of interest**

The swap execution facility shall—

- (A) establish and enforce rules to minimize conflicts of interest in its decision-making process; and
- (B) establish a process for resolving the conflicts of interest."

Rule 2.6 of this AEGIS-SEF Rulebook provides a robust set of procedures that are intended to detect and minimize conflicts of interest in AEGIS-SEF's decision-making process.

Rule 2.6.1 addresses any conflict in which a member of the Board, any Disciplinary Panel, or any Appeal Panel (**Member**) is the named party in interest in the matter being considered or has a relationship with the named party in interest. Rule 2.6.1(a) prohibits any such Member from knowingly participating in the deliberations or in the voting on the matter when such a conflict exists. Rule 2.6.1(b) obligates any such Member that does not choose to abstain from such decision-making to disclose to the Chief Compliance Officer (CCO) whether that Member has any of the conflicts identified in Rule 2.6.1(a). Rule 2.6.1(c) then requires the CCO to determine whether any such Member, that chooses not to abstain from such decision-making, is subject to the conflicts limitations based on (i) information disclosed to the CCO by such Member or (ii) any other source of information that is available to AEGIS-SEF.

Rule 2.6.2 addresses any conflict in which a member of the Board, any Disciplinary Panel, or any Appeal Panel (**Member**) has a direct and substantial financial interest in the result of the vote on any significant action. Rule 2.6.2(a) prohibits any such Member from knowingly participating in the deliberations or in the voting on the matter when such a conflict exists. Rule 2.6.2(b) obligates any such Member that does not choose to abstain from such decision-making to disclose to the Chief Compliance Officer (CCO) any information that may be relevant to determining whether that Member has a direct and substantial financial interest in the result of the vote. Rule 2.6.2(c) then requires the CCO to determine whether any such Member, that chooses not to abstain from such decision-making, is subject to the conflicts limitations based on (i) information disclosed to the CCO by such Member or (ii) any other source of information that is available to AEGIS-SEF. Rule 2.6.2(d) will allow a Member that is required to abstain under Rule 2.6.2 to participate in the deliberations, but not the voting, under certain circumstances, but only after disclosure and consideration of such Member's direct and substantial financial interest in the result of the vote.

Rule 2.6.3 also requires the minutes of any meeting of the Board, any Disciplinary Panel, or any Appeal Panel, in which the conflicts determination procedures in Rule 2.6.1 or Rule 2.6.2 have been applied, to include significant detail related to that conflicts process.

#### 2.6.6 Procedures for Resolution of Conflicts of Interest by the ROC.

AEGIS-SEF will refer unresolved Conflicts of Interest to the Regulatory Oversight Committee ("**ROC**") for review and resolution ("**ROC Review Process**").

ROC Membership. Set forth in Exhibit A to this Rulebook is the Regulatory Oversight Committee Charter ("**ROC Charter**"), which explains and describes the purpose, responsibilities, and membership of the ROC.

Meetings. The ROC will meet at least once each calendar year, with members having the ability to join such meetings in person at the office of AEGIS-SEF in the Woodlands, TX, or virtually using Zoom, Webex, Microsoft Teams, or a similar service.

Quarterly Reviews of Meeting Minutes under Rule 2.6.3. At the end of each calendar quarter in which the conflicts determination procedures set forth in Rule 2.6 are applied in

a meeting of the Board, a Disciplinary Panel or an Appeal Panel, the ROC will meet to review the minutes of any and all such Board, Disciplinary Panel, or Appeal Panel meetings that occurred during the two preceding calendar quarters in which the conflicts determination procedures set forth in Rule 2.6 were applied. At such a quarterly meeting, the ROC will review the minutes of such meeting that were added pursuant to Rule 2.6.3, and will confirm and validate the handling of the conflict(s) disclosed in such meeting. No meeting in a calendar quarter is required if such procedures were not applied.

Appeals by Adversely Affected Person. In addition, any person or any Participant who believes that she/he was harmed (materially and adversely affected) in any way by a decision of the Board, a Disciplinary Panel, or an Appeal Panel as a result of (i) any Member's undisclosed conflict of interest or (ii) the improper handling of a Member's disclosed conflict of interest (for example, a Member who disclosed a conflict of interest, but did not abstain from the decision-making process and was allowed to continue to participate in that decision-making process), may appeal that decision by the Board, a Disciplinary Panel or an Appeal Panel to the ROC.

Any person appealing a decision by the Board, a Disciplinary Panel, or an Appeal Panel to the ROC shall be allowed to present her/his appeal in writing to the ROC, may attend in person or virtually, and may be represented by counsel, during that portion of the quarterly meeting of the ROC during which such appeal is heard and discussed by the ROC.

Resolution of any appeal by the ROC shall require a vote of a simple majority of the members of the ROC. Specifically, the ROC may deny such appeal by a vote of a simple majority of the members of the ROC or may grant such appeal and require the applicable Board, a Disciplinary Panel or an Appeal Panel to reconsider its decision in light of the admonition of the ROC to properly resolve the applicable conflict of interest. In the event of a tie vote, the vote of the Chairperson of the ROC shall decide the matter.

Reporting of ROC Review Activities. Any appeal to the ROC that is resolved or unresolved at the end of any calendar year shall be included in the CCO's Annual Report to the CFTC under CFTC Regulations Section 37.1501(d) and 37.1501(e).

Confidentiality. No member of the ROC shall use or disclose for any purpose other than the performance of his or her official duties and responsibilities as a committee member any material, non-public information obtained as a result of the individual's duties and responsibilities as a committee member. No committee member shall, directly or indirectly, disclose or use at any time, either during his or her association with AEGIS-SEF or thereafter, any confidential information of which the committee member becomes aware. Each committee member in possession of confidential information shall take all appropriate steps to safeguard the information and to protect it against disclosure, misuse, espionage, loss and theft.

Notwithstanding the preceding paragraph, a committee member may disclose confidential information if required by Applicable Law or a court order to be revealed to the United States Department of Justice or the CFTC.



## **2.7 Maintenance of Books and Records by AEGIS-SEF.**

- 2.7.1 AEGIS-SEF shall keep, or cause to be kept, complete and accurate books and records of accounts of AEGIS-SEF, including all books and records required to be maintained pursuant to the CEA, and the CFTC Regulations.
- 2.7.2 As required by CFTC Regulations Section 37.1001, Recordkeeping, AEGIS-SEF shall retain all such books and records, including a complete audit trail for all swaps executed on the AEGIS-SEF Platform 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 Commission. AEGIS-SEF shall make such books and records readily accessible via real-time electronic access by AEGIS-SEF throughout the life of such swap and for two years following the final termination of the swap, and such records shall be retrievable by AEGIS-SEF within three business days through the remainder of the period following final termination of the swap during which such records are required to be kept. AEGIS-SEF shall keep all records available for inspection by the CFTC, the U.S. Department of Justice, the SEC or by any representative of a prudential regulator as authorized by the CFTC, upon request, during the time period such records are required to be kept. Records may be kept in electronic form or kept in paper form if originally created and exclusively maintained in paper form, so long as they are retrievable by the SEF within 3 business days, and information in them is reportable, as required by CFTC Regulation §45.2(d)(1). Additionally, AEGIS-SEF shall keep any such records relating to swaps defined in section 1a(47)(A)(v) of the Act open to inspection and examination by the Securities and Exchange Commission.
- 2.7.3 AEGIS-SEF shall report to the Commission, in a form and manner acceptable to the Commission, such information as the Commission determines to be necessary or appropriate for the Commission to perform the duties of the Commission under the Act.

## **2.8 Information-Sharing Arrangements.**

- 2.8.1 AEGIS-SEF may enter into information-sharing agreements or other arrangements or procedures to coordinate surveillance with other markets on which financial instruments related to the SEF Contracts trade. As part of any information-sharing agreements or other arrangements or procedures adopted pursuant to this Rule 2.8, AEGIS-SEF may:
- (a) provide market surveillance reports to other markets;
  - (b) share information and documents concerning current and former Participants, Authorized Users, Broker Firms, or Customers with other markets;
  - (c) share information and documents concerning ongoing and completed investigations with other markets; or
  - (d) require its current or former Participants, Authorized Users, Broker Firms, or Customers to provide information and documents to AEGIS-SEF at the request of other markets with which AEGIS-SEF has an information-sharing agreement or other arrangements or procedures.

- 2.8.2 AEGIS-SEF may enter into any arrangement with any Person or body (including the CFTC, the NFA, any Self-Regulatory Organization, any exchange, market, clearing organization or foreign regulatory authority) if AEGIS-SEF considers such arrangement to be in furtherance of AEGIS-SEF's purpose or duties under the Rules or any Applicable Law.
- 2.8.3 AEGIS-SEF may provide information to a duly authorized foreign Governmental Authority, as directed by the CFTC, in accordance with an information-sharing agreement executed with the CFTC.
- 2.8.4 AEGIS-SEF will not disclose any proprietary data or personal information of any Participant, Authorized User, Broker Firm, or Customer to any Person without corresponding written confidentiality agreements containing substantially similar confidentiality obligations between each of (i) such Participant, Authorized User, Broker Firm, or Customer and AEGIS-SEF and (ii) such requesting Person and AEGIS-SEF. The foregoing shall not apply where the requesting Person is a Governmental Authority.

## **2.9 *Regulatory Services Providers and Technology Services Providers.***

- 2.9.1 AEGIS-SEF may contract with a Regulatory Services Provider to provide certain regulatory services to AEGIS-SEF pursuant to a Regulatory Services Agreement. In accordance with any such relevant Regulatory Services Agreement, a Regulatory Services Provider may perform certain surveillance, investigative, or regulatory functions under the Rules and AEGIS-SEF may provide information to such Regulatory Services Provider in connection with the performance by such Regulatory Services Provider of those functions. AEGIS-SEF will at all times remain responsible for the performance of any Regulatory Services Provider.
- 2.9.2 Any of the powers or functions of AEGIS-SEF under the Rules may be delegated to a Regulatory Services Provider pursuant to the relevant Regulatory Services Agreement in such manner and on such terms as AEGIS-SEF and such Regulatory Services Provider may mutually agree; provided, however, that AEGIS-SEF shall retain ultimate decision-making authority with respect to any powers or functions that are delegated to such Regulatory Services Provider.
- 2.9.3 AEGIS-SEF may contract with a technology services provider to provide certain technology services to AEGIS-SEF pursuant to a technology services agreement. In accordance with a technology services agreement, a technology services provider may perform certain functions under the Rules and AEGIS-SEF may provide information to the technology services provider in connection with the performance by the technology services provider of those functions.
- 2.9.4 AEGIS-SEF shall retain ultimate decision-making authority with respect to any functions that are contracted to a technology services provider.

## **2.10 *Use of Proprietary Data and Personal Information.***

- 2.10.1 With respect to any proprietary data or personal information collected or received from, or on behalf of, any Person for the purpose of fulfilling AEGIS-SEF's regulatory obligations, neither AEGIS-SEF nor any affiliate of AEGIS-SEF may use such proprietary data or personal

information for business or marketing purposes without first obtaining the prior written consent, to the proposed use of such data, from the Person from whom such data or information was collected or received.

2.10.2 Notwithstanding the provisions of Rule 2.10.1, AEGIS-SEF may share such proprietary data or personal information with one or more SEFs or designated contract markets (“DCMs”) registered with the CFTC, as required by Applicable Law. In such an event, AEGIS-SEF will request the SEF or DCM, as applicable, to maintain the confidentiality of any such data or information in the same manner as the SEF or DCM would protect its own proprietary data or personal information, as applicable.

2.10.3 Access to the AEGIS-SEF Platform may not be conditioned upon the use of proprietary data or personal information for business or marketing purposes.

## **2.11 Chief Compliance Officer.**

2.11.1 The Chief Compliance Officer (“CCO”) shall be appointed by the President of AEGIS-SEF. AEGIS-SEF will notify the Commission within two business days of appointing any new CCO, whether interim or permanent. The CCO is responsible for monitoring the design, implementation and effectiveness of AEGIS-SEF’s programs to promote and enforce compliance with Applicable Law and regulations and SEF Rules. Further, the CCO has the authority to monitor the sufficiency, effectiveness and independence of AEGIS-SEF’s regulatory program and to oversee all facets of AEGIS-SEF’s regulatory program, including:

- (a) trade practice and market surveillance, audits, examinations and other regulatory responsibilities with respect to Participants (including ensuring compliance with, if applicable, financial integrity, financial reporting, sales practice, recordkeeping and other requirements), 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 AEGIS-SEF. Such annual compliance report shall be prepared and signed by the CCO in the form and manner prescribed by CFTC Regulation 37.1500(d).

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

2.11.3 Removal of the CCO shall require the approval of a majority of AEGIS-SEF’s Board.

## **2.12 Terms of Regulatory Oversight Committee Review.**

The Regulatory Oversight Committee (“**ROC**”), together with the President and the CCO, shall perform the ROC’s regulatory oversight review of the CCO’s performance of the regulatory compliance obligations of AEGIS-SEF and the AEGIS-SEF Platform under the CEA and the CFTC Regulations thereunder (“**Self-Regulatory Program**”). Attached hereto as Exhibit A to this Rulebook is the current version of the Regulatory Oversight Committee Charter (“**ROC Charter**”), which may be modified or amended from time to time by the Board. The ROC, the President and the CCO shall meet with the Board at least quarterly. The Board shall dedicate sufficient resources to allow sufficient time for the ROC to fulfill its mandate as set forth in the ROC Charter. Pursuant to the ROC Charter, the ROC shall make recommendations for revisions to the instructions and duties of the President and the CCO that will, in its judgment, best promote the interests of AEGIS-SEF and its compliance with the CEA and the CFTC Regulations thereunder.

### **SECTION III. ACCESS BY PARTICIPANTS, AUTHORIZED USERS, BROKER FIRMS, AND CUSTOMERS**

#### **3.1 Jurisdiction.**

- 3.1.1 By directly or indirectly accessing, or entering any Order into, the AEGIS-SEF Platform, or submitting any Contract into the AEGIS-SEF Platform, and without any need for any further action, undertaking or agreement, a Participant (which is defined by Rule 1.89 to include both Market Participants as defined by Rule 1.77 and Financial Counterparties as defined by Rule 1.57), a Broker Firm (as defined by Rule 1.18 ), a Customer (as defined by Rule 1.38), an ISV (as defined by Rule 1.69), any Authorized User (which is defined by Rule 1.12 to include any individual authorized by a Participant, Broker Firm, or ISV to be its Authorized User pursuant to Rule 3.6), or any other Person so accessing, entering or submitting, agrees: (i) to be bound by, and comply with, the Rules and obligations and Applicable Law, in each case to the extent applicable to it, him or her; (ii) to become subject to the jurisdiction of AEGIS-SEF with respect to any and all matters arising from, related to, or in connection with, the status, actions or omissions of such Participant, Broker Firm, Customer, ISV, Authorized User or other Person; (iii) to assist AEGIS-SEF in complying with its legal and regulatory obligations; (iv) to cooperate with AEGIS-SEF and the CFTC in any inquiry, investigation, audit, examination or proceeding; and (v) that it authorizes AEGIS-SEF to provide information regarding it to the Regulatory Services Provider, the CFTC or any Self-Regulatory Organization.
- 3.1.2 Any Participant, Authorized User, Broker Firm, Customer, ISV or other Person whose right to access the AEGIS-SEF Platform is revoked, suspended, or terminated shall remain bound by the Rules, and, in each case to the extent applicable, and subject to the jurisdiction of AEGIS-SEF with respect to any and all matters arising from, related to, or in connection with, the status, actions or omissions of such Participant, Authorized User, Broker Firm, ISV or other Person prior to such revocation or termination.
- 3.1.3 An Authorized User who is suspended for any period remains subject to the Rules and AEGIS-SEF’s jurisdiction throughout the period of suspension. After revocation or termination of the designation of an Authorized User, the Authorized User remains subject to the Rules and the jurisdiction of AEGIS-SEF for acts done and omissions made while registered as an Authorized User. Any Disciplinary Proceeding relating to an Authorized User shall occur as if the Authorized User were still registered as such.

3.1.4 AEGIS-SEF may delegate certain regulatory functions mandated under the CEA, such as market monitoring and trade practice surveillance, to one or more Regulatory Service Provider(s), for which regulatory functions such Regulatory Service Provider will have the authority and oversight of all Participants, Broker Firms, Customers, ISVs, and Authorized Users. Nevertheless, AEGIS-SEF will retain exclusive authority in all substantive decisions made by any Regulatory Service Provider, including, but not limited to, denials of access to the AEGIS-SEF Platform for disciplinary reasons. AEGIS-SEF will document any instances where its actions differ from those recommended by the Regulatory Service Provider.

### **3.2 *Participants, Broker Firms, ISVs and their Authorized Users***

3.2.1 Each Participant, Broker Firm, ISV and its Authorized User(s) will have the impartial right to access the AEGIS-SEF Platform, Limitations on access to any user will be applied in an impartial, and non-discriminatory manner. The access rights hereunder may not be transferred, assigned, sold or leased to any third person, except pursuant to a merger or acquisition of all or substantially all the ownership interests in such Participant, Broker Firm, Customer, or ISV with or into such third person.

3.2.2 While a Participant, Broker Firm, ISV and its Authorized User(s) will have the right to access the AEGIS-SEF Platform, none of them will become a limited liability company member of AEGIS-SEF and none of them will obtain any equity or other interest in AEGIS-SEF, including voting rights or rights to receive any dividends or other distributions, whether arising from a dissolution, merger or consolidation involving AEGIS-SEF or otherwise.

### **3.3 *Requirements for Participants.***

3.3.1 A Participant must be admitted to the AEGIS-SEF Platform and deliver an executed Participant Agreement. To be eligible for admission, the Participant must demonstrate to AEGIS-SEF that it:

- (a) is of good reputation and business integrity, as determined by a review of the following: (i) criminal proceedings or judgments against the Participant, especially in cases involving fiduciary matters, (ii) orders or notices by regulatory bodies denying or restricting trading privileges on relevant contract markets, (iii) disciplinary or arbitration records at any exchange, association, or similar tribunal, (iv) fines, suspensions, or expulsions from any commodity or security exchange, clearing organization, the National Futures Association, the Financial Industry Regulatory Authority, or any other organization deemed relevant by AEGIS-SEF, (v) significant financial or credit difficulties or distress, and/or (vi) any false statements made within or in connection with the Participant's application;
- (b) complies with the financial responsibility, recordkeeping and reporting requirements set out in Rule 3.4;
- (c) is validly organized, in good standing, and authorized by its governing body and, if relevant, documents of organization, to trade one or more SEF Contracts;
- (d) is not Insolvent;

- (e) is not prohibited from using the services of the AEGIS-SEF Platform for any reason whatsoever;
  - (f) holds all registrations required under Applicable Law, if any, including any FCM, Supervised Person and/or Associated Person registration, as applicable;
  - (g) is not subject to statutory disqualification under CEA Section 8a(2); and
  - (h) satisfies any other criteria that AEGIS-SEF may require from a Participant to perform its Self-Regulatory Organization responsibilities, comply with Applicable Law or provide SEF services; provided, that such criteria are impartial, transparent and applied in a fair nondiscriminatory manner.
- 3.3.2 As part of the application process, AEGIS-SEF may request any information and documentation as it may reasonably require in order to determine whether AEGIS-SEF's eligibility requirements have been satisfied. Any Participant organized or located outside of the United States shall enter into a written agreement acceptable to AEGIS-SEF, appointing a third party as its U.S. agent for service of process for purposes of CFTC Regulation 15.05, and shall provide AEGIS-SEF with a copy of the agreement.
- 3.3.3 AEGIS-SEF may deny, condition, suspend, or terminate Participant status of any entity that:
- (a) is unable to satisfactorily demonstrate its ability to satisfy the eligibility criteria to become or remain compliant with such criteria;
  - (b) is unable to satisfactorily demonstrate its capacity to adhere to all applicable Rules;
  - (c) fails to meet such other generally applicable qualifications as the SEF Participant Committee may from time to time determine; or
  - (d) would bring the AEGIS-SEF Platform into disrepute as determined by AEGIS-SEF in its sole discretion.
- 3.3.4 If AEGIS-SEF decides to deny or condition a Person's application, AEGIS-SEF shall promptly notify the applicant in writing to the address provided by the applicant on AEGIS-SEF's application form.
- 3.3.5 A Person approved as a Participant shall be subject to all of the Rules.
- 3.3.6 Each applicant and each Participant agrees (i) promptly to provide, or procure the provision of, such information and documents as AEGIS-SEF may reasonably request, including but not limited to full information on the Participant's activities for contracts on another SEF, Contract Market or foreign board of trade if the Participant has activity in SEF Contracts settled by reference to prices on such other SEF, Contract Market or foreign board of trade, and (ii) that AEGIS-SEF, without being prevented by any duty of confidentiality by any holder of information, may obtain such information and documents from any SDR.
- 3.3.7 AEGIS-SEF shall grant access to ISVs that meet the requirements for Participants set out in this Rule 3.3.

- 3.3.8 Each Person that applies to become a Participant must submit an application to AEGIS-SEF in a form and manner prescribed by AEGIS-SEF. Each applicant must promptly update any application materials previously provided to AEGIS-SEF if any of the information provided therein becomes inaccurate or incomplete after the date of submission and prior to any approval of the application. AEGIS-SEF shall act upon, and approve or disapprove, any such application without unreasonable delay.
- 3.3.9 Each Person approved as a Participant in accordance with Rule 3.3.8 above shall agree in writing to abide by the Rules and consent to the jurisdiction of AEGIS-SEF.
- 3.3.10 Upon satisfaction of the requirements and procedures set forth in Rules 3.3.8 and Rule 3.3.9, AEGIS-SEF will grant a Person's application to become a Participant. Upon approval by AEGIS-SEF of a Person's application to become a Participant that will act as a Financial Counterparty on the AEGIS-SEF Platform, such Person shall execute a Participant Agreement and elect on page thereof to be designated as a Financial Counterparty. Upon approval by AEGIS-SEF of a Person's application to become a Participant that will act as a Market Participant on the AEGIS-SEF Platform, such Person shall execute a Participant Agreement and elect on page thereof to be designated as a Market Participant. If the application process is not completed within six months of submission of an application and payment of any applicable fee, the application will be deemed to be withdrawn.
- 3.3.11 Any Participant, whose application to become a Financial Counterparty has been approved by AEGIS and has executed a Participant Agreement as a Financial Counterparty, may also apply to become a Market Participant. Upon approval of such Person's application and such Person's execution of a second Participant Agreement as a Market Participant, AEGIS-SEF will issue a separate User ID for use by such Person when it utilizes the AEGIS-SEF Platform as a Market Participant. Similarly, any Participant, whose application to become a Market Participant has been approved by AEGIS and has executed a Participant Agreement as a Market Participant, may also apply to become a Financial Counterparty. Upon approval of such Person's application and such Person's execution of a second Participant Agreement as a Financial Counterparty, AEGIS-SEF will issue a separate User ID for use by such Person when it utilizes the AEGIS-SEF Platform as a Financial Counterparty.
- 3.3.12 Pursuant to Rule 3.12, and as shown on the table of fees set forth on the AEGIS-SEF website, different fees are applicable to any Person using the AEGIS-SEF Platform as a Financial Counterparty, a Broker Firm, or a Market Participant. Upon request by AEGIS-SEF's CCO, a Person that is both a Market Participant and a Financial Counterparty in accordance with Rule 3.3.11, or a Person that is both a Broker Firm and a Participant in accordance with Rule 3.15.5, will provide written or electronic records documenting each trade arranged, posted and/or executed using the AEGIS-SEF Platform with such records evidencing such Person's eligibility for the status designated by such Person, and for the fees applicable to such status under Rule 3.12 and the table of fees set forth on the AEGIS-SEF website, with respect to each such trade.

#### **3.4 *Minimum Financial Requirements.***

- 3.4.1 A Participant must qualify as an Eligible Contract Participant at all times and must promptly notify AEGIS-SEF if it fails to qualify as an Eligible Contract Participant.

- 3.4.2 A Participant or Broker Firm that is registered with the CFTC as an FCM or IB must remain in compliance with the minimum financial and related reporting requirements of CFTC Regulations. Specifically, all Participants or Broker Firms registered with the CFTC as FCMs or IBs must maintain capital in accordance with CFTC Regulation 1.17. A copy of any notice or written report that a Participant or Broker Firm is required to file with the CFTC pursuant to CFTC Regulations 1.10, 1.12 and/or 1.17 must also be filed with AEGIS-SEF within the time periods prescribed for such filing or delivery in CFTC Regulations 1.10, 1.12 and/or 1.17. A Participant or Broker Firm that violates CFTC Regulations 1.10, 1.12 or 1.17 will be deemed to have violated this Rule 3.4.2.
- 3.4.3 A Participant that is not registered with the CFTC must, upon request by AEGIS-SEF, submit to AEGIS-SEF, annually, a signed acknowledgement that it is an ECP. Alternatively, a Participant that is not registered with the CFTC can submit audited financial statements certified by a certified independent public accountant (or by a Person having similar qualifications if the Participant's books of account are kept outside the United States) within ninety calendar days of the Participant's fiscal year-end. If audited financial statements are not available, and such Participant is unable to provide the requested annual acknowledgement that it is an ECP, then such Participant must submit unaudited financial statements or its most recent tax return to AEGIS-SEF in order to satisfy CFTC Regulations 37.703.

**3.5 *Duties and Responsibilities of Participants, Broker Firms and ISVs.***

- 3.5.1 Each Participant, Broker Firm and ISV shall, and shall cause its Authorized User(s) to:
- (a) access the AEGIS-SEF Platform in a responsible manner and not for any improper purpose;
  - (b) access the AEGIS-SEF Platform only to conduct business that is subject to the Rules and the SEF Requirements and in a manner consistent with the Rules and the SEF Requirements;
  - (c) comply with the Rules and the SEF Requirements and act in a manner consistent with the Rules and the SEF Requirements;
  - (d) observe high standards of integrity, market conduct, commercial honor, fair dealing, and just and equitable principles of trade while conducting or seeking to conduct any business connected with or concerning the AEGIS-SEF Platform;
  - (e) not knowingly mislead or conceal any material fact or matter in any dealings or filings with AEGIS-SEF or in connection with any Disciplinary Proceedings;
  - (f) cooperate promptly and fully with AEGIS-SEF in any investigation, inquiry, audit, examination or proceeding regarding compliance with the Rules or any Disciplinary Proceedings or arbitration;
  - (g) comply with any order issued by AEGIS-SEF; keep all User IDs, account numbers and passwords related to the AEGIS-SEF Platform confidential; and



- (h) keep, or cause to be kept, complete and accurate books and records, including, without limitation, all books and records of its SEF Activity and his or her activity in the underlying commodity and related derivatives markets, and all books and records required to be maintained pursuant to the CEA, the CFTC Regulations or the AEGIS-SEF Rulebook, for the period of time required by Applicable Law, and make such books and records available for inspection by a representative of AEGIS-SEF, the Regulatory Services Provider, the CFTC or the U.S. Department of Justice, as required under CFTC Regulation 1.31.
- 3.5.2 In addition to the requirements of Rule 3.5.1, each Participant and, Broker Firm shall employ practices to monitor and enforce compliance with its internal risk limits and shall be responsible for all Orders and SEF Contracts effected by or for the account of such Participant and Broker Firm, its Authorized Users or by any Person using its or their User IDs.

### **3.6 *Authorized Users.***

- 3.6.1 Each Participant, Broker Firm, or ISV accessing the AEGIS-SEF Platform must designate at least one of its employees as an Authorized User.
- 3.6.2 By agreeing to become an Authorized User, an individual agrees to be bound by the duties and responsibilities of an Authorized User set out in Rule 3.7 and to be subject to, and comply with, the Rules.
- 3.6.3 To designate an Authorized User, a Participant, Broker Firm, or ISV must follow the procedures established by AEGIS-SEF. AEGIS-SEF may establish criteria that individuals must fulfill to become an Authorized User. Without limiting the generality of the foregoing, each Participant, Broker Firm, or ISV will ensure on an ongoing basis that (i) none of its Authorized Users are subject to a disqualification pursuant to any Applicable Law (unless an appropriate exemption has been obtained with respect thereto) and (ii) each of its Authorized Users is technically proficient and conducts their business in a fair and equitable manner.
- 3.6.4 AEGIS-SEF will promptly notify a Participant, Broker Firm, or ISV in writing of the approval of its designated Authorized User(s) or if AEGIS-SEF declines to approve the nomination of an Authorized User.
- 3.6.5 AEGIS-SEF will maintain a list of all designated Authorized Users for each Participant, Broker Firm, or ISV.
- 3.6.6 AEGIS-SEF may, in its sole discretion, revoke or suspend the designation of an individual as a Participant's, Broker Firm's, or ISV's Authorized User and shall promptly notify the Participant, Broker Firm, Customer, or ISV of such action.
- 3.6.7 To request the termination of the designation of an individual as its Authorized User, the Participant, Broker Firm, or ISV must notify AEGIS-SEF in writing in accordance with procedures established by AEGIS-SEF. AEGIS-SEF will terminate access of such Authorized User to the AEGIS-SEF Platform immediately upon receipt of such notice from such Participant, Broker Firm, or ISV.

### **3.7 Duties and Responsibilities of Authorized Users.**

3.7.1 By agreeing to act as an Authorized User, such Person agrees to be bound by the duties and responsibilities of an Authorized User and to be subject to, and comply with, the Rules.

3.7.2 An Authorized User must:

- (a) ensure that activity conducted under the User IDs assigned to it complies with Applicable Law and the Rules;
- (b) have the authority, at AEGIS-SEF's request, to adjust or withdraw any Order submitted under such User IDs;
- (c) have and maintain all necessary regulatory approvals and/or licenses to operate as an Authorized User;
- (d) cooperate promptly and fully with AEGIS-SEF in any investigation, inquiry, audit, examination or proceeding regarding compliance with the Rules or any Disciplinary Proceedings or arbitration proceeding;
- (e) comply with any order issued by AEGIS-SEF; and
- (f) agree to such other terms and conditions as may be established by AEGIS-SEF from time to time.

### **3.8 Broker Firms Accessing the AEGIS-SEF Platform.**

3.8.1 A Broker Firm may trade an account on behalf of a Customer under separate agreement between that Broker Firm and the Customer; provided, however, that any Broker Firm that wishes to (I) solicit indicative Bids/Offer, or a firm Order, for a SEF Contract from one or more Designated Participants, including but not limited to one or more Financial Counterparties, on behalf of one or more Market Participants or NPECPs and (II) use the AEGIS-SEF Platform to execute any resulting SEF Contract and/or Permitted Offline Transaction, may only use the AEGIS-SEF Platform to execute such SEF Contract if such Broker Firm has (A) submitted an RFQ for such SEF Contract on behalf of the applicable Market Participants or NPECPs using the RFQ Function of the AEGIS-SEF Platform, or (B) posted an open position on behalf of the applicable Market Participants (but no NPECPs) on the Order Book of the AEGIS-SEF Platform, or (C) accepted an open Order on behalf of a Market Participant (but no NPECPs) on the Order Book of the AEGIS-SEF Platform, or (D) utilized some form of permitted pre-arrangement or pre-negotiation between eligible parties using the Offline Execution Functionality of the AEGIS-SEF Platform; provided, further, that no pre-arranged Swap, other than a Permitted Offline Transaction or an Error Trade, may be executed by any Broker Firm, including AEGIS-

CTA acting as a CTA or any other CTA or IB, on behalf of any Customer of such Broker Firm using the AEGIS-SEF Platform.

### **3.9 Required Notices.**

- 3.9.1 Each Participant shall immediately notify AEGIS-SEF upon becoming aware of any of the following events:
- (a) any material changes to the information provided to AEGIS-SEF by the Participant;
  - (b) any damage to, or failure or material inadequacy of, the systems, facilities or equipment of the Participant used to effect SEF Contracts on the AEGIS-SEF Platform;
  - (c) any refusal of admission to, or involuntary withdrawal by the Participant of any application for membership in, any Self-Regulatory Organization;
  - (d) any denial or involuntary withdrawal of an application for registration or license by or from any governmental agency, and any revocation, suspension or conditioning of a registration or license necessary to conduct SEF Activity granted by any relevant Governmental Authority;
  - (e) the commencement of any judicial or administrative proceeding against the Participant by a Governmental Authority or the imposition of any fine in excess of \$25,000, cease and desist order, denial of trading privileges, censure or other sanction or remedy (whether through an adverse determination, voluntary settlement or otherwise) imposed by any relevant Governmental Authority;
  - (f) the indictment or conviction of, or any confession of guilt or plea of guilty or nolo contendere by, the Participant or any of its officers for any felony or misdemeanor involving, arising from, or related to, the purchase or sale of any commodity, security, futures contract, option, swap or other financial instrument, or involving or arising from fraud or moral turpitude; and
  - (g) the Insolvency of the Participant or any 10% or greater owner of the Participant.
- 3.9.2 Each Participant shall notify AEGIS-SEF no more than ten (10) business days after any merger, acquisition, consolidation, combination, sale or other material change of ownership.
- 3.9.3 Nothing in this Rule 3.9 is intended to substitute for or limit any other reporting obligations that a Participant may have to AEGIS-SEF or any regulatory agency or Self-Regulatory Organization.

### **3.10 Account Administrators.**

- 3.10.1 Each Participant shall appoint at least one Account Administrator who shall be responsible for monitoring the Participant's participation on the AEGIS-SEF Platform, the compliance of the Participant with the Rules and communication with AEGIS-SEF. The Account

Administrator(s) may access the AEGIS-SEF Platform for risk management, audit and other back-office purposes as specified by AEGIS-SEF from time to time.

3.10.2 Account Administrators shall not have Trading Privileges on the AEGIS-SEF Platform.

3.10.3 A Participant shall promptly notify AEGIS-SEF of a change in the identity of any of its Account Administrators.

### **3.11 Access Requirements and Terms.**

3.11.1 Participant accounts will be issued User IDs and passwords for secure access. The Participant is responsible for the security of these items, and any misuse is the responsibility of the Participant.

3.11.2 User IDs and passwords are for the Participant's use only and shall not be shared with other parties.

3.11.3 A Participant must notify AEGIS-SEF immediately upon any suspicion of theft of a password, or any unauthorized access.

3.11.4 **Access to AEGIS-SEF Platform.** AEGIS-SEF will apply the same access requirements to any Person seeking to access the AEGIS-SEF Platform, namely, that any Person that is a Market Participant, a Financial Counterparty, a Broker Firm, or an ISV must execute the form of a SEF User Agreement applicable to its status, using the applicable form(s) set forth on the AEGIS-SEF website, more specifically:

(i) any ECP that is a Financial Counterparty and desires to become a Participant on AEGIS-SEF will execute the AEGIS-SEF Platform - Participant Agreement for Market Participants and Financial Counterparties, and will elect the designation of "Financial Counterparty" on page one of that agreement;

(ii) any ECP that is a Financial Counterparty, does NOT desire to become a Participant on AEGIS-SEF, and does wish to have a Broker Firm represent it as agent on AEGIS-SEF will execute the Broker Firm – NPFC Agreement with such Broker Firm;

(iii) any Person that is a Broker Firm, that desires to act on behalf of its Customers (which Customers must also be ECPs), will execute the AEGIS-SEF Platform - Participant Agreement for Broker Firms with AEGIS-SEF;

(iv) any ECP that is a CEU and desires to become a Market Participant on AEGIS-SEF, and that also purchases CTA services from AEGIS-HS pursuant to an AEGIS Hedging Solution, LLC Engagement Letter, may elect to execute the Addendum to AEGIS Hedging Solutions, LLC Engagement Letter, in lieu of executing the agreement under clause (iv) immediately below;

(v) any ECP that is not a Financial Counterparty and desires to become a Market Participant on AEGIS-SEF will execute the AEGIS-SEF Platform - Participant Agreement for Market Participants and Financial Counterparties, and will elect the designation of "Market Participant" on page one of that agreement;

(vi) any ECP that does NOT desire to become a Market Participant on AEGIS-SEF, and wishes

to have a Broker Firm represent it as agent on AEGIS-SEF will execute the Broker Firm – NPECP Agreement with such Broker Firm;

(vii) any ECP eligible for and electing to be both a Financial Counterparty and a Market Participant shall execute two separate Participant Agreements, each with its own separate User ID number(s) with one applicable when such ECP is acting as a Financial Counterparty and the other applicable when such ECP is acting as a Market Participant, and such ECP must use the applicable User ID number when such ECP accesses and uses the AEGIS-SEF Platform under its status as, respectively, a Financial Counterparty or a Market Participant;

(viii) any Broker Firm eligible for and electing to be both a Broker Firm and a Participant in accordance with Rule 3.15.5 shall execute a Broker Firm Agreement and a Participant Agreement, each with its own separate User ID number(s) with one applicable when such Person is acting as a Broker Firm and the other applicable when such Person is acting as Participant, and such Person must use the applicable User ID number when such Person accesses and uses the AEGIS-SEF Platform under its status as, respectively, a Broker Firm or a Participant. Note too that any such Person, who is eligible to use the AEGIS-SEF Platform as both a Broker Firm and a Participant could conceivably seek Participant authorization as either a Financial Counterparty or a Market Participant depending on an analysis of the facts and circumstances applicable to such Person;

(ix) any Person that is an ISV will execute the AEGIS-SEF Platform – Independent Software Vendor Agreement; and

### 3.12 ***Dues and Fees.***

3.12.1 All Participants , Broker Firms, Customers and ISVs are welcome to obtain access to the AEGIS-SEF Platform, subject to the unique set of user and volume fees applicable respectively to each group of users of the AEGIS-SEF Platform. As set forth in the CFTC’s requirements for SEFs to provide “Impartial Access to Markets and Market Services,” CFTC Regulations Section 37.202(a)(3) specifies that a SEF shall apply “**(3) Comparable fee structures for eligible contract participants and independent software vendors receiving comparable access to, or services from, the swap execution facility.**” AEGIS-SEF’s tiered fee structure enables all Persons to have impartial access to the AEGIS-SEF Platform.

3.12.2 As set forth on the AEGIS-SEF website (<https://aegis-hedging.com/swap-execution-facility/feeschedule>), Commercial End Users (CEUs) and investors (collectively, Market Participants) are the lifeblood of Commodity Markets: (i) CEUs require risk mitigation and (ii) investors (i.e., speculators) provide the “other side” of the market that enables CEUs to find counterparties willing to take-on the CEUs’ risk in hopes of earning a financial gain. As aggressors and liquidity takers, Market Participants and NPECPs (excluding NPFCs) do not pay any monthly user fees or notional volume fees. Financial Counterparties, acting as “dealers” in Swaps, are providing risk mitigation services and investment opportunities to Market Participants for profit by capturing the bid/ask spread. As such, Financial Counterparties are liquidity providers and may be charged user fees based on whether they are a Participant or NPFC and a Notional Volume Fee. Finally, CTAs and IBs, as Broker Firms, are charged user fees only, consistent with their role as service providers to Market Participants.

- 3.12.3 The currently effective dues and fees applicable to services provided on the AEGIS-SEF Platform are posted on the AEGIS-SEF website at (<https://aegis-hedging.com/swap-execution-facility/feeschedule>), which will comprise the table of fees set forth on the AEGIS-SEF website and any amendment thereto that AEGIS-SEF may have placed into effect from time to time in accordance with Rule 3.12.4.
- 3.12.4 Any new fee or any amendment to AEGIS-SEF's existing fees will be implemented and placed into effect in accordance with CFTC Regulations Part 40 by: (I) AEGIS-SEF submitting a certification to the CFTC that any such new fee or amended fee complies with the CEA and the CFTC's regulations or (II) AEGIS-SEF requesting CFTC approval of such rules and amendments.
- (a) In addition to the provisions of Part 40 referenced above, an undated interpretive guidance found on the CFTC's website (on 02/17/2022), entitled "Rules & Rule Amendments," states: "Part 40 of the CFTC's Regulations sets forth procedures for submission of rules and rule amendments." Such statement is followed by the following statements regarding "fees" of a "registered entity," which includes SEFs:
- (b) "Registered entities may place certain rules or rule amendments into effect without a self-certification. A registered entity need only provide a weekly notification of rule changes involving:
- (i) [There follows a list of specific rule changes including the following:] fees not associated with incentive programs that are \$1.00 or more and are established by an independent third party;"
- (c) "Certain other rules may be implemented without either self-certification or notice to the CFTC, provided only that the registered entity maintain documentation of all rule changes. Rules subject to this procedure include those that govern:
- (i) [There follows a list of specific rules including the following:] fees not associated with an incentive program that are under \$1.00 or relate to certain administrative matters;"

### **3.13 Inspections by AEGIS-SEF.**

- 3.13.1 AEGIS-SEF may, based on evidence of a trading anomaly involving a Participant, Broker Firm, or Customer, or in coordination with another Participant's, Broker Firm's, or Customer's regulatory compliance committee, or by request from the CFTC, AEGIS-SEF and the Regulatory Services Provider, if any, shall have the right, in connection with determining whether the Rules are being, will be, or have been violated by the Participant, Broker Firm, or Customer, to:
- (a) inspect systems, equipment and software operated by the Participant, Broker Firm, or Customer specifically in connection with its SEF Activity, wherever located;
- (b) access the systems, equipment, software, and the premises on which the systems, equipment, and software specified in Rule 3.13.1(a) are located, and access any data stored in any of such systems or equipment that is specifically related to Bids,

Offers, SEF Contracts, RFQs, or responses to an RFQ effected using the AEGIS-SEF Platform, during the regular business hours of such Participant, Broker Firm, or Customer; and/or

- (c) copy and/or reproduce any data to which AEGIS-SEF has access under this rule that is related to Bids, Offers, SEF Contracts, RFQs, or responses to an RFQ effected using the AEGIS-SEF Platform.

3.13.2 Each Participant, Broker Firm, or Customer shall provide the Regulatory Services Provider, if any, with the same access as it would be required to provide to AEGIS-SEF.

3.13.3 AEGIS-SEF and the Regulatory Services Provider, if any, and each of their respective authorized representatives agree to adhere to Participant's, Broker Firm's, or Customer's reasonable logistical and physical access and security procedures. Unless otherwise required under Applicable Law, AEGIS-SEF shall provide a Participant, Broker Firm, or Customer with written notice at least 72 hours prior to conducting a prescheduled inspection.

3.13.4 AEGIS-SEF may require a Participant, Broker Firm, or Customer to furnish such information concerning their business that is subject to the Rules of AEGIS-SEF through an inspection request only after a failure by the Participant or Broker Firm to produce requested records via electronic files as AEGIS-SEF deems reasonably necessary to enable AEGIS-SEF to perform its obligations under Applicable Law, including information relating to (i) SEF Contracts executed on the AEGIS-SEF Platform and in related derivatives markets, including in the products underlying those SEF Contracts, and (ii) information requested by a government agency relating to AEGIS-SEF's business and/or AEGIS-SEF's compliance with Applicable Law that AEGIS-SEF believes is maintained by, or otherwise in the possession of, a Participant, Broker Firm, or Customer.

3.13.5 AEGIS-SEF shall treat information provided under Rule 3.13 as Proprietary Data, subject to Applicable Law and the SEF's authority under these Rules.

### **3.14 *Liquidity Provider Program.***

In its discretion, AEGIS-SEF may offer a liquidity provider program that provides incentives to Participants that meet trading volume or liquidity thresholds established by AEGIS-SEF. The liquidity provider program may offer reduced fees, amongst other incentives, for qualified liquidity providers as determined by AEGIS-SEF in its sole discretion. Liquidity Provider Programs shall not apply to NPFCs.

### **3.15 *Broker Firms.***

3.15.1 Participants may post or fill Orders in the Order Book through a Broker Firm acting on their behalf. Participants and other Customers may request and execute SEF Contracts using the RFQ Function and the Offline Execution Functionality through a Broker Firm acting on their behalf.

3.15.2 A Broker Firm:

- (a) must enter into the applicable Broker Firm Agreement with AEGIS-SEF and agree to be subject to and to comply with the Rules;
- (b) must agree to effect SEF Contracts on behalf of a Customer only in accordance with these Rules and procedures established by AEGIS-SEF;
- (c) must have and maintain in effect all necessary regulatory approvals and/or contractual authorization to effect SEF Contracts on behalf of Customers to the AEGIS-SEF Platform;
- (d) must maintain adequate financial resources in accordance with Rule 3.4;
- (e) must agree to such other terms and conditions as may be established by AEGIS-SEF from time to time;
- (f) to the extent such Broker Firm intends to act as agent for an NPFC or an NPECP on the AEGIS-SEF platform, such Broker Firm must enter into the applicable representation agreement with each such NPFC and/or NPECP under Rule 3.11.4.
- (g) A Broker Firm which intends to act as agent for a Customer on the AEGIS-SEF platform, represents to AEGIS SEF that it will make reasonable efforts to verify (I) a mutual credit risk mitigation agreement is in place between that Customer and its Financial Counterparty or NPFC with whom it transacts and (II) the Customer Legal Entity Identifier (LEI).

3.15.3 The Broker Firm shall be responsible to AEGIS-SEF for any failure by such Broker Firm (or its employees or agents) to comply with the Rules.

3.15.4 AEGIS-SEF will maintain a list of all designated Broker Firms for each Customer. AEGIS-SEF may, in its sole discretion, revoke or suspend the designation of a Person as a Broker Firm, or an Authorized User associated with a Broker Firm, and shall promptly notify the appropriate Customer(s) of such action.

3.15.5 If a Person that is a Broker Firm, who has executed a Broker Firm Agreement and been issued a User ID number thereby authorizing such Person to use the AEGIS-SEF Platform as a Broker Firm, meets all of the eligibility requirements and becomes eligible to trade SEF Contracts in its own name and for its own account as a Participant, then such Person shall also execute a Participant Agreement and be issued a separate User ID number for use whenever such Person is using the AEGIS-SEF Platform as a Participant, subject to the following requirements:

- (a) whenever such Person utilizes the AEGIS-SEF Platform acting as a Broker Firm to trade SEF Contracts in the name of and on behalf of one or more of its Customers, it will utilize the User ID number applicable to its Broker Firm Agreement and it will incur fees for using the AEGIS-SEF Platform applicable to a Broker Firm;
- (b) whenever such Person utilizes the AEGIS-SEF Platform to trade SEF Contracts in its own name and for its own account, it will utilize the User ID number applicable to



its Participant Agreement and it will incur fees for using the AEGIS-SEF Platform applicable to either a Financial Counterparty or a Market Participant, as applicable based on the facts and circumstances of such Person and its trades;

- (c) whenever such Person utilizes the AEGIS-SEF Platform to trade SEF Contracts in its own name and for its own account as part of a “trading program,” as such term is defined in CFTC Regulations Section 4.10(g), then such Person shall be assessed a fee from the Notional Volume Fee Schedule and be subject to any “minimum” fee thereunder, as if such Person were a Financial Counterparty; and
- (d) upon request by AEGIS-SEF’s CCO, a Person that is a Broker Firm will provide written or electronic records documenting each trade and evidencing its eligibility to trade under the status of a Broker Firm or a Participant and its eligibility for the fees applicable under clause (a), (b) or (c) of this Rule 3.15.5.

### **3.16 ISVs.**

3.16.1 Any Person that is an ISV shall be provided impartial access to the AEGIS-SEF Platform to enable such ISV to develop a system or platform offering smart order routing, front-end trading applications, an aggregator platform or a combination of the foregoing utilizing the AEGIS-SEF Platform; provided, that such system or platform does not provide Participants the ability to execute SEF Contracts other than on the AEGIS-SEF Platform and in full compliance with the Order Book and RFQ Function provisions of this AEGIS-SEF Rulebook.

3.16.2 Such a Person seeking to act as an ISV must:

- (a) execute the ISV Agreement (using the form of SEF User Agreement applicable to an ISV shown on the AEGIS-SEF website);
- (b) satisfy AEGIS-SEF’s technological integrity requirements and not adversely affect AEGIS-SEF’s or any Participant’s, Broker Firm’s or Authorized User’s ability to comply with the CEA, CFTC Regulations and the AEGIS-SEF Rulebook;
- (c) agree to the terms of the ISV Agreement (including all applicable annexes and exhibits), including submitting to the AEGIS-SEF jurisdiction, and complying with the AEGIS-SEF Rulebook and any and all other documents referenced in the ISV Agreement;
- (d) agree to pay all fees applicable to an ISV utilizing the AEGIS-SEF Platform; and
- (e) provide all information that may be reasonably requested from time to time by AEGIS-SEF.

## **SECTION IV. TRADING OPERATIONS**

### **4.1 *Trading Hours and Operation.***

#### **4.1.1 Trading Hours**

The AEGIS-SEF Platform will be open for trading on all business days during the market hours specified in the trading calendar, which is available at AEGIS-SEF's website. During non-trading hours, AEGIS-SEF systems will allow users to submit, modify and cancel orders as defined in this Section IV.

#### 4.1.2 Procedures

With respect to trading on or through the AEGIS-SEF Platform, CFTC Regulations Section 37.405, **Risk controls for trading**, requires AEGIS-SEF to "establish and maintain risk control mechanisms to prevent and reduce the potential risk of market disruptions, including, but not limited to, market restrictions that pause or halt trading under market conditions prescribed by the swap execution facility."

Personnel from AEGIS-SEF's Market Regulation Department will monitor other markets operated by DCMs and other SEFs that trade one or more futures contracts or Swap transactions involving any commodity that underlies one or more of the SEF Contracts traded from time to time on the AEGIS-SEF Platform (each a "**SEF Contract Equivalent Trade**" or "**SCET**"). If on any business day, the price of one or more SCETs traded on another DCM or SEF fluctuates up or down by more than 15.00 % from the previous business day's closing price for such SCET, or if AEGIS-SEF observes the price of one or more SEF Contracts traded from time to time on the AEGIS-SEF Platform fluctuates up or down by more than 15.00% from the previous business day's closing price, then AEGIS-SEF shall immediately halt trading on the AEGIS-SEF Platform's Order Book of any such SEF Contract(s) or any SEF Contract(s) that is economically equivalent to such SCET, until such price volatility has moderated.

In addition, in order to address the potential risk of any market disruptions that would require AEGIS-SEF to pause or halt trading on AEGIS-SEF's Order Book, based on AEGIS-SEF's own market analysis or a request for review by a user of the AEGIS-SEF Platform, AEGIS-SEF may establish and maintain, pursuant to CFTC Regulations Part 40, additional procedures relating to SEF Contracts and trading on the Order Book and the RFQ Function of the AEGIS-SEF Platform that are consistent with the CEA, the CFTC Regulations, and the provisions of this AEGIS-SEF Rulebook applicable to such procedures, including procedures to:

- (a) establish limits on the number and/or size of Orders that may be submitted to the AEGIS-SEF Platform;
- (b) establish limits on the number of SEF Contracts that may be traded on the AEGIS-SEF Platform or pursuant to the Rules; and
- (c) establish a limit on the maximum daily price fluctuations for any SEF Contracts and provide for any related restriction or suspension of trading in such SEF Contracts.

Before any change in the above procedures may be adopted and enforced, a required vote of the Board must approve the adoption of such modified procedure at a duly convened meeting. Directors may attend such a meeting by teleconference. If the President, the CCO and one member of the Board, determines that Emergency Rules must be implemented with respect to an Emergency before a meeting of the Board can reasonably be convened, then the President and CCO shall have the authority, without Board action, to implement any

Emergency Rules with respect to such Emergency that he or she deems necessary or appropriate to respond to such Emergency. In such circumstances, the President or such Officer must convene a meeting as soon as practicable. Emergency actions taken pursuant to this Rule 4.1.2 or Rule 4.1.3 are subject to the conflict of interest provisions set forth in Rule 2.6.

Whenever AEGIS-SEF, the Board, any committee of the Board, the President or other authorized Officer takes actions necessary or appropriate to modify any of AEGIS-SEF's procedures, a duly authorized representative of AEGIS-SEF, where possible, will post an announcement in a notice to Participants, Broker Firms, and Authorized Users and, where feasible, will provide an opportunity for Participants to comment on the proposed modification.

AEGIS-SEF will use reasonable efforts to notify the CFTC prior to modifying any such procedure, as provided in CFTC Regulations Part 40. Upon taking any action to modify any of its procedures, AEGIS-SEF will document the decision-making process related to such action. AEGIS-SEF will provide the Commission with an explanation of its decision-making process, the reasons for proposing such a modification, any comments from Participants, Broker Firms or Authorized Users, and how conflicts of interest were minimized, including a consideration of the effect of such procedure on the underlying markets and on markets that are linked or referenced to the contracts traded on the AEGIS-SEF Platform. Such documentation will be kept for at least five years following the date on which any such modification is implemented.

#### 4.1.3 Trading Suspension and Emergencies

AEGIS-SEF reserves the right to adjust Trading Hours and suspend market activities (including cancelling or suspending Orders) for all or a subset of any SEF Contracts in the case of extenuating market circumstances which include, but are not limited to, any occurrence or circumstance that AEGIS-SEF determines requires action to preserve the fair and orderly trading in, or the liquidation of or delivery pursuant to, any SEF Contracts.

During an Emergency, the Board may implement temporary emergency procedures and rules ("**Emergency Rules**"), subject to the applicable provisions of the CEA and CFTC Regulations. Emergency Rules may require or authorize AEGIS-SEF, the Board, any committee of the Board, the President or, in his or her absence, any other Officer to take actions necessary or appropriate to respond to the Emergency, which may not be immediate action and which may be applied to all the SEF's contracts depending on the circumstances underlying such Emergency, including the following actions:

- (a) suspending or curtailing trading or limiting trading to liquidation only (in whole or in part);
- (b) extending or shortening the Last Trading Day for SEF Contracts listed on the Order Book;
- (c) providing alternative settlement mechanisms;

- (d) ordering the liquidation or transfer of SEF Contracts, the fixing of a Settlement Price, or the reduction of positions;
- (e) extending, limiting or changing the Trading Hours;
- (f) imposing or modifying trading limits, price limits and/or position limits;
- (g) any other action as directed by the CFTC.
- (h) imposing or modifying intraday market restrictions;
- (i) altering any SEF Contract's settlement terms or conditions; and/or
- (j) extending or shortening expiration dates of SEF Contracts.

Before any Emergency Rule may be adopted and enforced, a required vote of the Board must approve the enforcement of such Emergency Rule at a duly convened meeting. Directors may attend such a meeting by teleconference. If the President, the CCO and one member of the Board, determines that Emergency Rules must be implemented with respect to an Emergency before a meeting of the Board can reasonably be convened, then the President and CCO shall have the authority, without Board action, to implement any Emergency Rules with respect to such Emergency that he or she deems necessary or appropriate to respond to such Emergency. In such circumstances, the President or such Officer must convene a meeting as soon as practicable thereafter. Emergency actions taken pursuant to this Rule 4.1.3 are subject to the conflict of interest provisions set forth in Rule 2.6.

Whenever AEGIS-SEF, the Board, any committee of the Board, the President or other authorized Officer takes actions necessary or appropriate to respond to an Emergency, a duly authorized representative of AEGIS-SEF, where possible, will post an announcement in a notice to Participants. When the Board, any committee of the Board, the President or other authorized Officer determines that the Emergency has been reduced sufficiently to allow the AEGIS-SEF Platform to resume normal functioning, any such actions responding to an Emergency will be terminated and all participants will be notified such actions have ended.

AEGIS-SEF will use reasonable efforts to notify the CFTC prior to implementing, modifying or terminating an Emergency Rule. AEGIS-SEF will notify the CFTC as soon as possible or reasonably practicable, but in any event no longer than 24 hours after implementing any such rule.

Upon taking any action in response to an Emergency, AEGIS-SEF will document the decision-making process related to such action. AEGIS-SEF will provide the Commission with an explanation of its decision-making process, the reasons for using its emergency authority, and how conflicts of interest were minimized, including a consideration of the effect of the emergency action on the underlying markets and on markets that are linked or referenced to the contracts traded on the SEF. Such documentation will be kept for at least five years following the date on which the Emergency ceases to exist or to affect AEGIS-SEF.

## **4.2 Contract Specifications.**

The terms and conditions of each SEF Contract to be listed on the Order Book will be set forth in the Contract Specifications as explained in Section X of this Rulebook, which states that the Contract Specifications applicable to each SEF Contract listed, from time to time, on the Order Book will be made available on AEGIS-SEF's website and will be subject to revision or amendment from time to time by AEGIS-SEF. The process for listing any SEF Contract on the AEGIS-SEF Platform is described in Section V, Contracts to be Traded, of this AEGIS-SEF Rulebook, which incorporates both the procedure for self-certification of new products as described in CFTC Regulations Section 40.2 and the procedure for requesting CFTC approval of new products as described in CFTC Regulations Section 40.3.

## **4.3 Use of User IDs.**

- 4.3.1 Each Participant and Broker Firm and each of their Authorized Users must have a unique, AEGIS-SEF-assigned, registered User ID.
- 4.3.2 Each Order entered must contain an AEGIS-SEF-assigned User ID that identifies the Authorized User that entered the Order.
- 4.3.3 No Person may use a User ID to place any Order except as permitted by the Rules, nor may any Person knowingly permit or assist the unauthorized use of a User ID. Each Participant, Broker Firm, Customer, and Authorized User shall ensure that no User ID is used by any Person not authorized by these Rules. Each Participant and Broker Firm must have in place policies and procedures to ensure the proper use and protection of User IDs.
- 4.3.4 Each Participant and Broker Firm shall ensure the accuracy of the registration information of its Authorized Users at all times.
- 4.3.5 Each Participant and Broker Firm shall be solely responsible for controlling and monitoring the use of all User IDs issued to it and to its Authorized Users of the AEGIS-SEF Platform.
- 4.3.6 Each Participant and Broker Firm shall notify AEGIS-SEF promptly upon becoming aware of:
  - (a) any unauthorized disclosure or use of any User ID assigned to it or any of its Authorized Users and of any other reason for deactivating a User ID; and
  - (b) any unauthorized access to the AEGIS-SEF Platform by any Authorized User or by any Person using a User ID assigned to such Participant, Broker Firm or Authorized User.
- 4.3.7 Any algorithm or other trading system, if any, that automates the generation and routing of Orders to the AEGIS-SEF Platform must have a unique, AEGIS-SEF-assigned, registered User ID.
- 4.3.8 Each Participant and Broker Firm and each of their Authorized Users shall be bound by any actions taken through the use of a User ID assigned to such Participant, Broker Firm, or Authorized User (other than any such actions resulting from the fault or negligence of AEGIS-SEF), including the submission of Orders and/or execution of SEF Contracts, whether or not

such actions were taken or authorized by such Participant, Broker Firm, or Authorized User, as the case may be.

#### **4.4 *Trading Procedures.***

The following is a summary of the execution methods and credit and risk limit functionality available on the AEGIS-SEF Platform. Additional information with respect to the operation of the AEGIS-SEF Platform, the execution methods and credit and risk functionality is provided in the applicable exhibits attached to this Rulebook. For each SEF Contract that is executed on or pursuant to the rules of the AEGIS-SEF Platform using either the Order Book under Rule 4.7 or the RFQ Function under Rule 4.8, a SEF Contract, will be deemed executed on the AEGIS-SEF Platform upon AEGIS-SEF providing a record (defined in Rule 4.10 as a Trade Communication) of the economic terms of an executed SEF Contract to each counterparty as provided in Rule 4.10 below. For the avoidance of doubt, AEGIS-SEF Platform does not permit any execution methods that involve voice communication or voice brokerage nor does it offer any electronic messaging capability (i.e., email, instant messaging, text, chat or other electronic means) by and between Participants, Authorized Users, Broker Firms, Customers, or ISVs. All requests for quotes, indications of interest and indicative pricing, bids/offers, orders, trade confirmations, and all related correspondence submitted by a Participant, Authorized User, Broker Firm, Customer, or ISV shall be entered into the AEGIS-SEF Platform under the LEI number of the applicable Participant and shall be tracked, using the Participant's LEI, from the time of receipt through execution on the AEGIS-SEF Platform. See Rule 4.15 for more information regarding AEGIS-SEF's recordkeeping and Audit Trail requirements for Participants, Authorized Users, Broker Firms, Customers and ISVs, including in Rule 4.15.2 Audit Trail requirements for any electronic communication that occurs off the AEGIS-SEF Platform between Participants, Authorized Users, Broker Firms, Customers, or ISVs with respect to any requests for quotes, indications of interest and indicative pricing, bids/offers, orders, trade confirmations, or other correspondence related to the AEGIS-SEF Platform.

#### **4.5 *Required Transactions.***

AEGIS-SEF does not currently offer any SEF Contracts that are Required Transactions and, therefore, AEGIS-SEF does not currently offer any execution function for Required Transactions.

#### **4.6 *Permitted Transactions***

- 4.6.1 The only SEF Contracts that will be offered (i.e., listed) by AEGIS-SEF shall be Permitted Transactions, i.e., uncleared bilateral swaps that are not intended to be cleared.
- 4.6.2 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.
- 4.6.3 Any Participant (or any Broker Firm acting on a Participant's or Customer's behalf) may enter Bids/Offers (i.e., an Order), or fill (i.e., accept) an open Order, directly in the AEGIS-SEF Platform's Order Book under Rule 4.7 for each SEF Contract listed by AEGIS-SEF or any Bespoke SEF Contract. All Orders submitted to the Order Book are anonymous. Any Market Participant (or any Broker Firm acting on a Market Participant's or NPECP's behalf), as a Requesting Participant, may transmit an RFQ to one or more Designated Participants (i.e.,

one or more Financial Counterparties or NPFCs) using the AEGIS-SEF Platform's RFQ Function under Rule 4.8, seeking Bids to purchase, or Offers to sell, a SEF Contract, which Bids/Offer may be firm or indicative. Any Broker Firm may submit a Permitted Offline Transaction to AEGIS-SEF for execution if the Broker Firm has entered an agreement with the Participants and/or Customers involved in the Permitted Offline Transaction.

- 4.6.4 Any Broker Firm (e.g., any CTA or IB) that wishes to (i) solicit indicative Bids/Offer, or firm Bids/Offer, for SEF Contracts from one or more Designated Participants (i.e., one or more Financial Counterparties or NPFCs) on behalf of one or more of its Customers, and (ii) use the AEGIS-SEF Platform to execute any resulting SEF Contracts, may only use the AEGIS-SEF Platform to execute such SEF Contracts if such Broker Firm has (a) submitted an RFQ for each such SEF Contract (including any Bespoke SEF Contract) on behalf of the applicable Customer(s) using the RFQ Function of the AEGIS-SEF Platform, (b) posted an open position, or filled an open Order, for such SEF Contract on behalf of the applicable Customer(s) on the Order Book of the AEGIS-SEF Platform, or (c) utilized some form of pre-arranged or pre-negotiated Permitted Offline Transaction between eligible parties. No pre-arranged SEF Contract, other than a Permitted Offline Transaction or Error Trade,<sup>1</sup> may be executed using Offline Execution Functionality of the AEGIS-SEF Platform by any Broker Firm, on behalf of any Customer of such Broker Firm, or by any Participant, NPECP or NPFC. Note further that nothing in the AEGIS-SEF Rulebook prohibits a Person that is a Broker Firm from also becoming a Participant in its own name, which would give that Person its own proprietary account in which it could buy and sell SEF Contracts in its own name and for its own account on the AEGIS-SEF Platform (i.e., a Person that is a Broker Firm can also have Trading Privileges in its own name and for its own account). Upon becoming a Participant and trading in its own name and for its own account, the person would no longer be a Broker Firm trading on behalf of one or more of its Customers, but would instead be either a Financial Counterparty or a Market Participant buying and selling SEF Contracts in which it will be a counterparty to each such SEF Contract.
- 4.6.5 Any swap entered into using the AEGIS-SEF Platform's Order Book under Rule 4.7, or the AEGIS-SEF Platform's RFQ Function under Rule 4.8, may only include SEF Contracts in which all Counterparties to each such SEF Contract are (i) Participants that have each entered into a Participant Agreement with AEGIS-SEF and/or Customers of a Broker Firm, (ii) ECPs, and (iii) Participants and/or Customers that have entered into a mutual credit risk mitigation agreement (e.g., an ISDA Master Agreement) with each other governing the execution and settlement of swaps between the counterparties to such SEF Contract.

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<sup>1</sup> The only Swaps that may be pre-arranged off-SEF and then executed on-SEF are Block Trades, Package Transactions, Permitted Offline Transactions, and Error Trades. However, because Block Trades and Package Transactions are not allowed to be traded on the AEGIS-SEF Platform or pursuant to the AEGIS-SEF Rulebook, the only Swaps that may be pre-arranged off the AEGIS-SEF Platform and then executed on the AEGIS-SEF Platform are Permitted Offline Transactions and Error Trades. See CFTC Regulations Section 37.9(a)(2)(i), which says: "Each Required Transaction that is not a **block trade** as defined in § 43.2 of this chapter shall be executed on a swap execution facility in accordance with one of the following methods of execution except as provided in paragraph (d) [for **Package Transactions**] or (e) [for **Error Trades**] of this section: (A) An Order Book as defined in § 37.3(a)(3); or (B) A Request for Quote System, as defined in paragraph (a)(3) of this section, that operates in conjunction with an Order Book as defined in § 37.3(a)(3)." See CFTC Regulations Section 37.9(c)(2), which says: "A swap execution facility may offer any method of execution for each Permitted Transaction."

- 4.6.6 Any SEF Contract, that is also designated as a Hedging Contract, shall require at least one Counterparty thereto to be either (i) a CEU that is eligible for the End-User Exception to clearing, or (ii) an Eligible Affiliate of a CEU that is eligible for the Hedging-Affiliate Exception to clearing. This requirement will enable such SEF Contract to be exempt from (a) the CFTC's regulatory margin requirements under CFTC Regulation Section 23.150 and therefore exempt from any requirement to post initial margin or variation margin as regulatory margin, and (b) the CFTC's Position Limits for speculative swap transactions under CFTC Regulations Part 150 and any Position Limits or accountability levels set by AEGIS-SEF for speculative swap transactions. See also Rule 4.10.4.
- 4.6.7 Pursuant to Commission Regulation 37.6, any transaction entered into on or pursuant to the AEGIS-SEF Rules shall not be void, voidable, subject to rescission, otherwise invalidated, or rendered unenforceable as a result of: (i) A violation by AEGIS-SEF of the provisions of Section 5h of the Commodity Exchange Act or Part 37 of the Commission's Regulations; (ii) Any Commission proceeding to alter or supplement a rule, term, or condition under section 8a(7) of the Commodity Exchange Act or to declare an emergency under section 8a(9) of the Commodity Exchange Act; or (iii) Any other proceeding the effect of which is to: (a) alter or supplement a specific term or condition or trading rule or procedure; or (b) require AEGIS-SEF to adopt a specific term or condition, trading rule or procedure, or to take or refrain from taking a specific action.

#### **4.7 Execution Methods for SEF Contracts: Order Book**

The Order Book function provides an execution method that is available for all SEF Contracts. AEGIS-SEF will maintain an Order Book for each SEF Contract that is listed for trading by AEGIS-SEF in accordance with Section X of this Rulebook. Posting Participants may submit Bids/Offer (each an open Order) for a SEF Contract directly into the AEGIS-SEF Platform's Order Book for that SEF Contract, provided each such open Order may only involve a SEF Contract that complies with the requirements of Rule 4.6.5. NPFCs and NPCEUs, because they are not Participants on AEGIS-SEF, shall not be eligible to participate in the Order Book.

- 4.7.1 AEGIS-SEF Platform's Order Book functionality provides a trading platform in which all Participants using the AEGIS-SEF Platform have the ability to enter multiple Bids to purchase and Offers to sell (each an open Order), observe or receive Bids and Offers entered by other Participants, and transact on such Bids and Offers (as required by CFTC Regulation Section 37.3(a)(3)(iii)). All Bids and Offers entered on the Order Book shall be Orders (i.e., firm Bids or Offers and not indications of interest or indicative quotes), and all Orders shall be displayed on the Order Book on an anonymous basis.
- 4.7.2 When a Posting Participant enters a Bid or Offer (i.e., an Order) on the Order Book, other Participants are notified that such Bid or Offer has been placed by the Bid or Offer appearing on the Order Book on the AEGIS-SEF Platform.
- 4.7.3 AEGIS-SEF has no matching engine. If a Participant elects to transact by accepting a Bid or Offer (i.e., accepting or filling an Order) submitted by a Posting Participant on the AEGIS-SEF's Order Book, such Participant may fill that Order by submitting its acceptance on the AEGIS-SEF's Order Book. If there are multiple acceptances for any Bid or Offer, the earliest to arrive on the Order Book will be the Bid or Offer that fills the Order resting on the Order



Book (i.e. the Order to which the original Posting Participant's Order will be matched). All acceptances, filled and unfilled, will be displayed on the Order Book.

- 4.7.4 Each Posting Participant, or a Broker Firm acting on behalf of such Posting Participant, shall enter open Orders into the Order Book on the AEGIS-SEF Platform, and AEGIS-SEF shall maintain an electronic record of those entries. Each Participant shall be responsible for any and all Orders entered using User IDs assigned by AEGIS-SEF to the Participant, its Authorized Users or Broker Firm, including responsibility for any losses incurred and any costs associated with correcting any trade made erroneously.
- 4.7.5 Orders submitted by a Posting Participant can only be accepted (i.e., filled) with Bids or Offers posted by other Participants with whom such Posting Participant has a mutual credit risk mitigation agreement (e.g., an ISDA Master Agreement) governing the execution and settlement of swaps; provided, further, that if the Posting Participant has designated credit and/or risk limits applicable to such Order pursuant to Rule 4.9.1, then only other Participants also having credit available with such Posting Participant, as indicated by such Posting Participant, may accept (i.e., fill) such Posting Participant's Orders. When a Participant has logged into the AEGIS-SEF Platform and observes the Orders submitted and resting on the AEGIS-SEF Platform's Order Book, while each such Order is displayed on an anonymous basis, if the Posting Participant that submitted each such Order has (i) a mutual credit risk mitigation agreement governing the execution and settlement of swaps with the observing Participant and (ii) satisfies any applicable minimum credit requirement as indicated by the Posting Participant pursuant to Rule 4.9.1, then the observing Participant will see a green light displayed next to such Order, and, if not, then a red light will be displayed next to such Order.
- 4.7.6 All Orders submitted to the AEGIS-SEF Platform's Order Book must contain the following information: (i) the relevant SEF Contract code; (ii) whether such Order is a Bid to buy or an Offer to sell; (iii) the Order type (as shown below), (iv) price; (v) quantity; (vi) account designation (the number to an account); (vii) the User ID of the Person entering the Order; (viii) CTI code; (ix) any credit and/or risk limit applicable to such Order, and (x) such additional information as may be prescribed from time to time by AEGIS-SEF.
- 4.7.7 All Orders submitted to the Order Book are anonymous, are posted anonymously and are executed anonymously. CFTC Regulations Sections 37.9(f)(1) and (2) only prohibit disclosing the identity of a counterparty to a swap that "is executed anonymously and intended to be cleared." However, all SEF Contracts traded on the AEGIS-SEF Platform, including those posted and executed anonymously on the AEGIS-SEF Order Book, are required to be uncleared bilateral swaps that are Permitted Transactions and are not intended to be cleared. Accordingly, the identity of the counterparties to an executed SEF Contract are revealed, only to each other, upon receipt by each such counterparty of the Trade Communication provided by AEGIS-SEF to each such counterparty. This disclosure of counterparty identity is necessary in an uncleared bilateral swap to enable such counterparties to perform and financially settle, or physically settle if applicable, each counterparty's respective obligations under the SEF Contract between them.
- 4.7.8 When AEGIS-SEF delivers the Trade Communication to both counterparties to a SEF Contract executed using the Order Book, AEGIS-SEF will identify both counterparties to each other. Except for disclosure of the counterparties' identities by AEGIS-SEF through the applicable

Trade Communication for an executed SEF Contract, any other disclosure by AEGIS-SEF or by any Person, directly or indirectly, of the identity of a counterparty that has submitted or posted an Order anonymously to the Order Book is expressly prohibited; provided, however, that reporting such identity to an SDR as and to the extent required by Part 43 or Part 45 of the CFTC's Regulations shall not be prohibited.

4.7.9 Except when due to commercially reasonable justification(s), no Person shall buy a SEF Contract on AEGIS-SEF's Order Book at a price that is higher than the lowest available price offered for such SEF Contract and no Person shall sell a SEF Contract on AEGIS-SEF's Order Book at a price that is lower than the highest available price bid for such SEF Contract. In the case where two contracts are entirely identical, the matching logic will default to first in first out priority for execution.

4.7.10 Order Types. The following types of Orders, as well as any other types that may be approved from time to time, may be entered into the Order Book on the AEGIS-SEF Platform with respect to any SEF Contract:

(a) Limit Order. A simple Order executed when a specific price is met.

4.7.11 Allocation of Bunched Orders

(a) Orders eligible for post-execution allocation must be allocated by an eligible account manager in accordance with CFTC Regulation Section 1.35(b)(5).

(b) Allocations must be made as soon as practicable after the entire transaction is executed, but in any event account managers must provide allocation information no later than a time sufficiently before the end of the day the order is executed to ensure that records identify the ultimate customer for each trade.

(c) Allocations must be fair and equitable. No account or group of accounts may receive consistently favorable or unfavorable treatment.

(d) The allocation methodology must be sufficiently objective and specific to permit independent verification of the fairness of the allocations using that methodology by appropriate regulatory and self-regulatory authorities and by outside auditors.

(e) Eligible account managers shall keep and must make available upon request of any representative of AEGIS-SEF, the CFTC, the United States Department of Justice, or other appropriate regulatory agency, the information specified in CFTC Regulation Section 1.35(b)(5)(iii).

4.7.12 The use of automatic order creation on the AEGIS-SEF Platform's Order Book is prohibited.

4.7.13 Orders may be created and accepted during the hours of 8am CT-4pm CT. Orders that have been created will remain available until one of the following events occurs:

(a) the Order is filled by a Participant accepting such Order;

(b) the Posting Participant elects to terminate the Order;

- (c) or when the time becomes 4pm CT, at which time Orders will be automatically closed.

#### **4.8 Execution Methods for SEF Contracts: RFQ Function**

The RFQ Function provides an execution method that is available for all SEF Contracts, including Bespoke SEF Contracts. For all SEF Contracts listed by AEGIS-SEF, including Bespoke SEF Contracts, in addition to the Order Book execution method described above in Rule 4.7 and the Offline Execution Functionality execution method described in Rule 4.8A, AEGIS-SEF will also provide a request for quote (“**Request for Quote Function**” or “**RFQ Function**”) execution method as described below in this Rule 4.8.

- 4.8.1 For all SEF Contracts listed by AEGIS-SEF, including any Bespoke SEF Contract, the RFQ Function available on the AEGIS-SEF Platform allows a Requesting Participant to transmit an RFQ seeking indicative quotes from one or more Designated Participants for a Bid to purchase or an Offer to sell such SEF Contract; provided, however, that only such Designated Participants will be allowed to view the RFQ and submit an indicative bid or offer or a firm Order in response to such RFQ; and provided, further, that the Requesting Participant shall be informed by AEGIS-SEF of any relevant Order resting at that time in the Order Book on the AEGIS-SEF Platform that may be responsive to such RFQ. For each such RFQ, each Designated Participant shall know the identity of the Requesting Participant, but no Designated Participant shall know the identity of any other Designated Participant receiving such RFQ. No Participant utilizing the AEGIS-SEF RFQ Function as a Financial Counterparty may transmit an RFQ to any Designated Participants. Any Participant that is a Financial Counterparty seeking to transmit RFQs must execute a separate Participant Agreement as a Market Participant in accordance with Rule 3.3.11.
- 4.8.2 An RFQ may be sent by a Requesting Participant to one or more Designated Participants provided that the Requesting Participant has a mutual credit risk mitigation agreement (e.g., an ISDA Master Agreement) with each such Designated Participant governing the execution and settlement of swaps.
- 4.8.3 Using the RFQ Function, a Requesting Participant may initiate the negotiating process for a SEF Contract by submitting an RFQ that will be transmitted by the RFQ Function to one or more Designated Participants selected by the Requesting Participant. Such RFQ shall specify: the identification of the Requesting Participant; whether the RFQ is for a Bid, Offer, or another form of response; and the SEF Contract that is requested. When designing any Bespoke SEF Contract that a Requesting Participant elects to seek by submitting such RFQ, the Requesting Participant is not constrained by any specific contract specifications that must comprise such Bespoke SEF Contract, provided, however, that any such Bespoke SEF Contract must nevertheless be an uncleared bilateral swap that is a Permitted Transaction and must be a subset of one or more SEF Contracts listed by AEGIS-SEF.
- 4.8.4 In response to any such RFQ, any Designated Participant receiving such RFQ may reply with a responsive quote, which shall be an indicative response in that it is a solicitation of an offer to negotiate. No Participant utilizing the RFQ Function on the AEGIS-SEF Platform as a Market Participant may respond to an RFQ submitted by any Requesting Participant. Any Participant that is a Market Participant seeking to respond to an RFQs must execute a separate Participant Agreement as a Financial Counterparty in accordance with Rule 3.3.11.

4.8.5 If a responsive quote is acceptable to the Requesting Participant, the Requesting Participant can accept the quote, which will cause a request to deal to be sent to the Designated Participant that sent such responsive quote (“**Responding Participant**”). If the Responding Participant accepts such request, a legally enforceable transaction shall have occurred and the process of the RFQ Function shall conclude. If the Responding Participant rejects the Requesting Participant’s request, then the process of the RFQ Function shall conclude and no swap transaction shall have occurred.

4.8.6 If none of the initial responsive quotes from the Responding Participants are acceptable to the Requesting Participant, then the Responding Participants may continue to send responses until one of the following events occurs:

- (a) the Requesting Participant accepts one of such responses; or
- (b) the Requesting Participant elects to terminate the process of the RFQ Function by cancelling its RFQ without having entered into the requested SEF Contract;

An RFQ shall remain open, if no trade is executed by the end of the trading day, and shall continue to remain open until the Requesting Party accepts a response from a Responding Participant and executes a SEF Contract or the Requesting Party cancels its RFQ.

- (c) The use of automatic order creation on the AEGIS-SEF Platform’s RFQ Function is prohibited.

**4.8A Execution Methods for SEF Contracts: Offline Execution Functionality**

4.8A.1 For all SEF Contracts listed by AEGIS-SEF, including Bespoke SEF Contracts, in addition to the Order Book execution method described above in Rule 4.7 and RFQ Function execution method described above in Rule 4.8, AEGIS-SEF will also provide an Offline Execution Functionality as an execution method as described below in this Rule 4.8A.

4.8A.2 For all SEF Contracts listed by AEGIS-SEF, including any Bespoke SEF Contract, the Offline Execution Functionality allows a Participant and an NPECP (which includes an NPFC), or two NPECPs, or two Participants to pre-arrange or pre-negotiate a swap transaction and cause such SEF Contract to be executed on the AEGIS-SEF Platform by acting through a Broker Firm using the Offline Execution Functionality.

4.8A.3 When the terms of the swap transaction are agreed between the eligible parties, the Broker Firm that is facilitating such pre-arranged or pre-negotiated SEF Contract shall submit the resulting Permitted Offline Transaction to AEGIS-SEF for execution utilizing the Offline Transaction Functionality of the AEGIS-SEF Platform.

4.8A.4 A Broker Firm submitting a Permitted Offline Transaction to an Execution Specialist must provide the information required by Rule 4.8A.8. Permitted Offline Transactions may be communicated to an Execution Specialist via telephone and/or via electronic modes of communication such as email and instant message. At the time all required information regarding each Permitted Offline Transaction has been submitted by the Broker Firm and received by an Execution Specialist via the Offline Execution Functionality, such Permitted Offline Transaction will be deemed to have been executed, a legally enforceable transaction

shall have occurred, the Execution Specialist will communicate such date and time to the Broker Firm, and the audit trails maintained by AEGIS-SEF and the Broker Firm for such Permitted Offline Transaction shall show such date and time as the date and time of execution of each such Permitted Offline Transaction.

- 4.8A.5 Permitted Offline Transactions may be submitted to an Execution Specialist by a Broker Firm for execution on behalf of any Participant and/or any NPECP (which includes any NPFC) with which such Broker Firm has executed an agreement authorizing such Broker Firm to submit Permitted Offline Transactions to the AEGIS-SEF Platform for execution using the Offline Execution Functionality.
- 4.8A.6 Any NPECP (which includes any NPFC) that seeks to have Permitted Offline Transactions executed on the AEGIS-SEF Platform, and is not otherwise a Participant on the AEGIS-SEF Platform, must execute a separate agreement with a Broker Firm in accordance with Rule 3.11.4, which will require each NPECP and each NPFC to: (i) acknowledge and consent to AEGIS-SEF's jurisdiction as a self-regulatory organization; (ii) obligate each NPECP and NPFC to retain copies of all Permitted Offline Transactions and all related correspondence as an audit trail, and (iii) obligate each NPECP and NPFC to provide a copy to AEGIS-SEF of all audit trail documents within five days after receipt of a request from AEGIS-SEF. In compliance with the foregoing, each NPECP that is not a Financial Counterparty will execute a Broker Firm – NPECP Agreement with one or more Broker Firms, and each NPFC will execute a Broker Firm – NPFC Agreement with one or more Broker Firms.
- 4.8A.7 A Financial Counterparty that is a Participant and that engages in a Permitted Offline Transaction with a NPECP, that is acting through a Broker Firm away from the Order Book and the RFQ Function of the AEGIS-SEF Platform, shall be deemed to have granted authority for the arranging Broker Firm to submit the resulting SEF Contract to AEGIS-SEF for execution using the Offline Execution Functionality of the AEGIS-SEF Platform.
- 4.8A.8 Each Broker Firm submitting a Permitted Offline Transaction to an Execution Specialist for execution using the Offline Execution Functionality with respect to any SEF Contract pre-arranged or pre-negotiated away from the Order Book or the RFQ Function of the AEGIS-SEF Platform of the AEGIS-SEF Platform must include with the SEF Contract, all data required to enable AEGIS-SEF to meet its reporting obligations under Parts 43 and 45 of the CFTC Regulations, including without limitation:
- (1) the User ID;
  - (2) the Participant ID;
  - (3) the price or yield, quantity, maturity or expiration date;
  - (4) the price and quantity;
  - (5) each counterparty to the SEF Contract;
  - (6) the CTI code;
  - (7) the Legal Entity Identifiers of the Broker Firm and each counterparty to the SEF Contract;

- (8) a yes/no indication of whether the Broker Firm, or either counterparty to the SEF Contract is a Swap Dealer;
- (9) a yes/no indication of whether the Broker Firm, or either counterparty to the SEF Contract is a Major Swap Participant;
- (10) a yes/no indication of whether the Broker Firm or either counterparty to the SEF Contract is a Financial Entity;
- (11) a yes/no indication of whether the Broker Firm or either counterparty to the SEF Contract is a U.S. person; and
- (12) if applicable, an indication that one of the counterparties to the SEF Contract will elect the End-User Clearing Exception for any Swap resulting from the Order.

4.8A.9 Broker Firms that submit Permitted Offline Transactions to the AEGIS-SEF Platform are responsible for maintaining or causing to be maintained a routing/front-end audit trail for all such Permitted Offline Transactions, which shall include Order entry, modification and cancellation and any correspondence exchanged by the counterparties to such Permitted Offline Transaction, including the execution date and time of the Permitted Offline Transaction, along with a copy of all related information submitted to the AEGIS-SEF Execution Specialist. Such Broker Firms shall maintain audit trail information and shall submit such audit trail information to AEGIS-SEF within 48 hours of any request by AEGIS-SEF or sooner as required by Applicable Law or the regulatory requirements of the CFTC or any other regulator with jurisdiction over AEGIS-SEF, the Broker Firm, or the counterparties to each such Permitted Offline Transaction. AEGIS-SEF will enforce these audit trail and recordkeeping requirements by conducting an annual review of all NPECPs and Broker Firms to verify their compliance with the SEF's audit trail and recordkeeping requirements.

#### **4.9 *Compliance with Embargo Rule under CFTC Regulations Section 43.5.***

4.9.1 AEGIS-SEF shall make public daily information on Settlement Prices, volume, open interest, and opening and closing ranges for SEF Contracts that are actively traded, if any, on the AEGIS-SEF Platform's Order Book. Trading information will be published on the AEGIS-SEF website at the end of the day; provided, however, that Public Dissemination of trading information for any day will be delayed to ensure that such trading information is not made available to Participants or to the public until after (i) transmittal to an SDR under CFTC Regulations Part 43 of all reports of Swap Transaction and Pricing Data for all Publicly Reportable Swap Transactions executed on such day, and (ii) expiration of any and all delay periods applicable under CFTC Regulations Section 43.5 to each Publicly Reportable Swap Transaction executed on such day.

#### **4.10 *Confirmation of SEF Contracts.***

- 4.10.1 For each SEF Contract that is executed on or pursuant to the rules of the AEGIS-SEF Platform using either the Order Book or the RFQ Function, AEGIS-SEF will provide each Counterparty to such executed SEF Contract a written record of all of the economic terms of that SEF Contract (a “Trade Communication”) which shall legally supersede any previous agreement and serve as a confirmation of the executed SEF Contract. This confirmation by AEGIS-SEF of all economic terms of the SEF Contract shall take place at the same time as execution.
- 4.10.2 With respect to each SEF Contract that is not cleared by a DCO, a Trade Communication shall, for purposes of CFTC Regulation 37.6(b), consist of the Trade Communication and, ~~in accordance with and to the extent permitted by CFTC No Action Letter 15-25 (expiring March 31, 2016) and by CFTC No Action Letter 17-17 and for so long as the applicable relief provided therein is effective,~~ the Terms Incorporated by Reference. In the event of any inconsistency between (i) the Trade Communication and (ii) the Terms Incorporated by Reference, the terms of the Trade Communication shall prevail and legally supersede any contradictory terms in the Terms Incorporated by Reference to the extent of any inconsistency. Each Trade Communication shall include the preceding sentence. **“Trade Communication”** means the written communication containing the economic terms specific to a transaction provided by AEGIS-SEF to the Participant(s) and/or Authorized User(s) who executed such transaction on the AEGIS-SEF Platform. **“Terms Incorporated by Reference”** means the underlying previously-negotiated freestanding documents and agreements between the counterparties to a SEF Contract (including, without limitation, mutual credit risk mitigation agreements (including ISDA Master Agreements, the ISDA Schedules, ISDA Credit Support Annexes, ISDA Protocols, and any other ISDA Annexes thereto), other master agreements, terms supplements, master confirmation agreements, master netting agreements, and incorporated industry definitions) governing such SEF Contract existing at the time of execution of such SEF Contract. The Participant(s), NPFCs, and/or Authorized User(s) must, as applicable, maintain copies of all Terms Incorporated by Reference and, for purposes of compliance with these Rules and CFTC Regulations shall provide AEGIS-SEF with copies of such Terms Incorporated by Reference, including all credit support terms agreed between them, promptly upon request by AEGIS-SEF. Upon request from the Commission, AEGIS-SEF shall request from the counterparties to a SEF Contract a copy of all Terms Incorporated by Reference and AEGIS-SEF shall provide such documents to the Commission as soon as they are available. As stated in the preamble to the SEF Core Principles Final Rule: “counterparties choosing to execute a transaction not submitted for clearing on or pursuant to the rules of a SEF must have all terms, including possible long-term credit support arrangements, agreed to no later than execution, such that the SEF can provide a written confirmation inclusive of those terms at the time of execution and report complete, non-duplicative, and non-contradictory data to an SDR as soon as technologically practicable after execution.” (Emphasis added.) See 78 Fed. Reg. 33,476 at 33,491 (June 4, 2013).
- 4.10.3 Delivery of a Trade Communication by AEGIS-SEF to the Participants that are the counterparties to any SEF Contract will not preempt or prevent one counterparty to such SEF Contract delivering a Confirmation with respect to such SEF Contract to the other Participant that is a counterparty to such SEF Contract in accordance with the mutual credit risk mitigation agreement (e.g., an ISDA Master Agreement or other master agreement) in effect between such counterparties.
- 4.10.4 Trade-by-Trade Designation of Hedging Contract at Confirmation. At the time of executing any SEF Contract that is also intended to be a Hedging Contract, any Market Participant, that

is either a CEU or an Eligible Affiliate of a CEU, intending to execute such a SEF Contract using either the RFQ Function, the Order Book, or the Offline Execution Functionality on the AEGIS-SEF Platform, will be required to represent to AEGIS-SEF that such Market Participant has met all the applicable requirements to be eligible to elect, as applicable, the End-User Exception or the Hedging-Affiliate Exception, with respect to such SEF Contract (each a “**Hedging Representation**”). AEGIS-SEF will note the applicability of a Market Participant’s Hedging Representation to a particular SEF Contract in the body of, and in the footer of, the Trade Communication that AEGIS-SEF will deliver as a confirmation to the Participants that are the counterparties to each such SEF Contract executed using the AEGIS-SEF Platform, as more fully described in Rule 4.10.2 of the AEGIS-SEF Rulebook. Such Hedging Representation must be enforceable by AEGIS-SEF, which shall be stated in the terms of the Participant Agreement between AEGIS-SEF and such Market Participant.

If the commodity underlying any such SEF Contract is, or becomes, subject to the trade execution requirement in CEA Section 2(h)(8) as a result of a “made available to trade” or other comparable determination, then such Market Participant shall be required to add to its Hedging Representation the following additional representation: “and (iii) with respect to this SEF Contract, Market Participant has elected the, as applicable, End-User Exception or the Hedging-Affiliate Exception, as required for such SEF Contract to be, or continue to be, a Permitted Transaction.”

Each such Trade Communication for a SEF Contract that is also a Hedging Contract shall contain the following representation:

“Hedging Representation. The Market Participant, which is a counterparty to this SEF Contract, hereby represents to AEGIS-SEF that: (i) Market Participant is either a “CEU” or an “Eligible Affiliate of a CEU,” as such terms are defined in the AEGIS-SEF Rulebook, and (ii) Market Participant has met all the applicable requirements to be eligible to elect either the “End-User Exception” or the “Hedging-Affiliate Exception,” as such terms are defined in the AEGIS-SEF Rulebook, with respect to this SEF Contract.”

Any such Hedging Representation must be true at the time of execution of the underlying SEF Contract. Violation of such Hedging Representation shall be subject to disciplinary review under Section VII of this AEGIS-SEF Rulebook.

#### **4.11 Block Trades.**

4.11.1 AEGIS-SEF does not allow Block Trades to be executed on its Platform.

#### **4.12 Position Transfers.**

AEGIS-SEF may permit transfer trades to move cleared or otherwise non-bilateral positions between Customer Accounts for administrative purposes (“**Position Transfers**”) where no change in beneficial ownership is involved. Participants must obtain approval from AEGIS-SEF for a Position Transfer of a cleared or otherwise non-bilateral position; such approval shall be granted at the sole discretion of AEGIS-SEF. Position Transfers will not contribute to any reported volume, price, or trading range.

#### **4.13 Trade Cancellations; Trade Reviews; Error Trades.**



#### 4.13.1 Trade Cancellation Authority

AEGIS-SEF may adjust trade prices or cancel (bust) trades in the Order Book when such action is necessary to mitigate market disrupting events caused by the improper or erroneous use of the AEGIS-SEF Platform or by system defects or malfunctions. Notwithstanding any other provision of this Rule 4.13.1, AEGIS-SEF may adjust trade prices or cancel any trade from the Order Book if AEGIS-SEF determines that allowing the trade to stand as executed may have a material, adverse effect on the integrity of the market. Any decision of AEGIS-SEF with respect to an adjustment or cancellation subject to this Rule 4.13.1 shall be final. If AEGIS-SEF takes action pursuant to this Rule 4.13.1, it will give prompt notice to the affected Participant(s), Authorized User(s), Broker Firm(s) or Customer(s).

#### 4.13.2 Review of Trades and Resolution of Errors Among SEF Contract Parties; Error Trades

AEGIS-SEF may review a trade based on its analysis of market conditions or a request for review by a user of the AEGIS-SEF Platform. A request for review must be made within five minutes of the execution of the trade. AEGIS-SEF shall promptly determine whether the trade will be subject to review, and upon deciding to review a trade, AEGIS-SEF will promptly issue an alert via email to all Participants indicating that the trade is under review. In the case of SEF Contracts determined by AEGIS-SEF to be illiquid, AEGIS-SEF may initiate a review up to ten minutes after the execution of the trade, and has the authority, but not the obligation, to review trades reported more than ten minutes, but no later than the same business day, following execution if it determines that the trade price was significantly out of line with fair value.

If the review described in this Rule 4.13.2 reveals that the trade was incorrectly executed, then the trade in question shall be cancelled with respect to all involved Participants, Authorized Users, Broker Firms, or Customers. If the review described in this Rule 4.13.2 reveals that the trade was correctly executed by AEGIS-SEF, then no adjustment shall be made with respect to the trade in question for any account of a Participant, Authorized User, Broker Firm, or Customer. Notwithstanding anything to the contrary in this Rule 4.13.2, if AEGIS-SEF determines, in its sole discretion, that the execution of any trade was the result of Bids/Offers being incorrectly processed by the AEGIS-SEF Platform, or any other cause beyond the control of any Participant, Authorized User, Broker Firm, or Customer then AEGIS-SEF may cancel such trade with respect to all affected Participants, Authorized Users, Broker Firms, or Customers. Notice of cancellation or correction of such trade will be made via email to the affected Participants, Authorized Users, Broker Firms, or Customers and, if such cancelled or corrected trade has previously been reported to an SDR, then AEGIS-SEF will notify such SDR of such cancellation or correction, in accordance with the instructions of such SDR, As Soon As Technologically Practicable after the decision is made to cancel or correct such trade.

In the course of its review of any trade, AEGIS-SEF may, but is not obligated to, inform any of the parties to the trade of the identity and contact information of any other party to the trade.

Parties to any SEF Contract executed using the AEGIS-SEF Platform may also agree to adjust the terms of an erroneous transaction, only with AEGIS-SEF's express approval under the

following circumstances (each an “**Error Trade**”): (i) both parties must agree to adjust the terms of any such transaction; (ii) AEGIS-SEF, in its sole discretion, must determine that any such change in terms is consistent with the original terms of the SEF Contract; (iii) AEGIS-SEF, in its sole discretion, must find that there is not a repeating pattern of errors with respect to transactions entered into on behalf of either counterparty to the transaction; and (iv) the personnel who originally monitored the execution of such transaction must attest to the consistency of the amended terms with the original transaction. AEGIS-SEF shall consult with the SDR to whom the original SEF Contract was reported and, unless instructed otherwise, an Error Trade shall be reported to an SDR under Parts 43 and 45 in the same manner as the SEF Contract which it corrects.

#### **4.14 Settlement; Clearing.**

4.14.1 **Settlement.** AEGIS-SEF will provide links to relevant Settlement Prices from reference sources for SEF Contracts on the AEGIS-SEF Website.

4.14.2 **Clearing.** No Participant nor Broker Firm may execute a swap on the AEGIS-SEF Platform or pursuant to the rules of the AEGIS-SEF Rulebook that such Participant or Broker Firm intends to clear at the time of execution.

#### **4.15 Recordkeeping; Audit Trail.**

4.15.1 **Recordkeeping Requirements of Participants, Authorized Users, Broker Firms, NPFCs and ISVs.** Participants, Authorized Users, Broker Firms, NPFCs and ISVs that access the AEGIS-SEF Platform through an automated order system are responsible for maintaining or causing to be maintained an audit trail for all electronic Orders, which shall include Order entry, modification, and cancellation (the “**Audit Trail**”). Such Audit Trail shall include Orders submitted and the dates/times of Order entry and of any Order modification or cancellation. Dates/times that are so captured must not be capable of being modified by the Person entering the Order and must reflect all necessary data fields specified by the AEGIS-SEF Platform from time to time. For executed Orders, the Audit Trail must record the execution date and time of the trade along with all execution information. Participants, Broker Firms, NPFCs and ISVs shall maintain Audit Trail information for a minimum of five (5) years following the expiration, termination, or cancellation of each SEF Contract and must have the ability to produce Audit Trail data in a standard format upon request of AEGIS-SEF. Such Audit Trail shall not be required for transactions conducted by an individual through the AEGIS SEF Platform.

4.15.2 **Electronic Communications Off-Platform.** AEGIS-SEF Order Book and RFQ methods of execution do not permit voice communication or voice brokerage by or between Participants, Authorized Users, Broker Firms, Customers, or ISVs, nor does the AEGIS-SEF Platform provide any electronic communication capability (i.e., email, instant messaging, text, chat or other electronic means). Participants, Authorized Users, Broker Firms, Customers, or ISVs that utilize electronic communication (including email, instant messaging, text, chat or other electronic means) for communication with other Participants, Authorized Users, Broker Firms, Customers, or ISVs are responsible for maintaining or causing to be maintained copies of all such electronic communications with respect to any requests for quotes, indications of interest and indicative pricing, bids/offers, Orders, trade confirmations, or other correspondence related to the AEGIS-SEF Platform, which shall

include Order notification, entry, modification, negotiation, and cancellation, as part of its requirement under Rule 4.15.1 to maintain an Audit Trail. Each Participant's, Broker Firm's Customer's, or ISV's Audit Trail shall include all such electronic communication and the dates and the times of such communications. Dates and times that are so captured must not be capable of being modified by the Person entering the electronic communication and must reflect all necessary data fields specified by the AEGIS-SEF Platform from time to time. AEGIS SEF Platform does not allow Participants, Authorized Users, Broker Firms, Customers, or ISVs to utilize electronic communications, for the purpose of communicating with other Participants, Authorized Users, Broker Firms, Customers, or ISVs with respect to any requests for quotes, indications of interest and indicative pricing, bids/offers, Orders, trade confirmations, or other correspondence related to the AEGIS-SEF Platform, except to the extent that such electronic communications are maintained, or caused to be maintained, in the requisite Audit Trail(s).

**4.15.3 Enforcement of audit trail requirements.** AEGIS-SEF shall enforce its audit trail and recordkeeping requirements through periodic reviews of all Participants, Authorized Users, Broker Firms, Customers, and ISVs subject to AEGIS-SEF's recordkeeping rules to verify their compliance with AEGIS-SEF's audit trail and recordkeeping requirements. Such reviews shall include, but are not limited to, reviews of randomly selected samples of front-end audit trail data for order routing systems; a review of the process by which user identifications are assigned and user identification records are maintained; a review of usage patterns associated with user identifications to monitor for violations of user identification rules; and reviews of account numbers and customer type indicator codes in trade records to test for accuracy and improper use. AEGIS-SEF shall establish a program for effective enforcement of its audit trail and recordkeeping requirements, which shall identify Participant, Broker Firms, Customers, Authorized Users, ISVs and any other Persons subject to AEGIS-SEF's recordkeeping rules that have failed to maintain high levels of compliance with such requirements, and impose meaningful sanctions when deficiencies are found. Sanctions shall be sufficient to deter recidivist behavior. No more than one warning letter shall be issued to the same person or entity found to have committed the same violation of audit trail or recordkeeping requirements within a rolling twelve-month period.

**4.15.4 CTI Codes.** Each Participant or Broker Firm must identify each SEF Contract executed on the AEGIS-SEF Platform on the record of SEF Contracts submitted to AEGIS-SEF with the correct CTI code. The CTI codes are as follows:

CTI 1: SEF Contracts initiated and executed by an individual Participant for his own account, for an account he controls or for an account in which he has ownership or financial interest;

CTI 2: SEF Contracts executed for the proprietary account of a Participant firm;

CTI 3: SEF Contracts where an individual Participant or Authorized User executes for the personal account of another individual Participant, for an account the other individual Participant controls or for an account in which the other individual Participant has ownership or financial interest;

CTI 4: Any transaction not meeting the definition of CTI 1, 2 or 3. (These should be customer transactions where neither customer is a Participant or Customer).

4.15.5 **AEGIS-SEF's Transaction History Database.** AEGIS-SEF's audit trail program shall include an electronic transaction history database, which includes a history of all indications of interest, requests for quotes, orders, and trades entered into AEGIS-SEF's Order Book or RFQ Function, including all order modifications and cancellations. An adequate transaction history database also includes:

(i) All data that are input into the trade entry system for an open transaction to be filled and executed;

(ii) The customer type indicator code; and

(iii) Timing and sequencing data adequate to reconstruct trading.

4.15.6 **Electronic analysis capability.** AEGIS-SEF's audit trail program shall include electronic analysis capability with respect to all audit trail data in the transaction history database. Such electronic analysis capability shall ensure that AEGIS-SEF has the ability to reconstruct indications of interest, requests for quotes, orders, and trades, and identify possible trading violations with respect to both customer and market abuse.

4.15.7 **Safe storage capability.** AEGIS-SEF's audit trail program shall include the capability to safely store all audit trail data retained in its transaction history database. Such safe storage capability shall include the capability to store all data in the database in a manner that protects it from unauthorized alteration, as well as from accidental erasure or other loss. Data shall be retained in accordance with the recordkeeping requirements of Core Principle 10 for swap execution facilities and the associated regulations in subpart K of Part 37 of CFTC Regulations.

#### **4.16 Information Regarding Orders.**

4.16.1 AEGIS-SEF will make information regarding Orders (including prices bid or offered), trades and any other matters it may deem appropriate available to Participants and other Persons at such times and in such manner (whether through AEGIS-SEF, financial information services or otherwise) as it may consider necessary or advisable from time to time.

4.16.2 Each Participant or other Person receiving any such information referred to in Rule 4.16.1 above shall not redistribute such information other than to the extent and in the manner as may be expressly permitted by AEGIS-SEF in writing from time to time.

#### **4.17 Disaster Recovery; Business Continuity.**

4.17.1 Each Participant shall have written disaster recovery and business continuity policies and procedures in place to ensure it is able to perform certain basic operational functions in the event of a significant internal or external interruption to its operations. At a minimum, the following areas must be addressed in the Participant's policies and procedures:

(a) the Participant must have procedures in place to allow it to continue to operate during periods of stress or to transfer accounts to another fully operational Participant with minimal disruption to the AEGIS-SEF Platform;

- (b) the Participant must perform periodic testing of disaster recovery and business continuity plans, duplication of critical systems at back up sites and periodic back-up of critical information and provide AEGIS-SEF with information regarding the foregoing upon request; and
- (c) the Participant must maintain and, at the request of AEGIS-SEF, provide accurate and complete information for its key personnel.

4.17.2 AEGIS-SEF may prescribe additional and/or alternative requirements for a Participant's compliance with this rule.

#### **4.18 Parts 43 and 45 Reporting.**

Pursuant to CFTC Regulations Section 37.900(b), AEGIS-SEF is "required to have the capacity to electronically capture and transmit electronically trade information with respect to transactions executed on the [AEGIS-SEF Platform]." Pursuant to CFTC Regulations Section 37.901(a), "with respect to swaps traded on or through [the AEGIS-SEF Platform]," AEGIS-SEF is required to "(a) [r]eport specified swap data as provided under part 43 and part 45 of this chapter."

Accordingly, AEGIS-SEF has entered into an agreement with DTCC, and AEGIS-SEF may enter into one or more agreements with one or more other Swap Data Repositories, and AEGIS-SEF will install the data collection and electronic transmission capability to allow AEGIS-SEF to timely collect and transmit to DTCC or another SDR: (i) under Part 43, all Swap Transaction and Pricing Data for each Publicly Reportable Swap Transaction, As Soon As Technologically Practicable after execution of each such Publicly Reportable Swap Transaction on the AEGIS-SEF Platform, and (ii) under Part 45, all Required Swap Creation Data for each swap executed on the AEGIS-SEF Platform or pursuant to the AEGIS-SEF Rulebook, by no later than the end of the next Business Day following the Execution Date of such swap.

##### **4.18.1 Part 43: Reporting of Swap Transaction and Pricing Data for each Publicly Reportable Swap Transaction Executed on the AEGIS-SEF Platform or Pursuant to the AEGIS-SEF Rulebook**

As a SEF, CFTC Regulations Section 43.3(a)(2) makes AEGIS-SEF responsible for reporting the Swap Transaction and Pricing Data for each Publicly Reportable Swap Transaction to an SDR under Part 43 As Soon As Technologically Practicable after execution of each such swap on the AEGIS-SEF Platform or pursuant to the AEGIS-SEF Rulebook. As "Swap Transaction and Pricing Data" is defined in Rule 1.133 of the AEGIS-SEF Rulebook, AEGIS-SEF is responsible for collecting the required data elements set forth in Appendix A to Part 43 for each Publicly Reportable Swap Transaction executed on the AEGIS-SEF Platform or pursuant to the AEGIS-SEF Rulebook, including, without limitation, "Execution timestamp," indicating the "date and time a transaction was originally executed, resulting in the generation of a new UTI; This data element remains unchanged throughout the life of the UTI."

As defined in Rule 1.104 of the AEGIS-SEF Rulebook, a "Publicly Reportable Swap Transaction" has the meaning set forth in CFTC Regulation §43.2, which says:

"(1) Unless otherwise provided in this part—

- (i) Any executed swap that is an arm's-length transaction between two parties that results in a corresponding change in the market risk position between the two parties; or

(ii) Any termination, assignment, novation, exchange, transfer, amendment, conveyance, or extinguishing of rights or obligations of a swap that changes the pricing of the swap.

(2) Examples of executed swaps that do not fall within the definition of publicly reportable swap may include:

(i) Internal swaps between one-hundred percent owned subsidiaries of the same parent entity;

(ii) Portfolio compression exercises; and

(iii) Swaps entered into by a derivatives clearing organization as part of managing the default of a clearing member.

(3) These examples represent swaps that are not at arm's length and thus are not publicly reportable swap transactions, notwithstanding that they do result in a corresponding change in the market risk position between two parties."

For each swap executed on the AEGIS-SEF Platform or pursuant to the AEGIS-SEF Rulebook that is also a "Publicly Reportable Swap Transactions," AEGIS-SEF will then be responsible for transmitting all the requisite data elements of Swap Transaction and Pricing Data for such swap to an SDR As Soon As Technologically Practicable. As defined in Rule 1.10 of the AEGIS-SEF Rulebook, "As Soon As Technologically Practicable" means "As defined in CFTC Regulation §43.2 and §45.1, as soon as possible, taking into consideration the prevalence, implementation, and use of technology by comparable market participants."

AEGIS-SEF will enter into an agreement with DTCC, and perhaps with one or more additional SDRs, which will give AEGIS-SEF the technical capability to capture and transmit electronically the Swap Transaction and Pricing Data for each such Publicly Reportable Swap Transaction to an SDR in the required time period, i.e., As Soon As Technologically Practicable after each such Publicly Reportable Swap Transaction has been executed on the AEGIS-SEF Platform or pursuant to the AEGIS-SEF Rulebook.

#### **4.18.2 Part 45: Reporting Required Swap Creation Data for each Swap Executed Using the AEGIS-SEF Platform**

As a SEF, CFTC Regulations Section 45.3(a) makes AEGIS-SEF responsible for reporting electronically to an SDR all Required Swap Creation Data, including all swap data elements shown in Appendix 1 to CFTC Regulations Part 45, for each swap executed on the AEGIS-SEF Platform or pursuant to the AEGIS-SEF Rulebook by no later than the end of the next Business Day following the Execution Date of such swap.

As "Required Swap Creation Data" is defined in Rule 1.110 of the AEGIS-SEF Rulebook, AEGIS-SEF is responsible for collecting the required data elements set forth in Appendix 1 to Part 45 for each Swap executed on the AEGIS-SEF Platform or pursuant to the AEGIS-SEF Rulebook, including, without limitation, (A) "Execution timestamp," indicating the "date and time a transaction was originally executed, resulting in the generation of a new UTI; This data element remains unchanged throughout the life of the UTI;" and (B) "Reporting timestamp," indicating the "date and time of the submission of the report to the trade repository."

All Required Swap Creation Data for any swap executed on the AEGIS-SEF Platform or pursuant to the AEGIS-SEF Rulebook shall be reported to a single SDR in the manner provided in Section 45.13(a) and 45.13(b), of the CFTC's Regulations, using the facilities, methods, and data standards of the SDR to which AEGIS-SEF reports, including complying with any swap data validation procedures applied by such SDR.

Each Participant posting a Bid or Offer (i.e., an open Order) on the Order Book or submitting an RFQ using the RFQ Function must provide to AEGIS-SEF sufficient information to enable AEGIS-SEF to report all Required Swap Creation Data with respect to any swap resulting from such Order or RFQ, including without limitation:

- (i) The Legal Entity Identifier of the Participant;
- (ii) A yes/no indication of whether the Participant is a Swap Dealer with respect to the product with respect to which the Order is placed;
- (iii) A yes/no indication of whether the Participant is a Major Swap Participant with respect to the product with respect to which the Order is placed;
- (iv) A yes/no indication of whether the Participant is a financial entity as defined in CEA Section (2)(h)(7)(C);
- (v) A yes/no indication of whether the Participant is a U.S. Person;
- (vi) For any SEF Contract that is intended to be a Hedging Contract, an indication of whether the Participant is: (A) a CEU that is eligible for the End-User Exception; (B) an Eligible Affiliate of a CEU that is eligible for the Hedging Affiliate Exception; or (C) a Pass-Through Swap Counterparty and the SEF Contract is a Pass-Through Swap; provided, further, that if the commodity underlying any such SEF Contract is, or becomes, subject to the trade execution requirement in CEA Section 2(h)(8) as a result of a "made available to trade" or other comparable determination, then such Participant shall be required to indicate whether it "has elected or will elect" the End-User Exception or the Hedging-Affiliate Exception, as applicable, with respect to such SEF Contract;
- (vii) All Collateral Data for the swap resulting from such Order or RFQ, which "Collateral Data" is defined in CFTC Regulations Section 45.1(a), Rule 1.30, and, more particularly, described in Appendix 1 to CFTC Regulations Part 45 (See also the related discussion of Collateral Data under Rule 4.18.6, Reporting of Required Swap Continuation Data under Section 45.4, in this Rulebook); and
- (viii) Any other information reasonably requested by AEGIS-SEF for such reporting.

AEGIS-SEF anticipates that most swaps executed on the AEGIS-SEF Platform or pursuant to the AEGIS-SEF Rulebook will involve a CEU, or an Eligible Affiliate of a CEU, entering into a SEF Contract with a Financial Counterparty in order to hedge a CEU's exposure to commercial risk, in which case the Financial Counterparty will be providing (i.e., dealing) with respect to such swap, in which case the Financial Counterparty will always be the Reporting Counterparty. With respect to any swap in which two CEUs, two Eligible Affiliates of a CEU, or one of each, are the counterparties to such swap or two Financial Counterparties are the counterparties to such swap, the counterparties may advise AEGIS-SEF which one of them is the Reporting Counterparty; provided, however, that absent such instruction from the counterparties, AEGIS-SEF shall use the information provided by each counterparty under the preceding paragraph to ascertain which of the two counterparties to any swap executed on the AEGIS-SEF Platform or

pursuant to the AEGIS-SEF Rulebook will be designated the Reporting Counterparty pursuant to the provisions of CFTC Regulations Section 45.8; provided, further, that in most circumstances, AEGIS-SEF anticipates that the counterparty that is not using such swap to hedge its exposure to commercial risk will be the Reporting Counterparty.

AEGIS-SEF acknowledges that pursuant to CFTC Regulation Section 45.10: “all swap transaction and pricing data and swap data for a given swap shall be reported to a single swap data repository, which shall be the swap data repository to which the first report of such data is made, unless the reporting counterparty changes the swap data repository to which such data is reported pursuant to paragraph (d) of this section.”

AEGIS-SEF will report all Required Swap Creation Data to a single SDR. In the event that an SDR ceases to operate, AEGIS-SEF will report to the successor.

Should AEGIS-SEF be notified that an SDR was unable to receive and hold in queue a Publicly Reportable Swap Transaction, AEGIS-SEF or the assigned reporting entity shall report the Swap Transaction and Pricing Data to the SDR immediately after the SDR has resumed normal operation.

AEGIS-SEF (or each third-party reporting entity under Rule 4.18.4) will transmit the actual notional or principal amount for all swaps executed on the AEGIS-SEF Platform, or pursuant to the AEGIS-SEF Rulebook, to a registered SDR that accepts swaps in the applicable asset class.

AEGIS-SEF shall have the authority to charge fees for any services provided pursuant to Rule 4.18; provided, however, that such fees shall be equitable and non-discriminatory.

#### **4.18.3 Part 45: Generating and Transmitting UTIs for each Swap Executed Using the AEGIS-SEF Platform**

In addition, CFTC Regulations Section 45.5(a) makes AEGIS-SEF responsible for creating a Unique Transaction Identifier (UTI) for each swap executed on the AEGIS-SEF Platform or pursuant to the AEGIS-SEF Rulebook. CFTC Regulations Section 45.5(a)(1) requires AEGIS-SEF to generate and assign a UTI to each such swap at, or As Soon As Technologically Practicable following, the time of execution of such swap and prior to reporting the Required Swap Creation Data to an SDR. This UTI shall consist of a single data element with a maximum length of 52 characters that contains two components:

- (i) AEGIS-SEF’s legal entity identifier (“LEI”), and
- (ii) an alphanumeric code generated and assigned by AEGIS-SEF, which shall be unique with respect to all such codes generated and assigned by AEGIS-SEF.

AEGIS-SEF is required by CFTC Regulations Section 45.5(f) to use the UTI generated with respect to each swap executed on the AEGIS-SEF Platform or pursuant to the AEGIS-SEF Rulebook in all of its records and all of its swap data reporting concerning such swap.

AEGIS-SEF is also obligated to transmit this UTI electronically to:

- (i) the SDR to which AEGIS-SEF reports the Required Swap Creation Data for such swap as part of that report; and
- (ii) to each counterparty to such swap As Soon As Technologically Practicable after Execution of such swap.



Further, to the extent the CFTC issues an order under CFTC Regulations Section 45.7 designating a unique product identifier and product classification system to be used in all recordkeeping and swap data reporting under Part 45, AEGIS-SEF shall implement and use such unique product identifier and product classification system in all its recordkeeping and swap data reporting under Part 45. Until such time as the CFTC so orders, AEGIS-SEF shall use the internal product identifier and product classification system, used by the SDR to which a swap is reported, in all recordkeeping and swap data reporting under Part 45 with respect to each such swap.

#### **4.18.4 Third-Party Reporting Under Parts 43 and 45**

AEGIS-SEF, under the authority granted to a SEF under CFTC Regulations Section 43.3(a)(7), can enter into one or more contracts with one or more third-parties to facilitate AEGIS-SEF's Part 43 reporting obligations under CFTC Regulations Section 43.3(a) for each swap executed on the AEGIS-SEF Platform or pursuant to the AEGIS-SEF Rulebook that is a Publicly Reportable Swap Transaction. In addition, AEGIS-SEF, under the authority granted to a SEF under CFTC Regulations Section 45.9, can enter into one or more contracts with one or more third-parties to facilitate the Part 45 reporting obligations for any Swap executed on the AEGIS-SEF Platform or pursuant to the AEGIS-SEF Rulebook under CFTC Regulations Section 45.3(a).

AEGIS-SEF offers each Financial Counterparty, with whom AEGIS-SEF enters into a Participant Agreement, and each NPFC that enters into a Broker Firm to NPFC Agreement, the right to elect to perform reporting to an SDR, on behalf of AEGIS-SEF under Rule 4.18.1 and Rule 4.18.2, of: (i) Swap Transaction and Pricing Data for each Publicly Reportable Swap under Part 43 and (ii) Required Swap Creation Data for each Swap under Part 45, with respect to each SEF Contract (including any Bespoke SEF Contract) executed from time to time by such Financial Counterparty on the AEGIS-SEF Platform or pursuant to the AEGIS-SEF Rulebook.

AEGIS-SEF shall ensure, as required by CFTC Regulations Section 45.5(g), that any such third-party performing the Part 45 reporting on behalf of AEGIS-SEF shall also generate the requisite UTI for each such swap using such third-party's LEI and an alphanumeric code that meets the CFTC's requirements for a UTI under CFTC Regulations Section 45.5. AEGIS-SEF shall also ensure that such third-party transmits the requisite UTI as follows:

- (i) to the SDR to which such third-party reports the Required Swap Creation Data for such swap as part of that report; and
- (ii) to AEGIS-SEF and each counterparty to such swap As Soon As Technologically Practicable after Execution of such swap.

Accordingly, pursuant to the authority granted to a SEF under CFTC Regulations Sections 43.3(a)(7) and 45.9, the Participant Agreements entered into between AEGIS-SEF and each Financial Counterparty, and the Broker Firm - NPFC Agreements entered into between any Broker Firm and each NPFC that elects to perform, in lieu of AEGIS-SEF as a SEF, reporting under CFTC Regulations Parts 43 and 45 and Rules 4.18.1 and 4.18.2, and to generate and transmit the requisite UTIs under CFTC Regulations Section 45.5 and Rule 4.18.3, will include the following Section 2.d (Note that each reference to "Financial Counterparty" or "Participant" in Section 2.d shown below would be changed to refer to "NPFC" in each applicable Broker Firm-NPFC Agreement):

**"d. Reporting of Uncleared Bilateral Swaps.** If so elected on page one of this Agreement, a Participant that is a Financial Counterparty, which agrees that if it is the Reporting Counterparty, then such Participant agrees with AEGIS-SEF with respect to each such Swap (each a **"Third-Party Reportable Swap"**), that:

- (i) Participant shall generate the requisite UTI for each such Third-Party Reportable Swap using such Participant's LEI and an alphanumeric code that meets the CFTC's requirements for a UTI under CFTC Regulations Section 45.5(a)(1), which UTI shall be generated at, or As Soon As Technologically Practicable following, the time of execution of such swap and prior to the reporting of Required Swap Creation Data for such swap. Participant further agrees that it shall transmit the requisite UTI as follows:
  - A. To the SDR to which Participant reports the Required Swap Creation Data for such Third-Party Reportable Swap, which shall be transmitted electronically not later than the end of the next business day following the execution date of such swap and which is included as data element #103 of that report under CFTC Regulations Section 45.5(a)(2)(i); and
  - B. To the non-reporting counterparty to such Third-Party Reportable Swap, which shall be transmitted electronically As Soon As Technologically Practicable after execution of such Third-Party Reportable Swap
- (ii) If a Participant (A) is a Financial Counterparty and a Reporting Counterparty with respect to any Swap executed on the AEGIS-SEF Platform or pursuant to the AEGIS-SEF Rulebook, (B) has elected on page one of this Agreement to perform the Parts 43 and 45 reporting and UTI creation and transmitting with respect to each such Swap under Section 2.d. of this Agreement, and (C) fails, with respect to any such Swap, to: (I) report Swap Transaction and Pricing Data for any such Swap that is a Publicly Reportable Swap in accordance with CFTC Regulations Part 43 Part 45 of CFTC Regulations, then (D) AEGIS-SEF shall perform any such reporting and/or UTI creation and transmittal, that such Participant failed to perform, and (E) such Participant shall indemnify and hold AEGIS-SEF harmless from any costs, losses, penalties or damages incurred by AEGIS-SEF as a result of any such failure by Participant to comply timely with its obligations under Section 2.d(i), (ii) or (iii), except to the extent arising, primarily, as a result of any failure or negligence on the part of AEGIS-SEF; and
- (iii) Financial Counterparty shall:
  - A. in all reports for any Third-Party Reportable Swap, when and as such reports under Section 2.d(i) and 2.d(ii) above are submitted to an SDR pursuant to CFTC Regulations Sections 43.3(a) and 45.3(a), include "ASEF" as the Platform Identifier and "TRUE" for SEForDCMIndicator to Part 43 and Part 45; and
  - B. if reporting to DTCC, include in all reports for any Third-Party Reportable Swap, when and as such reports under Section 2.d(i) and 2.d(ii) above are submitted to an SDR pursuant to CFTC Regulations Sections 43.3(a) and 45.3(a), "254900ZH79LFSDGGAC34" in Trade Party 1 – Execution Agent ID field to Part 43 and Part 45.
  - C. if reporting to CME, include in all reports for any Third-Party Reportable Swap, when and as such reports under Section 2.d(i) and 2.d(ii) above are submitted to an SDR pursuant to CFTC Regulations Sections 43.3(a) and 45.3(a), "254900ZH79LFSDGGAC34" in Execution Venue ID field to Part 43 and Part 45.

Each NPFC has the right to elect to perform the Parts 43 and 45 reporting requirements otherwise to be performed by AEGIS-SEF as a SEF under Rules 4.18.1 and 4.18.2. At the inception of third party reporting, AEGIS SEF will confirm the Financial Counterparty's Part 43 and Part 45 submissions at their SDR. In addition, from time to time, AEGIS-SEF may request copies of records from Financial Counterparties, who are not

already providing access to such Swap data to AEGIS-SEF, to ensure that Swap data is being reported timely and accurately by each such Financial Counterparty; the provisions of the FC Participant Agreement will obligate each electing Financial Counterparty to respond to data inquiries and to work with AEGIS-SEF in facilitating such requests.

Should such review of records determine reporting failures by a Financial Counterparty, AEGIS-SEF shall i) work with the Financial Counterparty to make necessary corrections, updates and improvements to its Swap data reporting, or ii) AEGIS-SEF may make the corrections itself.

If a Financial Counterparty fails multiple times to timely and accurately submit the requisite Swap data reports, AEGIS-SEF, at its option, may revoke a Financial Counterparty's reporting election under the terms of its Participant Agreement.

AEGIS-SEF may also consider other disciplinary action pursuant to its self-regulatory jurisdiction as a SEF for any failure by a Financial Counterparty to timely and accurately submit the required Swap data reports that AEGIS-SEF determines is a result of an intentional default, reckless disregard for its reporting obligations, or otherwise negligent behavior.

Depending on the facts and circumstances of such reporting failures, any such Financial Counterparty may also be suspended from accessing the AEGIS-SEF Platform as a consequence of such reporting failure(s).

#### **4.18.5 Public Dissemination under Part 43.**

Pursuant to CFTC Regulations Section 43.3(b)(1), an SDR is obligated to Publicly Disseminate the Swap Transaction and Pricing Data for a Publicly Reportable Swap, without disclosing the identities of the parties to such swap, As Soon As Technologically Practicable after the SDR receives such data from AEGIS-SEF (or any applicable third-party facilitating AEGIS-SEF in its reporting), unless such Swap Transaction and Pricing Data is subject to a time delay under CFTC Regulations Section 43.5. CFTC Regulations Section 43.5 provides certain delay times for Public Dissemination of Swap Transaction and Pricing Data for various types of Swap Transactions, so that the applicable Swap Transaction and Pricing Data is not to be Publicly Disseminated until the expiration of the appropriate time delay prescribed in paragraphs (d) through (h) of CFTC Regulations Section 43.5.

In accordance with Rule 4.11.1 of the AEGIS-SEF Rulebook, AEGIS-SEF does not currently allow Block Trades to be executed on its AEGIS-SEF Platform. In addition, no Required Transactions and no Package Transactions are currently allowed to be executed on the AEGIS-SEF Platform.

Nevertheless, pursuant to CFTC Regulations Section 43.3(b), AEGIS-SEF will not Publicly Disseminate, on the AEGIS-SEF website or otherwise, any Swap Transaction and Pricing Data regarding a Publicly Reportable Swap Transaction prior to the expiration of the appropriate time delay prescribed in paragraphs (d) through (h) of CFTC Regulations Section 43.5.

#### **4.18.6 Reporting of Required Swap Continuation Data under Section 45.4**

As described in this AEGIS-SEF Rulebook, AEGIS-SEF does not offer any SEF Contract that is a Required Transaction. Accordingly, the only swap transactions that will be executed using the AEGIS-SEF Platform will be SEF Contracts that are Permitted Transactions, which are uncleared bilateral swaps that are not intended to be cleared. As a result, the Reporting Counterparty for each such SEF Contract will be required to submit reports for all Required Swap Continuation Data related

to such swaps under CFTC Regulations Section 45.4.

CFTC Regulations Section 45.4 stipulates that all Required Swap Continuation Data for a SEF Contract must be reported to the same SDR to which Required Swap Creation Data was submitted and all reports thereafter during the life of any SEF Contract. Required Swap Continuation Data includes life-cycle event data, as defined in CFTC Regulations Section 45.1, or any successor regulation thereto, Valuation Data, Collateral Data, and any other data required to update the information reported as Required Swap Creation Data.

“Valuation Data” is defined in CFTC Regulations Section 45.1(a) and in Rule 1.137 of this Rulebook by reference to “the data elements necessary to report information about the daily mark of the transaction ... as specified in appendix 1 to this part.” (Emphasis added.) Based on the version of appendix 1 to CFTC Regulations Part 45 published in the Federal Register on November 25, 2020, “Valuation Data” required to be reported as Required Swap Creation Data is set forth in the following data elements set forth in appendix 1 to CFTC Regulations Part 45:

106 – Next floating reference reset date;

107 – Last floating reference value;

108 – Last floating reference reset date;

109 – Delta;

110 – Valuation amount;

111 – Valuation currency;

112 – Valuation method; and

113 - Valuation timestamp.

“Collateral Data” is defined in CFTC Regulations Section 45.1(a) and in Rule 1.30 of this Rulebook by reference to “the data elements necessary to report information about the money, securities, or other property posted or received by a swap counterparty to margin, guarantee, or secure a swap, as specified in appendix 1 to this part.” (Emphasis added.) Based on the version of appendix 1 to CFTC Regulations Part 45 published in the Federal Register on November 25, 2020, “Collateral Data” required to be reported as Required Swap Creation Data means the following data elements set forth in appendix 1 to CFTC Regulations Part 45:

114 – Affiliated counterparty for margin and capital indicator;

115 – Collateralisation category;

116 – Initial margin collateral portfolio code;

117 – Portfolio containing non-reportable component indicator;

118 – Initial margin posted by the reporting counterparty (post-haircut);

- 119 – Initial margin posted by the reporting counterparty (pre-haircut);
- 120 – Currency of initial margin posted;
- 121 – Initial margin collected by the reporting counterparty (post-haircut);
- 122 – Initial margin collected by the reporting counterparty (pre-haircut);
- 123 – Currency of initial margin collected;
- 124 – Variation margin collateral portfolio code;
- 125 – Variation margin posted by the reporting counterparty (pre-haircut);
- 126 – Currency of variation margin posted;
- 127 – Variation margin collected by the reporting counterparty (pre-haircut); and
- 128 – Currency of variation margin collected.

Pursuant to CFTC Regulations Section 45.4(c), Required Swap Continuation Data for any uncleared SEF Contract, whether or not the SEF Contract is executed on a SEF, will be reported to the relevant SDR by the Reporting Counterparty. Accordingly, AEGIS-SEF will have no obligation to fulfill any requirements to report Required Swap Continuation Data for any Participant, including Valuation Data and Collateral Data.

If AEGIS-SEF fulfills any requirements to report Required Swap Continuation Data for any Participant that is a Reporting Counterparty, such Participant will at all times remain responsible for the performance of any and all regulatory reporting requirements imposed on such Participant under Part 45 of the CFTC Regulations.

#### **4.18.7 Reporting of Cancellation and Correction Data**

Should a reporting entity to a swap become aware of an error or omission in the swap transaction or pricing data, either through its own initiative or through notice by the other party to the swap, the reporting party shall promptly submit corrected data to AEGIS-SEF; AEGIS-SEF (or the applicable third-party reporting entity) shall promptly submit corrected data to the same SDR or to the Commission as soon as technologically practicable after discovery of any such error or omission.

AEGIS-SEF (or the applicable third-party reporting entity) shall not submit or agree to submit a cancellation or correction for the purpose of re-reporting swap transaction and pricing data in order to gain or extend a delay in public dissemination of accurate swap transaction or pricing data or to otherwise evade the reporting requirements of Part 43 of the CFTC Regulations.

#### **4.19 *Publication of Trading Information.***

AEGIS-SEF will publish trading information as required by CEA Section 5h(f)(9) and CFTC Regulations Parts 16 and 37. If and to the extent required thereby, AEGIS-SEF shall make public: (i) daily information on Settlement Prices, volume, open interest, and opening and closing ranges for any actively traded SEF Contracts on the AEGIS-SEF Platform, and (ii) daily information on prices, volume,

and other relevant terms for each Bespoke SEF Contract executed that day using the RFQ Function on the AEGIS-SEF Platform. Such trading information will be published, in an anonymized form, on the AEGIS-SEF website at the end of the day.

**4.20 Trade Practice Surveillance, Market Monitoring and Financial Surveillance; Information Security; Business Continuity-Disaster Recovery Planning and Resources; and Anti-Money Laundering and Anti-Terrorism (KYC).**

AEGIS-SEF will perform trade practice surveillance, market monitoring, and financial surveillance, through its CCO and other AEGIS-SEF personnel as required by Core Principle 4, Monitoring of Trading and Trade Processing, Core Principle 5, Ability to Obtain Information, Core Principle 6, Position Limits or Accountability, and Core Principle 7, Financial Integrity of Transactions, of Section 5h of the CEA, and Subparts C through H of Part 37 of the CFTC Regulations.

AEGIS-SEF will maintain information security, and business continuity-disaster recovery planning and resources, in accordance with Core Principle 14, System Safeguards, of Section 5h of the CEA, and Subpart O – System Safeguards of Part 37 of the CFTC Regulations (17 C.F.R. Sections 37.1400 and 37.1401).

AEGIS-SEF will perform periodic (at least annually) testing of its surveillance systems, data privacy methods, and disaster recovery plan and will provide updates and improvements thereto from time to time based on the performance of such testing.

**Anti-Money Laundering and Anti-Terrorism.** Although AEGIS-SEF is not a party to any SEF Contract (or any Bespoke SEF Contract), it is, nevertheless, AEGIS-SEF's policy (a) not to engage in or knowingly assist any money laundering or other illicit business; and (b) not to engage in or knowingly assist, or be a conduit for, terrorist financing.

Accordingly, prior to execution of each SEF Contract (including any Bespoke SEF Contract) proposed to be executed using the AEGIS-SEF Platform, the Participants that are, or will be, counterparties under each such SEF Contract will be required to provide to AEGIS-SEF sufficient information relating to each Participant's counterparty, and Broker Firms will be required to provide to AEGIS-SEF sufficient information relating to any Broker Firm's Trading Customer's (that is not a NPFC) counterparty, for AEGIS-SEF to confirm that "know your customer" inquiries have been made and AEGIS-SEF may elect to conduct restricted list searches, including searches against the Specially Designated Nationals and Blocked Persons list maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury, with respect to each such counterparty.

## **SECTION V. CONTRACTS TO BE TRADED**

### **5.1 Listing Procedures for Participants Seeking to List a New SEF Contract.**

Pursuant to CFTC Regulations Section 37.4, AEGIS-SEF, acting on its own volition without any request from a Participant, may propose the listing of a swap as a SEF Contract on the AEGIS-SEF Platform, subject to complying with Rule 5.2 of the AEGIS-SEF Rulebook and to objectively justifiable commercial criteria. Any Participant may propose to AEGIS-SEF the listing of a swap as a SEF Contract on the AEGIS-SEF Platform by submitting a listing application to AEGIS-SEF. The President of AEGIS-SEF, whether acting on its own volition or in response to a request from a Participant, shall

have authority, subject to complying with Rule 5.2 and to objectively justifiable commercial criteria, to submit a proposed SEF Contract to the CFTC, either with a request for prior approval pursuant to CFTC Regulations Section 40.3, or with a self-certification pursuant to CFTC Regulations Section 40.2.

## **5.2 Swaps Not Readily Susceptible to Manipulation.**

Before the President of AEGIS-SEF submits a swap to the CFTC for prior approval or with a self-certification as a SEF Contract, the CCO of AEGIS-SEF shall determine that such swap is not readily susceptible to manipulation, and shall submit to the CFTC the information required by Appendix C to Part 38 of the CFTC's Regulations to show that such swap complies with the CFTC's Core Principle 3 for SEFs, namely that: "The swap execution facility shall permit trading only in swaps that are not readily susceptible to manipulation."

Accordingly, the CCO shall submit the following information required by Appendix C to Part 38 of the CFTC's Regulations in connection with each swap that AEGIS-SEF submits to the CFTC for prior approval, or with a self-certification, as a SEF Contract:

- (a) For cash-settled swaps, documentation demonstrating that the Settlement Price index is a reliable indicator of market values and conditions, is highly regarded by industry/market agents, and is publicly available on a timely basis;
- (b) Where an independent, private-sector third party calculates the referenced price index, verification that the third party utilizes business practices that minimize the opportunity or incentive to manipulate the cash Settlement Prices included in the index;
- (c) Any other available information demonstrating that the referenced price index calculation procedures safeguard against potential attempts to artificially influence the price, and a description of how the calculation procedures eliminate or reduce the impact of potentially unrepresentative data;
- (d) Appropriate speculative limits, if necessary, to prevent manipulation; and
- (e) Procedures for intraday market restrictions that pause or halt trading in the event of extraordinary price moves that may result in distorted prices.

## **SECTION VI. CODE OF CONDUCT**

### **Preamble**

This code of conduct defines and reaffirms the values, principles and internal controls that Participants, Authorized Users, Broker Firms, and Customers as applicable, must follow in conducting their business activities on the AEGIS-SEF Platform. This code of conduct is intended to complement the internal principles and practices of Participants, Authorized Users, Broker Firms, and Customers and to guide market participants as they submit bids and offers, execute SEF Contracts, and use other services on the AEGIS-SEF Platform. Compliance with this code helps ensure that activity on the AEGIS-SEF Platform is conducted with integrity. Violations of this code of conduct may result in penalties including, but not limited to, temporary or permanent loss of access to the AEGIS-SEF Platform.

## 6.1 ***Ethical Standards.***

Conducting trading activities in an honorable and principled manner consistent with this code is the essence of ethical conduct with respect to the AEGIS-SEF Platform. Participants, Authorized Users, Broker Firms, and Customers shall act in accordance with these standards of ethics with regard to its SEF Activity:

- 6.1.1 **Regulatory Compliance.** No Participant, Authorized User, Broker Firm, or Customer shall engage in conduct that is a violation of the CEA or CFTC Regulations, or the Rules. Each Participant, Authorized User, Broker Firm, or Customer will conduct its business in good faith, in accordance with all Applicable Laws, any applicable tariffs, and these Rules, and with a commitment to honest dealing.
- 6.1.2 **Fraud.** No Participant, Authorized User, Broker Firm, or Customer shall engage in any fraudulent act or engage in any scheme to defraud, deceive, trick or mislead in connection with or related to any SEF Activity.
- 6.1.3 **Good Faith.** No Participant, Authorized User, Broker Firm, or Customer shall knowingly enter, or cause to be entered, bids or offers into the system other than in good faith for the purpose of executing bona fide transactions.
- 6.1.4 **Transaction Integrity.** Participants, Authorized Users, Broker Firms, and Customers shall honor the terms and conditions of the Rules and SEF Requirements and will transact in SEF Contracts only for legitimate business purposes.
- 6.1.5 **Antitrust.** No Participant, Authorized User, Broker Firm, and Customers shall collude with other Persons to affect the price or supply of any commodity, allocate territories, customers or SEF Contracts, or otherwise unlawfully restrain competition.
- 6.1.6 **Risk Management.** Participants, Broker Firms, and NPFCs shall adopt, adhere to and enforce risk management and other policies and structures that are designed to ensure that trading activities are conducted in accordance with this Code.

## 6.2 ***Sound Trading Practices.***

Commodity markets reflect the constantly changing dynamics of supply and demand. Efficient business operations in such an environment demand practices that can manage risk and discover market prices. Such practices must be consistent with the guiding ethical standards of this code of conduct. Participants, Authorized Users, Broker Firms, and Customers will each act in accordance with these standards of sound trading practices with regard to its SEF Activity:

- 6.2.1 **Skills.** Each Participant, Authorized User, Broker Firm, and Customer is responsible for understanding all factors that influence commodity markets, in order to maintain a high level of competence in its trading. All Participants, Authorized Users, Broker Firms, and Customers must actively and continually work to upgrade their skills, knowledge, and expertise in order to maintain a high standard of professional knowledge.
- 6.2.2 **Rules.** AEGIS-SEF will provide updates to these Rules and memos regarding the application and interpretation of these Rules, including annual notices to all Participants, Authorized



Users, Broker Firms, and Customers describing Rule 6.2 prohibitions. It is the obligation of each Participant, Authorized User, and Broker Firm to ensure these documents are read and understood. It shall be prohibited for a Participant, Authorized User, Broker Firm, or Customer to violate any Rule or any agreement made with AEGIS-SEF, or to engage in fraud, dishonorable or dishonest conduct, or conduct which is inconsistent with just and equitable principles of trade.

- 6.2.3 **Price Manipulation, Fictitious, Non-Competitive or Artificial Transactions.** No Person shall effect or induce the purchase or sale of any SEF Contract for the purpose of creating or inducing a false, misleading, or artificial appearance of activity in such SEF Contract, or for the purpose of unduly or improperly influencing the market price of such SEF Contract or for the purpose of making a price which does not reflect the true state of the market in such SEF Contract. No Person shall arrange and execute simultaneous offsetting buy and sell Orders in a SEF Contract with intent to artificially affect reported revenues, trading volumes or prices.
- 6.2.4 **Market Manipulation.** No Person shall attempt to manipulate, or manipulate the market, in any SEF Contract. No Person shall directly or indirectly participate in or have any interest in the profit of a manipulative operation or knowingly manage or finance a manipulative operation. This includes any pool, syndicate, or joint account, whether in corporate form or otherwise, organized or used intentionally for the purposes of unfairly influencing the market price of any SEF Contract.
- 6.2.5 **Market Disruption.** Orders entered on the AEGIS-SEF Platform for the purpose of upsetting the equilibrium of the market in any SEF Contract or creating a condition in which prices do not or will not reflect fair market values are prohibited, and any Person 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 the AEGIS-SEF Platform.
- 6.2.6 **Spoofing.** No Person shall engage in spoofing, which is defined as submitting one or more Orders with the intent to show interest and then cancel such Order(s) before execution.
- 6.2.7 **Gratuities.** Except with the prior written approval of the Chief Compliance Officer, no Person shall, directly or indirectly, give or permit to be given anything of value, including gifts and gratuities, to a SEF Official in an amount that exceeds the maximum value permitted by AEGIS-SEF's gifts and entertainment policy.
- 6.2.8 **Disruptive Trading Practices.** No Person shall engage in any trading, practice, or conduct that constitutes a disruptive trading practice, as defined in CEA Section 4c(a)(5) (7 U.S.C. 6c(a)(5)), or in any interpretive guidance issued by the CFTC, such as 78 Fed. Reg. 31890.
- 6.2.9 **Rumors.** No Person shall knowingly circulate, in any manner, rumors that might affect market conditions in any SEF Contract; provided, however, that this shall not prohibit discussion of unsubstantiated information, so long as its source and unverified nature are disclosed.
- 6.2.10 **False Reports.** No Person shall make any knowing misstatement of a material fact to AEGIS-SEF, any SEF Official, or any Board committee or Disciplinary or Appeals Panel. No Person

shall knowingly disseminate false or misleading reports regarding SEF Contracts, AEGIS-SEF or one or more commodity markets.

- 6.2.11 **Wash Sales.** No Person shall place or accept buy and sell Orders in the same product and expiration month, when they know or reasonably should know that the purpose of the orders is to avoid taking a bona fide market position exposed to market risk (transactions commonly known or referred to as wash sales). Buy and sell Orders that are entered with the intent to negate market risk or price competition shall be deemed to violate the prohibition on wash sales. Additionally, no Participant shall knowingly execute or accommodate the execution of such Orders by direct or indirect means.
- 6.2.12 **Financial Condition.** No trading will be conducted for the purpose of misrepresenting the financial condition of the Participant, Authorized User, Broker Firm, or Customer.
- 6.2.13 **Acts Detrimental to the AEGIS-SEF Platform.** No Person shall engage in any act that is detrimental to the AEGIS-SEF Platform. Misuse of the AEGIS-SEF Platform is strictly prohibited. It shall be deemed an act detrimental to the AEGIS-SEF Platform to permit unauthorized use of the AEGIS-SEF Platform, to assist any Person in obtaining unauthorized access to the AEGIS-SEF Platform, to trade on the AEGIS-SEF Platform without an agreement and an established account, to alter the equipment associated with the AEGIS-SEF Platform (except with AEGIS-SEF's consent), to interfere with the operation of the AEGIS-SEF Platform, to intercept or interfere with information provided thereby, or in any way to use the AEGIS-SEF Platform in a manner contrary to the Rules.
- 6.2.14 **Supervision.** Participants and Broker Firms shall establish, maintain and administer reasonable supervisory procedures to monitor the compliance of Authorized Users and Supervised Persons with the Rules and any applicable provisions of the CEA or CFTC Regulations and such Participant or Broker Firm may be held accountable for the actions of such Authorized Users or Supervised Persons.
- 6.2.15 **Disclosing Order Information.** No Person shall disclose an Order to buy or sell, except to a designated SEF Official or the CFTC or as necessary to efficiently execute the Order nor shall any Person solicit or induce another Person to disclose Order information. No Person shall take action or direct another to take action based on non-public Order information, however acquired. The mere statement of opinions or indications of the price at which a market may open or resume trading does not constitute a violation of this rule.

### **6.3 *Priority of Customer Orders.***

- 6.3.1 No Person shall knowingly enter an Order into the AEGIS-SEF Platform for its own account, an account in which it has a direct or indirect financial interest, or an account over which it has discretionary trading authority, including, without limitation, an Order allowing discretion as to time and price, when such Person is in possession of a Customer Order that can be but has not been submitted to the AEGIS-SEF Platform.
- 6.3.2 For purposes of this Rule 6.3, a Person will not be deemed to knowingly buy or sell a SEF Contract or execute a discretionary Order if (i) such Person is a corporate or other legal entity consisting of more than one individual trader; (ii) such Person has in place appropriate "firewall" or separation of function procedures; and (iii) the Person or Authorized User

buying or selling the SEF Contract or executing the discretionary Order in question has no direct knowledge of the Order to buy or sell the same SEF Contract for any other Person at the same price or at the market price or of the Customer Order for the same SEF Contract, as the case may be.

#### **6.4 *Trading Against Customer Orders.***

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

#### **6.5 *Crossing Orders.***

6.5.1 Opposite Orders for different beneficial owners that are placed by a Person with discretion (including time and price discretion) over both accounts may be entered into the Order Book on the AEGIS-SEF Platform, as long as one Order is exposed for a minimum of five (5) seconds before the other Order is entered into the Order Book and offset against the first Order.

6.5.2 Independently initiated Orders on opposite sides of the market for different beneficial account owners that are immediately executable against each other may be entered without delay provided that the Orders did not involve pre- execution communications.

#### **6.6 *Withholding of Customer Orders Prohibited.***

No Broker Firm shall withhold or withdraw from the market any Customer Order, or any part of an Order, for the benefit of any Person other than the Customer.

#### **6.7 *Priority of Execution.***

6.7.1 Customer Orders must be entered into the AEGIS-SEF Platform as soon as practicable. A Broker Firm that receives a Customer Order that is not immediately entered into the AEGIS-SEF Platform must create a non-erasable record of the Order, including the Order instructions, account designation, date, time of receipt and any other information that may be required by AEGIS-SEF.

6.7.2 Customer Orders received by a Broker Firm shall be entered into the AEGIS-SEF Platform in the sequence received. Customer Orders that cannot be immediately entered into the AEGIS-SEF Platform must be entered when the Orders become executable in the sequence in which the Orders were received.

6.7.3 Nondiscretionary Customer Orders received by a Broker Firm shall be entered into the AEGIS-SEF Platform in the sequence in which they were received. Nondiscretionary Customer Orders that cannot be immediately entered into the AEGIS-SEF Platform must be entered when the Orders become executable in the sequence in which the Orders were received.

#### **6.8 *Responsibility for Customer Orders.***

- 6.8.1 A Broker Firm must exercise due care in the handling and execution of Customer Orders. In the case of a dispute as to whether a Broker Firm has exercised due care, AEGIS-SEF is authorized to determine whether the Broker Firm was negligent and, if applicable, whether an adjustment is owed to the Customer.
- 6.8.2 A Broker Firm may not directly or indirectly guarantee the execution of an Order or any of its terms such as the quantity or price and may only report an execution that has been effected on the AEGIS-SEF Platform, submitted as a Permitted Offline Transaction or pursuant to the Rules. This Rule 6.8 shall not be construed to prevent a Broker Firm from assuming or sharing in the losses resulting from an error or the mishandling of an Order.
- 6.8.3 A Broker Firm may not adjust the price at which an Order was executed or be held responsible for executing or failing to execute an Order unless such Broker Firm was negligent or is settling a bona fide dispute regarding negligence. Broker Firms shall document all adjustments. Broker Firms shall make and retain a record that contains the date the adjustment was made, the name of the Broker Firm making the adjustment, the account to which the adjustment was credited, the amount of the adjustment, the Order number, and the reason for the adjustment. Such records must be provided to AEGIS-SEF upon request.

**6.9 Money Passing, Pre-Arranged, Pre-Negotiated, Accommodation, Front-Running and Noncompetitive Trades Prohibited.**

- 6.9.1 No Person may enter Orders the purpose of which is to enter into Contracts without a net change in either party's open positions but a resulting profit to one party and a loss to the other party, commonly known as a "money pass."
- 6.9.2 No Person shall prearrange or pre-negotiate any purchase or sale or noncompetitively execute any SEF Contract, except as provided in Rule 6.9.3.
- 6.9.3 The foregoing restriction in Rule 6.9.2 shall not apply to Permitted Offline Transactions nor Error Trades.<sup>2</sup>
- 6.9.4 No Person shall make an accommodation trade whereby any purchase or sale of any SEF Contract enables a Participant to intentionally profit on a transaction.

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<sup>2</sup> The only Swaps that may be pre-arranged off-SEF and then executed on-SEF are Block Trades, Package Transactions, Permitted Offline Transactions, and Error Trades. However, because Block Trades and Package Transactions are not allowed to be traded on the AEGIS-SEF Platform or pursuant to the AEGIS-SEF Rulebook, the only Swaps that may be pre-arranged off the AEGIS-SEF Platform and then executed on the AEGIS-SEF Platform are Permitted Offline Transactions and Error Trades. See CFTC Regulations Section 37.9(a)(2)(i), which says: "Each Required Transaction that is not a **block trade** as defined in § 43.2 of this chapter shall be executed on a swap execution facility in accordance with one of the following methods of execution except as provided in paragraph (d) [for **Package Transactions**] or (e) [for **Error Trades**] of this section: (A) An Order Book as defined in § 37.3(a)(3); or (B) A Request for Quote System, as defined in paragraph (a)(3) of this section, that operates in conjunction with an Order Book as defined in § 37.3(a)(3)." See CFTC Regulations Section 37.9(c)(2), which says: "A swap execution facility may offer any method of execution for each Permitted Transaction."

6.9.5 No Person shall enter an order front-running another order, thereby taking a swaps position based upon material non-public information regarding an impending transaction by another person in the same or related swap either (i) in breach of a pre-existing duty (established by another law or rule, or agreement, understanding, or some other source), or (ii) when such material non-public information was obtained through fraud or deception.

**6.10 *Disciplinary Procedures; Termination of Connection.***

6.10.1 All access denials, suspensions, expulsions and other restrictions imposed upon a Participant, Authorized User, Broker Firm or Customer by AEGIS-SEF pursuant to Disciplinary Proceedings shall restrict with equal force and effect, access to, and use of, the AEGIS-SEF Platform. AEGIS-SEF will maintain all records of access denials, suspensions, expulsions and other restrictions imposed upon a Participant in accordance with Rule 2.7 (Maintenance of Books and records by AEGIS-SEF).

6.10.2 AEGIS-SEF, at its sole discretion, shall have the right to summarily terminate the connection of any Participant, Authorized User, Broker Firm or Customer or the access of any User ID to the AEGIS-SEF Platform. Additionally, AEGIS-SEF, at its sole discretion, shall have the right to direct a Participant or NPECP to immediately terminate access to the AEGIS-SEF Platform for any of such Participant's or NPECP's Authorized Users.

6.10.3 If a restriction is imposed upon any Participant, Authorized User, Broker Firm or Customer or if any such member has its access to the AEGIS-SEF Platform terminated, such Participant, Authorized User, Broker Firm, or Customer shall have a right to appeal such determination pursuant to Rule 7.16 (Appeal from Hearing Panel Decision).

**6.11 *Position Limits and Accountability.***

6.11.1 To reduce the potential threat of market manipulation or congestion, AEGIS-SEF shall adopt for each SEF Contract, as is necessary and appropriate, a table containing Position Limits, position accountability levels, and reportable levels (the "**Table**"). AEGIS-SEF hereby adopts the Commission's Position Limits for any SEF Contract for which the Commission has adopted a Position Limit.

6.11.2 A person seeking an exemption from position limits must apply to the Market Regulation Department on forms provided by AEGIS-SEF. In order to obtain an exemption from position limits, a person must:

1. Provide a description of the exemption sought, including whether the exemption is for bona fide hedging transactions or positions as defined in CFTC Regulation §150.1 (Bona fide hedging transaction or position), non-enumerated bona fide hedging transactions or positions, or spread positions;
2. Provide a complete and accurate explanation of the underlying exposure related to the exemption request;
3. Agree to promptly provide, upon request by the Market Regulation Department, information or documentation regarding the person's financial condition;

4. Agree to comply with all terms, conditions or limitations imposed by the Market Regulation Department with respect to the exemption;
5. Agree that the Market Regulation Department may, for cause, modify or revoke the exemption at any time;
6. Agree to initiate and liquidate positions in an orderly manner;
7. Agree to comply with all Exchange rules; and
8. Agree to promptly submit a supplemental statement to the Market Regulation Department whenever there is a material change to the information provided in the most recent application.

A person intending to exceed position limits, including limits established pursuant to a previously approved exemption, must file the required application and receive approval from the Market Regulation Department prior to exceeding such limits. However, a person who establishes a position in excess of position limits and files the required application for bona fide hedging transactions or positions or non-enumerated bona fide hedging transactions or positions with the Market Regulation Department shall not be in violation of this rule provided the filing occurs within five (5) business days after assuming the position except in circumstances where the Market Regulation Department requires a person to file prior to the fifth business day. An application filed after exceeding a limit must include an explanation of the sudden or unforeseen bona fide hedging need. In the event the positions in excess of the limits are not deemed to be exemption-eligible, the applicant and clearing firm will be in violation of speculative limits for the period of time in which the excess positions remained open.

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

Nothing in this rule shall in any way limit (i) the authority of AEGIS-SEF to take emergency action; or (ii) the authority of the Market Regulation Department to review at any time the positions owned or controlled by any person and to direct that such position be reduced to the position limit provided for in the Table.

A person who has received written authorization from the Market Regulation Department to exceed position limits must annually file an updated application not later than one year following the approval date of the most recent application. Failure to file an updated application will result in expiration of the exemption.

Bona Fide Hedging Transactions or Positions. The Market Regulation Department may grant exemptions from position limits for bona fide hedging transactions or positions as defined in CFTC Regulation §150.1. Approved bona fide hedgers may be exempted from AEGIS-SEF

emergency orders that reduce position limits or restrict trading.

Non-Enumerated Bona Fide Hedging Transactions or Positions. **1. Referenced Contracts (as defined in CFTC Regulation §150.1).** The Market Regulation Department may grant exemptions from the position limits for non-enumerated bona fide hedging transactions or positions. For the purposes of this rule, non-enumerated bona fide hedging transactions or positions must meet the definition of a bona fide hedging transaction or position in CFTC Regulation §150.1. Any position involving a commodity index contract and one or more referenced contracts will not be recognized as a bona fide hedging transaction or position pursuant to this Section.

**2. Contracts Not Subject to Federal Position Limits.** The Market Regulation Department may grant exemptions from the position limits for non-enumerated bona fide hedging transactions or positions which are held by or on behalf of an entity or an affiliate of an entity which typically buys, sells or holds positions in the underlying cash market, a related cash market, or a related over-the-counter market and for which the underlying market has a high degree of demonstrated liquidity relative to the size of the positions and where there exist opportunities for arbitrage which provide a close linkage between the futures or options market and the underlying market in question.

Any position involving swaps (excluding pass-through swaps) or commodity index contracts may be recognized as a bona fide hedging transaction or position pursuant to this Section.

Spread Positions. The Market Regulation Department may grant exemptions from the position limits for an intra-market spread, inter-market spread, intra-commodity spread, and inter-commodity spread, including calendar spread, quality spread, processing spread, product or by-product spread, or futures-options spread positions.

- 6.11.3 For any future SEF Contract subject to a position limit set by the CFTC, AEGIS-SEF shall (i) not set its position limit at a level higher than the CFTC's limit; and (ii) will monitor positions established on or through the AEGIS-SEF Platform for compliance with the limit set by the Commission and the limit, if any, set by AEGIS-SEF.
- 6.11.4 AEGIS-SEF will demonstrate compliance with Commission Regulation 37.600 for Permitted Transactions by sending the Commission a list of all Permitted Transactions traded on the AEGIS-SEF Platform.
- 6.11.5 Any Participant or Customer who exceeds an applicable AEGIS-SEF or Commission Position Limit by entering into a transaction on the AEGIS-SEF Platform shall be subject to the AEGIS-SEF disciplinary process in Section VII of this Rulebook. In addition, any Participant or Customer entering bids or offers, if accepted, which would cause that Participant or Customer to exceed the applicable AEGIS-SEF or Commission Position Limit, shall be subject to the AEGIS-SEF disciplinary process in Section VII of this Rulebook. Without limiting any provision of these Rules, AEGIS-SEF shall have the authority to obtain from any Participant or Customer, on request, information with respect to all positions of such Participant or Customer in SEF Contracts which are equivalent, for purposes of AEGIS-SEF or Commission Position Limits, to those transacted in by the Participant on the AEGIS-SEF Platform.

6.11.6 Each Participant or Customer required to file any report, statement, form or other information with the Commission pursuant to Commission Regulations concerning a Position Limit on any SEF Contract or commodity underlying a SEF Contract must simultaneously file a copy of such report, statement, form or other information with AEGIS-SEF. Such information shall include, for Participants who are Broker Firms, information concerning the Customers for which transactions are made on the AEGIS-SEF Platform.

**6.12 *Aggregation of Positions.***

For purposes of Rule 6.11, positions in SEF Contracts shall be aggregated as required under CFTC Regulations.

**6.13 *Information Disclosure and Documentation.***

6.13.1 Participants, Authorized Users, Broker Firms, and Customers shall provide information relating to SEF Contracts to regulators in compliance with all applicable rules and requirements and continue to cooperate with regulators as reasonably necessary to assist in their understanding of the markets.

6.13.2 Participants, Authorized Users, Broker Firms, and Customers shall ensure that any information disclosed to AEGIS-SEF is accurate and consistent. No existing or prospective Participant, Authorized User, Broker Firm and Customer shall make any false statements or misrepresentations in any application, report or other communication to AEGIS-SEF.

**6.14 *Compliance, Trade Practices Monitoring and Surveillance, and Markets Monitoring.***

6.14.1 Each Participant or Broker Firm is expected to have a compliance program commensurate with the size and scope of its trading activities on the AEGIS-SEF Platform and designed to ensure appropriate, timely and ongoing review of trading practices and compliance with the Rules. Each Participant and Broker Firm will act in accordance with these practices for compliance and monitoring with regard to its AEGIS-SEF Platform activity:

- (a) Provide for proper training of personnel on the provisions of the Rules.
- (b) Maintain internal policies and procedures to promote compliance with the Rules.
- (c) Promptly disclose to AEGIS-SEF the details of any violations of the Rules involving Participant's or Broker Firm's activities on the AEGIS-SEF Platform or provision of market information to AEGIS-SEF or any of its Affiliates.
- (d) Provide an environment that encourages employees to engage in safe and confidential discussions and to disclose to senior management any trading practices that might violate the Rules.
- (e) Require any consultant, contractor and/or subcontractor to disclose all financial affiliations and conflict of interests. Ensure that consultants, contractors or subcontractors do not cause any disclosure of information in violation of this code and that confidentiality agreements are in effect where appropriate.



- (f) Establish clear lines of accountability for trading practices, including provisions relating to the responsibilities of corporate officers, with appropriate oversight by the board of directors or other senior corporate management committee.
- 6.14.2 Pursuant to AEGIS-SEF's Compliance Manual, AEGIS-SEF shall perform trade practices monitoring and surveillance, in order to ensure that AEGIS-SEF establishes and enforces trading, trade processing, and participation rules that will deter abuses and give AEGIS-SEF the capacity to detect, investigate, and enforce those rules, including means to provide market participants with impartial access to the market and to capture information that may be used in establishing whether rule violations have occurred.
- 6.14.3 Pursuant to AEGIS-SEF's Compliance Manual, AEGIS-SEF shall perform market monitoring and surveillance in order to: (a) detect manipulation, price distortions and where possible, disruptions of the delivery or cash-settlement process; (b) monitor, detect and deter potential trade practice violations or market manipulation; (c) monitor, detect and investigate any anomalous behavior it observes in the trading or use of its SEF platform by Participants and NPECPs and compare the behavior of its Participants and NPECPs to behavior of Affiliates of Participants and NPECPs observed either on its SEF platform or through its monitoring of market data and news services to monitor, detect and deter potential trade practice violations or market manipulation; (d) review busted trades and any trades negotiated using the Order Book Function or the RFQ Function that are subsequently reversed or cancelled to determine whether they were executed pursuant to the CFTC Regulations and the AEGIS-SEF Rulebook or other applicable guidelines; and (e) use its Audit Trail data and other available information to review selected trades to determine whether they were executed in conformity with AEGIS-SEF's and the CFTC's applicable regulations and guidelines.

## **SECTION VII. DISCIPLINE AND ENFORCEMENT**

### **7.1 General.**

- (a) Participants, Broker Firms, Authorized Users, Customers, ISVs, and all other Persons within AEGIS-SEF's jurisdiction are subject to this Section VII if they are alleged to: (i) have violated; (ii) have aided and abetted a violation of; (iii) be violating; or (iv) be about to violate, any Rule of AEGIS-SEF.
- (b) Except when the Board reserves responsibility for an inquiry or investigation to itself or delegates its responsibility to a committee of the Board, AEGIS-SEF will conduct inquiries, investigations, Disciplinary Proceedings and appeals from Disciplinary Proceedings, summary impositions of fines, summary suspensions or other summary actions in accordance with this Section VII.
- (c) AEGIS-SEF may delegate any or all of its powers or responsibilities under this Section VII to the Market Regulation Department, which may take any actions on behalf of AEGIS-SEF that AEGIS-SEF is permitted to take hereunder. In the event of any such delegation, references to AEGIS-SEF in this Section VII shall be construed to be references to the Market Regulation Department. The Market Regulation Department will maintain an enforcement staff that will effectively and promptly prosecute violations in accordance with this Section VII. The enforcement staff may

not include persons that are associated with Participants using the AEGIS-SEF Platform or persons whose interests conflict with their enforcement duties; provided, further that CFTC Regulations Section 1.64(c) requires at least one member of each major disciplinary committee or hearing panel must be a person who is not a member of AEGIS-SEF whenever such committee or panel is acting with respect to a disciplinary action in which: (i) the subject of the action is a member of AEGIS-SEF's (A) Board of Directors, or (B) major disciplinary committee or (ii) any of the charged, alleged or adjudicated contract market rule violations involve: (A) manipulation or attempted manipulation of the price of a commodity, a futures contract or an option on a futures contract, or (B) conduct which directly results in financial harm to a non-member of the contract market. Further, a member of the enforcement staff may not operate under the direction or control of any Participant. Any reference to the Market Regulation Department in this Section VII shall also be a reference to the enforcement staff.

- (d) No member of the staff of AEGIS-SEF will interfere with or attempt to influence the process or resolution of any inquiry, investigation, Disciplinary Proceeding, appeal from a Disciplinary Proceeding, summary imposition of fines, summary suspension or other summary action. No member of the Board will interfere with or attempt to influence the process or resolution of any inquiry, investigation, Disciplinary Proceeding, appeal from a Disciplinary Proceeding, summary imposition of fines, summary suspension or other summary action with respect to which the Board member is not a member of the relevant Disciplinary Panel or Appeal Panel.
- (e) Upon being served with a notice of charges, the respondent may be represented by counsel or any other representative of its choosing, at its own expense, in all succeeding stages of the disciplinary process pursuant to this Section VII.
- (f) Pursuant to this Section VII, AEGIS-SEF may hold:
  - (i) a Participant, Broker Firm, Customer, Authorized User, ISV, and all other Persons within AEGIS-SEF's jurisdiction liable, and impose sanctions against any such Person, for such Person's own acts and omissions that constitute a violation of Applicable Law;
  - (ii) a Participant, Broker Firm, Customer, ISV, and all other Persons within AEGIS-SEF's jurisdiction liable, and impose sanctions against such Person, for the acts and omissions of each Authorized User authorized by, and each other agent or representative of, such Person that constitute a violation of Applicable Law as if such violation were that of the Person;
  - (iii) an Authorized User liable, and impose sanctions against him or her, for such Authorized User's own acts and omissions that constitute a violation of Applicable Law; and
  - (iv) an Authorized User liable, and impose sanctions against him or her, for the acts and omissions of each agent or representative of such Authorized User that constitute a violation of Applicable Law as if such violation were that of the Authorized User.

- (g) The Board shall appoint individuals on Disciplinary Panels and Appeal Panels at the recommendation of the Chief Compliance Officer to serve for a term of one year subject to reappointment, removal or replacement by the Board. The term of an individual selected as a member of a Disciplinary Panel or an Appeal Panel will not expire until the relevant Disciplinary Proceedings are complete.

## **7.2 *Inquiries and Investigation.***

- (a) The Market Regulation Department will investigate any matter within AEGIS-SEF's disciplinary jurisdiction that is brought to the attention of the Market Regulation Department. An investigation must be commenced upon the receipt of a request from the CFTC staff or upon the discovery or receipt of information by AEGIS-SEF that, in the judgment of the Market Regulation Department, indicates a possible basis for finding that a violation has occurred or will occur. The Market Regulation Department will determine the nature and scope of its preliminary inquiries and investigations within its sole discretion. As part of its contractual services, the NFA's Market Regulation Department will perform T+1 Trade Practice Surveillance and Market Surveillance investigations. The AEGIS-SEF Market Regulation Department reserves the right to contract additional services to the NFA to adjudicate matters that are presented to disciplinary panels.
- (b) The Market Regulation Department has the authority to:
  - (i) initiate and conduct preliminary inquiries and investigations;
  - (ii) prepare investigative reports and make recommendations concerning the initiation of Disciplinary Proceedings;
  - (iii) prosecute alleged violations within AEGIS-SEF's disciplinary jurisdiction; and
  - (iv) represent AEGIS-SEF on appeal from any Disciplinary Proceeding, summary imposition of fines, summary suspension or other summary action.
- (c) Each Participant, Broker Firm, ISV, Authorized User and any other Person subject to AEGIS-SEF's jurisdiction:
  - (i) is obligated to appear and testify and respond in writing to inquiries within the time period required by the Market Regulation Department in connection with: (A) any SEF Business or Rule of AEGIS-SEF; (B) any preliminary inquiry or investigation; or (C) any preparation by and presentation during a Disciplinary Proceeding or appeal from a decision in a Disciplinary Proceeding, summary imposition of fines, summary suspension or other summary action by AEGIS-SEF;
  - (ii) is obligated to produce books, records, papers, documents or other tangible evidence in its, his or her possession, custody or control within the time period required by the Market Regulation Department specifically in connection with (A) any Rule of AEGIS-SEF; (B) any inquiry or investigation; or (C) any preparation by and presentation during a Disciplinary Proceeding

or appeal from a decision in any Disciplinary Proceeding, summary imposition of fines, summary suspension or other summary action by AEGIS-SEF; and

- (iii) may not impede or delay any preliminary inquiry, investigation, Disciplinary Proceeding, appeal from a Disciplinary Proceeding, summary imposition of fines, summary suspension or other summary action.

### **7.3 Reports of Investigations.**

- (a) The Market Regulation Department will maintain a log of all investigations and their disposition. The Market Regulation Department will prepare a written report of an investigation for the Chief Compliance Officer when the evidence gathered during any inquiry or investigation forms a reasonable basis to believe that a violation within AEGIS-SEF's jurisdiction has occurred or is about to occur. Any such written investigation report will include the following information:
  - (i) the reason(s) for initiating the investigation;
  - (ii) a summary of the complaint, if any;
  - (iii) all relevant facts and evidence gathered;
  - (iv) the Market Regulation Department's analysis and conclusions; and
  - (v) the recommendation of the Market Regulation Department as to whether disciplinary action should be pursued.
- (b) For each potential respondent, the Market Regulation Department will recommend any one of the following actions:
  - (i) closing the investigation without further action;
  - (ii) resolving the investigation through an informal disposition, including the issuance of a warning letter; or
  - (iii) initiating Disciplinary Proceedings.
- (c) If the Market Regulation Department determines that no reasonable basis exists for finding a violation, then the written investigation report will include the following information:
  - (i) the reasons for initiating the investigation;
  - (ii) if the investigation was initiated by a complaint from a market participant or regulator, a summary of the complaint;
  - (iii) all relevant facts and evidence gathered; and
  - (iv) the Market Regulation Department's analysis and conclusions.

- (d) After reviewing the Market Regulation Department's written investigation report, the Chief Compliance Officer will either:
  - (i) decline to forward the investigative report to a Review Panel for further review;
  - (ii) forward the investigative report to a Review Panel for further review without a recommendation regarding the initiation of Disciplinary Proceedings; or
  - (iii) forward the investigative report to a Review Panel for further review with a recommendation to initiate Disciplinary Proceedings.
- (e) Each Market Regulation Department investigation must be completed in a timely manner. Absent mitigating factors, a timely manner is no later than twelve (12) months after the date that an investigation is opened. Mitigating factors that may reasonably justify an investigation taking longer than twelve (12) months to complete include the complexity of the investigation, the number of firms or individuals involved as potential wrongdoers, the number of potential violations to be investigated, and the volume of documents and data to be examined and analyzed.
- (f) In addition to any of the actions permitted pursuant to this Rule 7.3, the Market Regulation Department may issue a warning letter to the potential respondent. Such warning letter, if issued, shall not be construed as a penalty or an indication that a finding of a violation has been made. A copy of such warning letter that is issued shall be included in the investigation report of such potential respondent. No more than one warning letter for the same potential violation may be issued to the same potential respondent during any rolling twelve (12) month period.

#### **7.4 *Review of Investigative Reports.***

- (a) The Review Panel shall review the written investigation reports prepared by the Market Regulation Department to determine whether further action with respect to the matters discussed therein is required.
- (b) The Review Panel will review each completed investigation report promptly after receipt thereof and, within twenty (20) days of such receipt, take one of the following actions:
  - (i) If the Review Panel determines that additional investigation or evidence is needed, the Review Panel shall promptly direct the Market Regulation Department to conduct such further investigation;
  - (ii) If the Review Panel determines that no reasonable basis exists for finding a violation or that prosecution is otherwise unwarranted, the Review Panel may direct that no further action be taken. Such determination must be in writing, and must include a written statement setting forth the facts and analysis supporting the decision; or

- (iii) If the Review Panel determines that a reasonable basis exists for finding a violation and adjudication is warranted, it must direct that the person or entity alleged to have committed the violation be served with a notice of charges.
- (c) Any member of the Review Panel must promptly recuse himself or herself and notify the Chief Compliance Officer of the recusal if such member has a relationship of a type listed in Rule 2.6.1 with a potential respondent in an investigative report.
- (d) The Review Panel shall be comprised of three members. Furthermore, no group or class of participants may dominate or exercise disproportionate influence on a Review Panel. In addition, the Review Panel must not include any members of the Market Regulation Department or any person involved in adjudicating any other stage of the same proceeding. No member of the Review Panel may participate in deliberations or voting on any matter in which he or she has a financial, personal or other direct interest. A Review Panel may not include any members of the Market Regulation Department or any person involved in adjudicating any other stage of the same proceeding. If a vacancy shall occur on a Review Panel after it has begun its proceedings, the remaining members shall complete consideration and disposition of the matter. Once a Review Panel has determined the matter for which it was appointed and has notified the Chief Compliance Officer in writing of its decision, it shall be dissolved automatically. Except as may otherwise be provided in these rules the Board may, at any time, with or without cause, remove any member of a Review Panel.

#### **7.5 Notice of Charges.**

- (a) If the Review Panel authorizes Disciplinary Proceedings pursuant to Rule 7.4, the Market Regulation Department will prepare, and serve in accordance with Rule 7.7, a notice of charges.
- (b) A notice of charges must:
  - (i) adequately state the acts, practices or conduct that the respondent is alleged to have engaged in;
  - (ii) state the provision(s) of Applicable Law alleged to have been violated or about to be violated;
  - (iii) advise the respondent of its right to a hearing and its right to counsel;
  - (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 twenty (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 a failure to answer or to expressly deny a charge may be deemed to be an admission of such charge.
- (c) Upon being served with a notice of charges, the respondent has the right to be represented by legal counsel or any other representative of its choosing in all succeeding stages of the Disciplinary Proceedings, other than a Director, member of an applicable Disciplinary Panel, SEF employee or other person substantially related to the underlying investigation.

#### **7.6 Answer to Notice of Charges.**

- (a) If the respondent determines to answer a notice of charges, the respondent must file a written answer within twenty (20) days after being served with such notice, or within such later time period determined appropriate by the chairperson of the Review Panel.
- (b) To answer a notice of charges, the respondent must in writing:
  - (i) specify the allegations that the respondent denies or admits;
  - (ii) specify the allegations that the respondent does not have sufficient information to either deny or admit;
  - (iii) specify any specific facts that contradict the notice of charges;
  - (iv) specify any affirmative defenses to the notice of charges; and
  - (v) sign and serve the answer on the Hearing Panel.
- (c) Any failure by the respondent to timely serve a written answer to a notice of charges will be deemed to be an admission to the allegations in such notice. Any failure by the respondent to answer or expressly deny one or more allegations in a notice of charges will be deemed to be an admission of that allegation or those allegations. A general denial by the respondent, without more, will not satisfy the foregoing requirements.
- (d) If a respondent admits or fails to specifically deny any of the allegations in the notice of charges, the Hearing Panel shall find that such violations set forth in such allegations have been committed and shall impose a sanction for each such violation. The Hearing Panel shall promptly notify the respondent in writing of any sanction to be imposed pursuant to this Rule 7.6(d) and advise the respondent that it may request a hearing on such sanction within the time period specified in the notice. The failure to request such a hearing within such time period shall be deemed to constitute an acceptance of such sanction. Any hearing pursuant to this Rule 7.6(d) shall be concerned only with the sanction(s) imposed by the Hearing Panel pursuant to this Rule 7.6(d).

#### **7.7 Service of Notice of Charges.**

Any notice of charges or other documents contemplated to be served pursuant to this Section VII may be served upon the respondent either personally or by leaving the same at his or her place of business or by deposit with the United States post office, postage prepaid via registered or certified mail addressed to the respondent at the address as it appears on the books and records of AEGIS-SEF.

#### **7.8 Settlements.**

- (a) At any time after a notice of charges has been issued, the respondent may propose in writing an offer of settlement to anticipated or instituted Disciplinary Proceedings. Any offer of settlement must contain proposed findings and sanctions and be signed by the respondent or potential respondent and submitted to the Market Regulation Department. A respondent or potential respondent may offer to settle Disciplinary Proceedings without admitting or denying the findings contained in the order of the Disciplinary Proceedings, but must accept the jurisdiction of AEGIS-SEF over it and over the subject matter of the proceedings and consent to the entry of the findings and sanctions imposed under such offer of settlement.
- (b) The Review Panel or Hearing Panel, as applicable, may accept the offer of settlement, but may not alter the terms of a settlement offer unless the respondent or potential respondent agrees.
- (c) If an offer of settlement is accepted, the Review Panel or Hearing Panel, as applicable, must issue a written decision specifying the rule violations that the presiding panel has reason to believe were committed, including the basis or reasons for the presiding panel's conclusions, and any sanction to be imposed, which shall include full Customer restitution where Customer harm is demonstrated. Should an offer of settlement be accepted by the Hearing Panel without the agreement of the Market Regulation Department, such written decision must adequately support the Hearing Panel's acceptance of the settlement. If applicable, such written decision must also include a statement that the respondent has accepted the sanctions imposed without either admitting or denying the rule violations.
- (d) The respondent or potential respondent may withdraw his or her offer of settlement at any time before final acceptance by the presiding panel.
- (e) If the offer of settlement of a respondent or potential respondent is not accepted, fails to become final or is withdrawn before final acceptance by the presiding panel, the matter will proceed as if the offer had not been made and the offer (and all documents relating to it) will not become part of the record. Neither the respondent, the potential respondent, nor the Market Regulation Department may use an unaccepted offer of settlement as an admission or in any other manner at a hearing of, or appeal from, any Disciplinary Proceedings.
- (f) Any accepted settlement agreement shall include a waiver by the respondent of all rights to appeal or otherwise challenge or contest the validity of the settlement offer.

#### **7.9 Hearing Panel.**



- (a) The Board will appoint a Hearing Panel to conduct hearings in connection with any Disciplinary Proceedings authorized by a Review Panel, to make findings and impose sanctions pursuant to this Section VII.
- (b) The Hearing Panel shall be comprised of three members. The chair of the Hearing Panel shall be appointed by the Board. No group or class of participants may dominate or exercise disproportionate influence on a Hearing Panel, and no member of the Hearing Panel may participate in deliberations or voting on any matter in which he or she has a financial, personal or other direct interest. A Hearing Panel may not include any members of the Market Regulation Department or any person involved in adjudicating any other stage of the same proceeding. If a vacancy shall occur on a Hearing Panel after it has begun its proceedings, the remaining members shall complete consideration and disposition of the matter. Once a Hearing Panel has determined the matter for which it was appointed and has notified the Chief Compliance Officer in writing of its decision, it shall be dissolved automatically. The Board may, at any time remove any member of a Hearing Panel for cause.
- (c) Any of the functions of AEGIS-SEF or the Hearing Panel under this Section VII may be performed by a Regulatory Service Provider pursuant to a delegation of such functions by AEGIS-SEF, and references to the Review Panel, the Hearing Panel or the Market Regulation Department, as appropriate, shall be deemed to be references to such Regulatory Service Provider. Nevertheless, AEGIS-SEF will retain exclusive authority in all substantive decisions made by any Regulatory Service Provider, including, but not limited to, denials of access to the AEGIS-SEF Platform for disciplinary reasons. AEGIS-SEF will document any instances where its actions differ from those recommended by the Regulatory Service Provider.
- (d) Within ten days of being notified of the appointment of a Hearing Panel, a respondent may seek to disqualify any individual named to the Hearing Panel for the reasons identified in Rule 2.6.1, or for any other reasonable grounds, by serving written notice on the General Counsel and providing a copy thereof to the Hearing Panel. By not timely filing a request for disqualification, the respondent will be deemed to have waived any objection to the composition of a Hearing Panel. The General Counsel will decide the merits of any request for disqualification within his or her sole discretion. Any such decision will be final and not subject to appeal.

**7.10 Convening Hearings of Disciplinary Proceedings.**

- (a) All Disciplinary Proceedings (except for summary impositions of fines pursuant to Rule 7.17) will be conducted at a hearing before a Hearing Panel. A hearing will be conducted privately and confidentially unless the Hearing Panel decides that the hearing, or any part of it, should be held in public after giving each respondent the opportunity to present its, his or her views on holding a public hearing. Notwithstanding the confidentiality of hearings, a Hearing Panel may appoint an expert to attend any hearing and assist in deliberations if such expert agrees to be subject to an appropriate confidentiality agreement.

- (b) After reasonable notice to each respondent, the Hearing Panel will promptly convene a hearing to conduct Disciplinary Proceedings with respect to such respondent. Parties to a Disciplinary Proceeding include each respondent and the Market Regulation Department. The hearing shall be conducted before members of the Hearing Panel. If the respondent has requested a hearing, a copy of the hearing shall be made and shall become a part of the record of the proceeding. The record shall not be required to be transcribed unless: (i) the transcript is requested by Commission staff or the respondent; (ii) the decision is appealed pursuant to AEGIS-SEF's rules; or (iii) the decision is reviewed by the Commission pursuant to Section 8c of the CEA or Part 9 of the Commission's Regulations. In all other instances, a summary record of a hearing is permitted.
- (c) The chairman of the Hearing Panel may continue, adjourn or otherwise conduct the hearing as he or she may deem appropriate. The chairman of the Hearing Panel will determine all procedural and evidentiary matters, including the admissibility and relevance of any evidence proffered. In determining procedural and evidentiary matters, the chairman of the Hearing Panel will not be bound by any evidentiary or procedural rules or law; nevertheless, the procedures for the hearing may not be so informal as to deny a fair hearing. Once admitted during the hearing, the Hearing Panel may consider, and attach the weight it believes appropriate to, evidence or other materials. AEGIS-SEF will provide guidance to the chairman of the Hearing Panel on the conduct of the hearing.
- (d) Except for procedural and evidentiary matters decided by the chairman of the Hearing Panel pursuant to paragraph (c) above and Rule 7.11, unless each respondent otherwise consents, the entire Hearing Panel must be present during the entire hearing and any related deliberations.

**7.11 Respondent Review of Evidence.**

- (a) Prior to the commencement of a hearing, each respondent will be given the opportunity to review all books, records, documents, papers, transcripts of testimony and other evidence in the possession or under the control of AEGIS-SEF that the Market Regulation Department will use to support the allegations and proposed sanctions in the notice of charges or which the chairman of the Hearing Panel deems relevant to those charges. Notwithstanding the foregoing, no respondent will have the right to review, and AEGIS-SEF will have no obligation to disclose, any information protected by attorney-client privilege.
- (b) If any books, records, documents, papers, transcripts of testimony or other tangible evidence contain information that could adversely affect the competitive position of the Person providing the information or if such information might compromise other investigations being conducted by the Market Regulation Department, the Market Regulation Department may redact, edit or code such information before furnishing it to the respondent.
- (c) Notwithstanding anything in paragraph (b) above to the contrary, the Market Regulation Department:

- (i) will not redact, edit or code competitive or investigative information contained in documents in a manner that would impair the respondent's ability to defend against the allegations or proposed sanctions in the notices of charges, and
  - (ii) will provide the respondent with access to the information and portions of the documents that the Market Regulation Department intends to rely on to support the allegations or proposed sanctions in the notice of charges or that are relevant to those charges.
- (d) For purposes of this Rule 7.11, information that could adversely affect competitive positions includes positions in SEF Contracts currently held, trading strategies employed in establishing or liquidating positions, the identity of Customers, and the personal finances of the Person providing the information.
- (e) Unless indicated otherwise by the chairman of the Hearing Panel, all such requests for access to information identified in Rule 7.11(a) must be made not less than ten (10) days prior to the scheduled hearing date.

**7.12 Conducting Hearings of Disciplinary Proceedings.**

- (a) At a hearing conducted with a Hearing Panel, the Market Regulation Department will present its case supporting the allegations and proposed sanctions in the notice of charges to the Hearing Panel. The respondent is entitled to appear personally and participate in the hearing.
- (b) At a hearing conducted with a Hearing Panel, the Market Regulation Department and each respondent may:
- (i) present evidence and facts deemed relevant and admissible by the chairman of the Hearing Panel;
  - (ii) call and examine witnesses (including, but not limited to, employees or agents of AEGIS-SEF that form part of the Market Regulation Department); and
  - (iii) cross-examine witnesses called by other parties.
- (c) If a respondent has failed to timely file a written answer to a notice of charges but appears at the hearing, the respondent may not participate in the hearing (except for a hearing pursuant to Rule 7.6(d)) unless the Hearing Panel determines that the respondent had a compelling reason for failing to timely file an answer. If the Hearing Panel determines that the respondent had a compelling reason for failing to timely file an answer, the Hearing Panel will adjourn the hearing and direct the respondent to promptly file a written answer in accordance with Rule 7.6.
- (d) Any person entitled, required, or called upon to attend a hearing before a Hearing Panel pursuant to paragraph (b)(ii) above will be given reasonable notice, confirmed in writing, specifying the date, time, and place of the hearing, and the caption of the

Disciplinary Proceedings. AEGIS-SEF will require persons within its jurisdiction that are called as witnesses to appear at the hearing and produce evidence, and will make reasonable efforts to secure the presence of all other persons called as witnesses whose testimony would be relevant.

- (e) If, during any Disciplinary Proceedings, the Hearing Panel determines that a reasonable basis exists to believe that the respondent violated, or is about to violate, a Rule of AEGIS-SEF or a provision of Applicable Law other than the violations alleged in the notice of charges, the Hearing Panel may consider those apparent violations after providing the respondent with an opportunity to answer the additional allegations in accordance with Rule 7.6. In connection with considering apparent violations pursuant to this paragraph (e), the Hearing Panel may request that the Market Regulation Department provide the Hearing Panel with any additional information.
- (f) The Hearing Panel may summarily impose sanctions on any Participant, Broker Firm, ISV, Authorized User, or other Person within AEGIS-SEF's jurisdiction whose actions impede the progress of a hearing.
- (g) AEGIS-SEF will arrange for any hearing conducted in connection with Disciplinary Proceedings to be recorded verbatim, or substantially verbatim, in a manner capable of accurate transcription, and a copy of such recordings shall become a part of the record of such proceedings. If the respondent requests a copy of all or portions of the recording of a hearing, the chairman of the Hearing Panel may, within his or her sole discretion, order the respondent to pay the costs for transcribing the recording of the hearing.
- (h) No interlocutory appeals of rulings of any Hearing Panel, or chairman of the Hearing Panel, are permitted.

### **7.13 Decision of Hearing Panel.**

- (a) Promptly following a hearing, the Hearing Panel will render a written decision based on the weight of the evidence contained in the record of the Disciplinary Proceedings. A decision by a majority of the Hearing Panel will constitute the decision of the Hearing Panel.
- (b) AEGIS-SEF will serve a copy of the written decision on the respondent and the Market Regulation Department. The written decision will include the following information:
  - (i) the notice of charges or a summary of the charges;
  - (ii) the answer, if any, or a summary of the answer;
  - (iii) a summary of the evidence introduced at the hearing or, where appropriate, incorporation by reference of the investigation report;

- (iv) a statement of findings and conclusions with respect to each charge, and a complete explanation of the evidentiary and other bases for such findings and conclusions with respect to each charge;
  - (v) an indication of each specific rule that the respondent was found to have violated; and
  - (vi) a declaration of all sanctions imposed against the respondent, including the basis for such sanctions and the effective date of such sanctions.
- (c) Unless a timely notice of appeal is filed pursuant to Rule 7.16, the order of the Disciplinary Proceedings will become final upon the expiration of 20 days after the order is served on the respondent and a copy thereof is provided to the Market Regulation Department.

#### **7.14 Sanctions.**

- (a) After notice and opportunity for hearing in accordance with these rules and CFTC Regulations Section 37.206, AEGIS-SEF will impose sanctions if a Participant, Broker Firm, ISV, Authorized User, or other Person within AEGIS-SEF's jurisdiction is found to have violated any Applicable Law. Disciplinary sanctions imposed by AEGIS-SEF shall be commensurate with the violations committed, and shall be clearly sufficient to deter recidivism or similar violations by other market participants. In addition, the respondent's disciplinary history will be taken into account in determining the appropriate sanction, including where the sanction imposed is pursuant to an accepted settlement offer. In the event of demonstrated customer harm, any disciplinary sanction shall also include full customer restitution, except where the amount of restitution or to whom it should be provided cannot be reasonably determined.
- (b) AEGIS-SEF may deny, suspend, or permanently bar a Person's access to the AEGIS-SEF Platform pursuant to disciplinary measures or emergency action upon such Person's breach of any Rules outlined in this AEGIS-SEF Rulebook; provided that any decision to deny, suspend, or permanently bar a Person's access to the AEGIS-SEF Platform shall be impartially enforced and not be put into effect while such Person is involved in any live trade on the AEGIS-SEF Platform. AEGIS-SEF shall provide a Person 24 hours' prior written notice of any decision to suspend or permanently bar such Person from accessing the AEGIS-SEF Platform; provided, however, if a live trade is reasonably expected to occur within less than 24 hours of such decision, notice provided as soon as reasonably practicable prior to such trade going live shall be deemed sufficient. Such notice shall include an explanation, in reasonable detail, of the reason for the suspension or permanent bar.
- (c) AEGIS-SEF may impose one or more of the following sanctions or remedies:
  - (i) censure;
  - (ii) limitation on the Person's right to access all or part of the AEGIS-SEF Platform;

- (iii) suspension of the Person's right to access all or part of the AEGIS-SEF Platform for a period not to exceed twelve (12) months;
  - (iv) fine of up to \$1,000,000 for each violation;
  - (v) restitution or disgorgement;
  - (vi) expulsion or termination of a Person from accessing the AEGIS-SEF Platform; or
  - (vii) any other sanction or remedy deemed to be appropriate.
- (d) Each Person will be responsible for paying any fine or other amount imposed on, but not paid by, any Authorized User authorized by, or other agent or representative of, such Person.

#### **7.15 Costs.**

Regardless of the outcome of any Disciplinary Proceeding, a Hearing Panel may order a respondent to pay some or all of the costs associated with the Disciplinary Proceedings, including costs that the Hearing Panel believes were unnecessarily caused by the respondent. Costs may include costs associated with the inquiry or investigation, the prosecution by the Market Regulation Department, legal and professional assistance, the hearing, and administrative and other expenses incurred by the Hearing Panel.

#### **7.16 Appeal from Hearing Panel Decision.**

- (a) Parties to a Disciplinary Proceeding may appeal the decision of the Hearing Panel within twenty (20) days of receiving the order of the Disciplinary Proceedings by filing a notice of appeal with the counsel designated by AEGIS-SEF. While an appeal is pending, the effect of the written decision issued by the Hearing Panel (including any sanctions, remedies, or costs imposed thereby) is suspended.
- (b) In a notice of appeal, the appellant must state in writing the grounds for appeal, including the findings of fact, conclusions, or sanctions to which the appellant objects. An appellant may appeal the written decision of a Hearing Panel on any of the following grounds:
  - (i) the decision was arbitrary, capricious, an abuse of discretion, or not in accordance with the Rules of AEGIS-SEF;
  - (ii) the decision exceeded the authority or jurisdiction of the Hearing Panel or AEGIS-SEF;
  - (iii) the decision failed to observe required procedures;
  - (iv) the decision was unsupported by the facts or evidence; or
  - (v) the imposed sanctions, remedies, or costs were inappropriate or unsupported by the record.

- (c) The General Counsel will forward copies of any notice of appeals received by it to all parties to the Disciplinary Proceedings in question, except the appellant. On or before the 20th day after filing a notice of appeal, the appellant must file with the Chief Compliance Officer and serve the Market Regulation Department a brief supporting the notice of appeal and documents supporting the brief. On or before the 20th day after the date on which the appellant served its brief, the appellee may file and serve its brief in opposition.
- (d) Within twenty (20) days after the last submission filed pursuant to paragraph (c) above, the Board will appoint an Appeal Panel to consider and determine the appeal. The Appeal Panel shall be comprised of three members. No group or class of participants may dominate or exercise disproportionate influence on an Appeal Panel. An individual may not serve on an Appeal Panel if the individual has a relationship of a type described in Rule 2.6.1. The appeals proceeding shall be conducted before all members of the Appeal Panel.
- (e) Within ten (10) days of being notified of the appointment of an Appeal Panel, the appellant may seek to disqualify any individual named to the Appeal Panel for the reasons listed in Rule 2.6.1 or for any other reasonable grounds, by serving written notice on the AEGIS-SEF's designated counsel, which may be an internal counsel or an external counsel ("**General Counsel**"). By not timely filing a request for disqualification, the appellant will be deemed to have waived any objection to the composition of the Appeal Panel. The General Counsel will decide the merits of any such objection in his or her sole discretion. Any such decision will be final and not subject to appeal.
- (f) An Appeal Panel may hold a hearing to allow parties to present oral arguments. Any hearing will be conducted privately and confidentially unless the chairman of the Appeal Panel decides that the hearing, or any part of it, should be held in public after giving each appellant the opportunity to present its, his, or her views on holding a public hearing. Notwithstanding the confidentiality of hearings, an Appeal Panel may appoint individuals to attend any hearing and assist in the deliberations if such individuals agree to be subject to appropriate confidentiality agreements. In determining procedural and evidentiary matters, the Appeal Panel will not be bound by any evidentiary or procedural rules or law.
- (g) Except for good cause, the Appeal Panel will only consider on appeal the record before the Hearing Panel, the written exceptions filed by the parties, and the oral or written arguments of the parties. The Appeal Panel may only consider new evidence when it is satisfied that good cause exists as to why the evidence was not introduced during a prior stage of the Disciplinary Proceeding. In connection with any appeal, the Market Regulation Department will furnish to the Appeal Panel a transcript of the hearing, any exhibits introduced at the hearing, the notice of appeal, and briefs filed to support and oppose the appeal.
- (h) After completing its review, the Appeal Panel may affirm, modify, or reverse any order of Disciplinary Proceedings under appeal in whole or in part, including increasing, decreasing, or eliminating any sanction or remedy imposed; imposing any other sanction or remedy authorized by the Rules of AEGIS-SEF; or remanding

the matter to the same or a different Hearing Panel for further Disciplinary Proceedings. The Appeal Panel may order a new hearing for good cause, or if the Appeal Panel deems it appropriate.

- (i) Promptly following the appeal proceeding, the Appeal Panel will issue a written decision and provide a copy to the parties. The written decision issued by the Appeal Panel must adhere to all the requirements of Rule 7.13(b), to the extent that a different conclusion is reached from that issued by the Hearing Panel. A decision by a majority of the Appeal Panel will constitute the decision of the Appeal Panel.
- (j) An Appeal Panel's written decision on appeal (including findings of fact and conclusions and the imposition of sanctions, remedies, and costs, and the effective date of any sanction, remedy, or cost) will be the final action of AEGIS-SEF, and will not be subject to appeal within AEGIS-SEF. Disciplinary sanctions imposed by AEGIS-SEF shall be commensurate with the violations committed, and shall be clearly sufficient to deter recidivism or similar violations by other market participants. In addition, the respondent's disciplinary history will be taken into account in determining the appropriate sanction.

**7.17 Summary Imposition of Fines Relating to Submission of Records.**

- (a) AEGIS-SEF may fine a Participant, Broker Firm, Customer, ISV, Authorized User or other Person subject to the jurisdiction of AEGIS-SEF for failure:
  - (i) to make timely payments of initial or variation margin, Options premiums, fees, cost, charges or fines to AEGIS-SEF;
  - (ii) to make timely and accurate submissions to AEGIS-SEF of notices, reports or other information required by AEGIS-SEF Rules; and/or
  - (iii) to keep any books and records required by AEGIS-SEF Rules.
- (b) AEGIS-SEF will set the amount of any fines imposed pursuant to Rule 7.17, with the maximum fine for each violation not to exceed \$5,000. A warning letter may be issued for first-time violations or violators, provided that no more than one warning letter may be issued per any rolling twelve (12) month period for the same violation.

**7.18 Emergency Disciplinary Proceedings.**

- (a) Notwithstanding anything in the Rules of AEGIS-SEF to the contrary, AEGIS-SEF may impose a sanction, including suspension of a Person's right to access the AEGIS-SEF Platform or the association of an Authorized User with a Person, or take other summary action against any Participant, Broker Firm, Customer, ISV, Authorized User, or other Person subject to AEGIS-SEF's jurisdiction, if AEGIS-SEF reasonably believes such immediate action is necessary to protect the best interest of the marketplace.
- (b) Whenever summary action pursuant to paragraph (a) above is proposed, AEGIS-SEF will, if practicable, serve the party against whom the action is contemplated with



written notice. If prior notice is not practicable, AEGIS-SEF will give notice at the earliest possible opportunity to the respondent against whom the action is brought. The notice will be prepared by the Market Regulation Department, and such notice will state the action, briefly state the reasons for the action, and state the effective time, date, and duration of the action.

- (c) The respondent shall be given the opportunity for a hearing as soon as reasonably practicable, and the hearing must be conducted before a Hearing Panel pursuant to Rules 7.9-7.13. The respondent shall have the right to be represented by legal counsel, or any other representative of its choosing and at its own expense, in all proceedings subsequent to the emergency action taken.
- (d) Promptly after the hearing concerning a summary action or suspension, the Hearing Panel will render a written decision based on the weight of the evidence contained in the record of the proceeding. The decision of a majority of the Hearing Panel will be the decision of the Hearing Panel. AEGIS-SEF will serve copies of the written decision of the Hearing Panel on the respondent and the Market Regulation Department. The written decision will include the following information:
  - (i) a description of, and reasons for, the summary action taken;
  - (ii) a summary of the evidence produced at the hearing;
  - (iii) a statement of findings of fact and conclusions;
  - (iv) a determination that the summary action should be affirmed, modified, or reversed; and
  - (v) a declaration of any action to be taken pursuant to the determination, and the effective date and duration of such action.
- (e) Any decision of a Hearing Panel pursuant to this Rule 7.18 will be the final action of AEGIS-SEF, and not subject to appeal within AEGIS-SEF upon serving the respondent with a copy of the decision.
- (f) At the request of AEGIS-SEF, a respondent, against whom a summary action is brought pursuant to this Rule 7.18, must provide access to and/or copies of books and records over which the respondent has access or control, and must furnish information to, or appear or testify before, AEGIS-SEF in connection with the enforcement of any Rule of AEGIS-SEF.

**7.19 *Rights and Responsibilities after Suspension or Termination.***

- (a) When the right of a Participant, Broker Firm, Customer, ISV, Authorized User or other Person to access the AEGIS-SEF Platform is suspended for a period of twelve (12) months or less, none of its rights will apply during the period of the suspension, except for the right of such Person to assert claims against others as provided in the Rules of AEGIS-SEF. Any such suspension will not relieve such Person of its obligations under the Rules of AEGIS-SEF to perform any transactions entered into before the

suspension, or for any SEF fees, costs, or charges incurred during the suspension. AEGIS-SEF may discipline a suspended Person under this Section VII for any violation of Applicable Law committed by such Person before, during, or after the suspension.

- (b) When the right of a Participant, Broker Firm, Customer, ISV, Authorized User or other Person to access the AEGIS-SEF Platform is terminated, all of its rights will terminate, except for the right of such Person in question to assert claims against others, as provided in the Rules of AEGIS-SEF. A terminated Person may only seek to reinstate its right to access the AEGIS-SEF Platform by filing an application in accordance with Rule 3.3. AEGIS-SEF will not consider the application of a terminated Person if such Person has failed to appear at Disciplinary Proceedings without good cause, or has impeded the progress of Disciplinary Proceedings.
- (c) A suspended or terminated Participant, Broker Firm, Customer, ISV, Authorized User or other Person remains subject to the Rules of AEGIS-SEF and the jurisdiction of AEGIS-SEF for acts and omissions prior to the suspension or termination, and must cooperate in any inquiry, investigation, Disciplinary Proceeding, appeal of Disciplinary Proceedings, summary suspension, or other summary action as if the suspended or terminated Participant, Authorized User or other Person still had the right to access the AEGIS-SEF Platform.

#### **7.20 Notice to the Respondent, the CFTC, and the Public.**

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

### **SECTION VIII. ARBITRATION**

#### **8.1 In General.**

All disputes, controversies or claims, between AEGIS-SEF and any Participant, Broker Firm, Customer, ISV, Authorized User, or other Person subject to AEGIS-SEF's jurisdiction, that relate to or arise out of any SEF Contract or otherwise arise out of one or more transactions made or to be made on the AEGIS-SEF Platform or subject to the Rules of AEGIS-SEF shall be resolved by arbitration administered in New York County, New York by the American Arbitration Association (the "AAA") under its Commercial Arbitration Rules. Any such dispute, controversy or claim shall be submitted to one arbitrator who will be appointed by the AAA. Any arbitrator appointed for purposes of this Rule 8.1 will have experience with and knowledge of commodities, derivatives and swaps as listed on the National Roster of Arbitrators kept in the AAA's records. Judgment on the award rendered by the arbitrator will be binding on the parties and may be entered in any state or federal court sitting in New York County, New York, and AEGIS-SEF and each Participant, Authorized User, Broker Firm, or Customer shall be deemed to have consented to the personal jurisdiction of any such court. Each party to the dispute, controversy or claim will bear its own costs and expenses in connection with any arbitration hereunder, as well as an equal share of the administrative fees and the fees of the arbitrator; provided, however, that the arbitrator will be entitled to include in any award a full

reimbursement for the prevailing party's costs and expenses, such party's share of the administrative fees and the fees of the arbitrator, or any combination of any or all of the above.

## **8.2 *Participant, Broker Firm, ISV, or Authorized User Initiating an Arbitration Claim.***

A Participant, Broker Firm, Customer, ISV, or Authorized User may initiate an arbitration claim by submitting any required documents and fees to the chosen arbitrator. A Participant, Broker Firm, Customer, ISV, or Authorized User that initiates such an arbitration claim shall submit notice thereof to AEGIS-SEF.

## **8.3 *Penalties.***

8.3.1 Any failure on the part of a Participant, Broker Firm, Customer, ISV, or Authorized User to arbitrate a dispute subject to this Section VIII, or the commencement by any such person of a suit in any court prior to arbitrating a case that is required to be arbitrated pursuant to this Section VIII, violates the Rules and shall subject such Person to Disciplinary Proceedings pursuant to Section VII.

8.3.2 The Chief Compliance Officer may summarily suspend, pursuant to Rule 8.3.1, a Participant, Broker Firm, Customer, ISV, or Authorized User that fails to timely satisfy an arbitration award rendered in any arbitration pursuant to this Section VIII.

## **SECTION IX. MISCELLANEOUS**

### **9.1 *Trading by SEF Officials Prohibited; Misuse of Material, Non-Public Information.***

9.1.1 Terms used in this Rule 9.1 and not otherwise defined in the Rules shall have the meanings set forth in CFTC Regulations 1.3 and 1.59. As used in this Rule 9.1, the term "SEF Official" does not include any member of the Board, a committee established by the Board, a Hearing Panel or Appeal Panel if such Person is not also an Officer or employee of AEGIS-SEF.

9.1.2 No SEF Official may trade, directly or indirectly, (i) any SEF Contract traded on or subject to the Rules; (ii) any related financial instrument or (iii) any related commodity interest.

9.1.3 The Chief Compliance Officer (or, in the case of the Chief Compliance Officer, the Board) may grant exemptions from the provisions of Rule 9.1 to SEF Officials on a case-by-case basis under circumstances that are not contrary to the purposes of this Rule and CFTC Regulation 1.59. Such circumstances may include, for example but are not necessarily limited to, participation in pooled investment vehicles where such SEF Official has no direct or indirect control over SEF Contracts effected by or for the account of the pool.

9.1.4 For the avoidance of doubt, participation by a SEF Official in a retirement plan sponsored by AEGIS-SEF shall not be deemed to constitute trading directly or indirectly in a SEF Contract or related financial instrument, notwithstanding such plan's trading of SEF Contracts or related financial instruments.

9.1.5 Any SEF Official that has received an exemption under Rule 9.1.3 must:

- (a) furnish to AEGIS-SEF (or, in the case of the Chief Compliance Officer, to the Board) account statements and other documents relevant to the trading activities that are so exempted; and
- (b) inform the Chief Compliance Officer (or, in the case of the Chief Compliance Officer, the Board) within one business day of any material change of information that may affect such SEF Official's qualification for such exemption.

9.1.6 Insider Trading. Pursuant to Section 13(e) of the CEA (7 U.S.C. 13c(e)), with respect to any material non-public information obtained as a result of their employment, agency relationship or engagement with AEGIS-SEF where the SEF Official, agent or independent contractor expected or should have reasonably expected that the non-public information disclosed may assist a Person in trading any SEF Contract, any SEF Contract traded on another designated contract market or other market, or any related underlying commodity or security ("**Material Non-Public Information**"), SEF Officials, agents and independent contractors of AEGIS-SEF are prohibited from (a) trading, directly or indirectly, in a commodity interest traded on contract markets or SEFs or cleared by derivatives clearing organizations other than AEGIS-SEF if the SEF Official, agent or independent contractor has access to Material Non-Public Information, (b) trading, directly or indirectly, in a commodity interest traded on or cleared by a linked exchange if the SEF Official, agent or independent contractor has access to Material Non-Public Information, or (c) disclosing to any other person any Material Non-Public Information which such SEF Official, agent or independent contractor obtains as a result of his or her employment at AEGIS-SEF where such SEF Official, agent or independent contractor has or should have a reasonable expectation that the information disclosed may assist another person in trading any commodity interest; provided, however, that such rules shall not prohibit disclosures made in the course of a SEF Official's, agent's, or independent contractor's duties, or disclosures made to another self-regulatory organization, linked exchange, court of competent jurisdiction or representative of any agency or department of the federal or state government acting in his or her official capacity.

## 9.2 **Market Data.**

9.2.1 Each Participant, each Broker Firm, each Customer, and each ISV on behalf of itself and each of its Affiliates, Authorized Users and other Persons affiliated with any of the foregoing, hereby acknowledges and agrees that AEGIS-SEF owns and shall retain all right, title and interest in and to the AEGIS-SEF Platform, all components thereof, including without limitation all related applications, all application programming interfaces, user interface designs, software and source code and any and all intellectual property rights therein, including, without limitation all registered or unregistered, as applicable (a) copyright, (b) trade mark, (c) service mark, (d) trade secret, (e) trade name, (f) data or database rights, (g) design rights, (h) moral rights, (i) inventions, whether or not capable of protection by patent or registration, (j) rights in commercial information or technical information, including know-how, research and development data and manufacturing methods, (k) patent, and (l) other intellectual property and ownership rights, including applications for the grant of any of the same, in or to the AEGIS-SEF Platform and all other related proprietary rights of AEGIS-SEF and/or any of its Affiliates (together, with any and all enhancements, corrections, bug fixes, updates and other modifications to any of the foregoing and any and all data or information of any kind transmitted by means of any of

the foregoing, including, without limitation, the market data, the “**Proprietary Information**”). Subject to AEGIS-SEF’s compliance with the requirements of Rule 2.10.1 with respect to any proprietary data or personal information collected or received from, or on behalf of, any Person for the purpose of fulfilling AEGIS-SEF’s regulatory obligations, each Participant, each Broker Firm, and each Customer on behalf of itself and each of its Affiliates, Authorized Users and other Persons affiliated with any of the foregoing, further acknowledges and agrees that (i) the Proprietary Information is the exclusive, valuable and confidential property of AEGIS-SEF and (ii) AEGIS-SEF is obligated under CFTC Regulations Section 43.4(c) to not publicly disseminate Swap Transaction and Pricing Data in a manner that discloses or facilitates identification of any party to a Swap. Each Participant, each Broker Firm, and each Customer acknowledges and agrees that it shall not and shall not permit its Affiliates, Authorized Users and other Persons affiliated with any of the foregoing to, reverse engineer, copy, bug fix, correct, update, transfer, reproduce, republish, broadcast, create derivative works based on or otherwise modify, in any manner, all or any part of AEGIS-SEF or the Proprietary Information; provided, however, that Participants, Broker Firms, and Customers shall not be prohibited from using or publishing market data that becomes public as a result of its being reported under Part 43 or Part 45 of the Commission’s regulations. Each Participant, Broker Firm, and Customer further agrees to and to cause each of its Affiliates, Authorized Users and other Persons affiliated with any of the foregoing to, keep the Proprietary Information confidential and not to transfer, rent, lease, loan, sell or distribute, directly or indirectly, all or any portion of the AEGIS-SEF Platform or any Proprietary Information; provided, however, that Participants, Broker Firms, and Customers shall not be prohibited from using or publishing market data that becomes public as a result of its being reported under Part 43 or Part 45 of the Commission’s regulations.

- 9.2.2 Notwithstanding any other provision of this Rule 9.2, (i) each Participant, Broker Firm, Authorized User, Customer, or ISV retains such rights as it may enjoy under Applicable Law with respect to market data solely in the form such market data was submitted to AEGIS-SEF by such Participant, Broker Firm, Authorized User, Customer, or ISV; and (ii) any ISV shall have impartial access to the AEGIS-SEF Platform to enable such ISV to develop a system or platform offering smart order routing, front-end trading applications, an aggregator platform or a combination of the foregoing utilizing the AEGIS-SEF Platform so long as that system or platform does not provide Participants the ability to execute SEF Contracts other than on the AEGIS-SEF Platform and in full compliance with the Order Book and RFQ Function provisions of this AEGIS-SEF Rulebook.
- 9.2.3 Subject to the provisions of Rule 9.2.1 and Rule 9.2.4 (including AEGIS-SEF’s compliance with the requirements of Rule 2.10.1 with respect to any proprietary data or personal information collected or received from, or on behalf of, any Person for the purpose of fulfilling AEGIS-SEF’s regulatory obligations), all Participants, Authorized Users, Broker Firms, Customer, and other Persons affiliated with any of the foregoing hereby acknowledge and agree that AEGIS-SEF is the owner of all rights, title and interest in and to all intellectual property and other proprietary rights (including all copyright, patent, trademark or trade secret rights) in market data, and all derivative works based thereon, and further agree not to distribute, create derivative works based on, or otherwise use or commercially exploit market data and any such derivative works, provided that Participants, Authorized Users, Broker Firms, Customers and such other Persons may use market data for their own internal business purposes. Without limiting the generality of the foregoing, Participants, Authorized

Users, Broker Firms, Customers, and other Persons affiliated with any of the foregoing may not distribute, sell or retransmit market data exchanged hereunder to any third party.

- 9.2.4 Each Participant, Authorized User, Broker Firm, and Customer hereby grants AEGIS-SEF a non-exclusive, perpetual, world-wide and royalty-free license to use and disclose market data, including data that does directly or indirectly identify individual Participants or NPECPs for the purpose of fulfilling its regulatory compliance obligations and/or its duty to report transaction details to participating parties in a transaction or their respective Broker Firm. For any other use or disclosure, AEGIS-SEF must receive permission from the relevant Person prior to using or disclosing any proprietary data or personal information that AEGIS-SEF collects or receives from or on behalf of such Person.

### **9.3 *Recording of Communications.***

AEGIS-SEF or the Regulatory Services Provider, if any, may record conversations and retain copies of electronic communications between SEF Officials and Participants, Authorized Users, Broker Firms, Customers and their agents. Any such recordings may be retained by AEGIS-SEF or the Regulatory Services Provider in such manner and for such periods of time as AEGIS-SEF may deem necessary or appropriate, including as may be required by Applicable Law.

### **9.4 *Confidentiality.***

Except as provided in Rule 9.2, all information provided by a Participant, Authorized User, Broker Firm or Customer to AEGIS-SEF shall be held in confidence and shall not be made known to any other Person except as follows:

- (a) with the consent of the Participant, Authorized User or Broker Firm providing such information;
- (b) to a Governmental Authority, if AEGIS-SEF is legally required to do so by such Governmental Authority;
- (c) pursuant to legal process;
- (d) subject to appropriate confidentiality requirements, to any Person providing services to AEGIS-SEF, including but not limited to the Regulatory Services Provider, if any;
- (e) to the Board, any committee, SEF Officials, attorneys and auditors, and to agents and independent contractors that have been engaged by AEGIS-SEF who require such information in connection with the discharge of their duties to AEGIS-SEF; and
- (f) as otherwise permitted under the Rules.

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

AEGIS-SEF may, in compliance with the CEA and CFTC Regulations, amend or repeal any Rule and/or adopt new Rules. Any such amendment or repeal of a Rule or adoption of a new Rule, shall, upon the effective date of such amendment, repeal or adoption, as applicable, be binding on all Persons subject to the jurisdiction of AEGIS-SEF (regardless of when any such Person became subject to

AEGIS-SEF's jurisdiction) and all SEF Contracts (regardless of whether any such SEF Contract was entered into before, on or after such effective date).

## **9.6 Signatures.**

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

## **9.7 Governing Law; Legal Proceedings.**

9.7.1 Unless preempted by the CEA, the Rules, and the rights and obligations of AEGIS-SEF and any Participants, Authorized Users, Broker Firms, or Customers under the Rules, shall be governed by, and construed in accordance with, the law of the State of New York regardless of the laws that would otherwise apply under choice-of-law principles. This Rule 9.7.1 does not apply to actions or claims arising from the CEA and Commission regulations, including Part 37 of the Commission's Regulations.

9.7.2 Any disputes, controversies or claims against AEGIS-SEF, its Officers, directors, limited liability company members, employees, agents, or any member of any committee must be brought to arbitration in accordance with Section VIII of the Rules within one (1) year from the event giving rise to the dispute. In the event that Rule 8.1 is held to be unenforceable in connection with any dispute, controversy or claim that is deemed by a court of competent jurisdiction to be not arbitrable, (i) exclusive jurisdiction for any such dispute, controversy or claim will reside in any state or federal court sitting in New York County, New York, (ii) AEGIS-SEF and the Participant, Authorized User, Broker Firm, or Customer involved in the dispute controversy or claim will be presumed to have submitted to the personal jurisdiction of such court, and (iii) an action to enforce any judgment or decision of such court may be brought in the same court or in any other court with jurisdiction or venue. Finally, all Participants, Authorized Users Broker Firms, and Customers unconditionally and irrevocably waive any and all right to a trial by jury in connection with any such dispute, controversy or claim.

9.7.3 In the event that a Participant, Authorized User, Broker Firm, Customer or an Affiliate of such Person who fails to prevail in a lawsuit or other legal proceeding instituted by such Participant or such Affiliate against (i) AEGIS-SEF, (ii) the AEGIS-SEF Platform, or (iii) any Affiliate of AEGIS-SEF or any of their respective officers, directors, equity holders, employees, agents, or any member of any committee, and related to the business of AEGIS-SEF, such Participant, Authorized User, or Broker Firm shall pay to AEGIS-SEF all reasonable expenses, including attorneys' fees, incurred by AEGIS-SEF in the defense of such proceeding. This Rule 9.7.3 shall not apply to SEF disciplinary actions, appeals thereof, or an instance in which the Board has granted a waiver of the provisions hereof. This Rule 9.7.3 does not apply to actions or claims arising from the CEA and Commission regulations, including Part 37 of the Commission's Regulations.

## **9.8 LIMITATION OF LIABILITY; NO WARRANTIES.**

A PERSON'S USE OF THE SERVICES, THE AEGIS-SEF PLATFORM, SEF PROPERTY AND ANY OTHER INFORMATION AND MATERIALS PROVIDED BY AEGIS-SEF,LLC, dba AEGIS MARKETS, IS AT THE PERSON'S OWN RISK, AND THE SERVICES, AEGIS-SEF PROPERTY AND ANY OTHER INFORMATION AND MATERIALS PROVIDED BY AEGIS-SEF HEREUNDER ARE PROVIDED ON AN "AS IS" AND "AS AVAILABLE" BASIS, WITHOUT WARRANTIES OR REPRESENTATIONS OF ANY KIND, EXPRESS OR IMPLIED, BY STATUTE, COMMON LAW OR OTHERWISE INCLUDING ALL IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND NON-INFRINGEMENT AND ANY WARRANTIES ARISING FROM A COURSE OF DEALING, USAGE OR TRADE PRACTICE. AEGIS-SEF DOES NOT GUARANTEE THAT (i) AEGIS-SEF PROPERTY OR THE SERVICES WILL OPERATE IN AN ERROR FREE, SECURE OR UNINTERRUPTED MANNER, (ii) ANY INFORMATION OR MATERIALS PROVIDED BY AEGIS-SEF OR ACCESSIBLE THROUGH AEGIS-SEF PROPERTY WILL BE ACCURATE, COMPLETE, RELIABLE, OR TIMELY, OR (iii) THE SEF PROPERTY OR ANY ASPECTS OF THE SERVICES WILL BE FREE FROM VIRUSES OR OTHER HARMFUL COMPONENTS. AEGIS-SEF SHALL HAVE NO LIABILITY FOR THE CREDITWORTHINESS OF ANY PERSON OR FOR THE ACTS OR OMISSIONS OF ANY PERSON UTILIZING THE SERVICES OR ANY ASPECT OF THE SERVICES OR SYSTEM. A PERSON ACCESSING AEGIS-SEF IS SOLELY RESPONSIBLE FOR THE SECURITY AND INTEGRITY OF ITS TECHNOLOGY. A PERSON'S ACCESS TO THE SYSTEM AND THE SERVICES MAY BE INTERNET-BASED AND THAT AEGIS-SEF HAS NO CONTROL OVER THE INTERNET OR A PERSON'S CONNECTIONS THERETO. ANY PERSON ACCESSING THE AEGIS-SEF PLATFORM ACKNOWLEDGES THAT THE INTERNET, COMPUTER NETWORKS, AND COMMUNICATIONS LINKS AND DEVICES NECESSARY TO ENABLE A PERSON TO ACCESS AND USE THE SYSTEM AND THE SERVICES ARE INHERENTLY INSECURE AND VULNERABLE TO ATTEMPTS AT UNAUTHORIZED ENTRY AND THAT NO FORM OF PROTECTION CAN ENSURE PARTICIPANT'S DATA, HARDWARE, OR SOFTWARE OR THE SYSTEM OR OTHER SEF PROPERTY WILL BE FULLY SECURE. FURTHERMORE, AEGIS-SEF SHALL HAVE NO OBLIGATION TO MONITOR OR VERIFY ANY INFORMATION DISPLAYED THROUGH THE SYSTEM.

EXCLUDING ANY LIABILITY FOR SUCH PARTY'S WILLFUL MISCONDUCT OR GROSS NEGLIGENCE, AND EXCLUDING, IN THE CASE OF PARTICIPANT, PARTICIPANT'S INDEMNIFICATION OBLIGATIONS PURSUANT TO THE INDEMNIFICATION PROVISIONS OF THE PARTICIPANT AGREEMENT, EACH PARTY AGREES THAT IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR ANY INDIRECT, SPECIAL, PUNITIVE, EXEMPLARY OR CONSEQUENTIAL DAMAGES, INCLUDING DAMAGES FOR LOSS OF PROFITS, LOSS OF REVENUE, LOSS OR CORRUPTION OF DATA, TRADING LOSSES OR BUSINESS INTERRUPTION AND THE LIKE, ARISING IN ANY MANNER WHATSOEVER OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR ANY USE (WHETHER OR NOT AUTHORIZED) OR INABILITY TO USE AEGIS-SEF PROPERTY OR ANY OTHER INFORMATION OR MATERIALS PROVIDED TO PARTICIPANT BY AEGIS-SEF OR ACCESSIBLE THROUGH THE SERVICES, INCLUDING THE ACCURACY, COMPLETENESS, RELIABILITY, TIMELINESS, QUALITY, SECURITY, PERFORMANCE, OR PRICING OF THE SERVICES OR ANY FAILURES, DEGRADATIONS OR DELAYS ASSOCIATED THEREWITH, REGARDLESS OF WHETHER SUCH DAMAGES ARISE IN TORT, CONTRACT, OR OTHERWISE, AND EVEN IF IT HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. NOTWITHSTANDING THE FOREGOING, IF A COURT OR OTHER TRIBUNAL OF COMPETENT JURISDICTION SHOULD FIND AEGIS-SEF LIABLE FOR ANY LOSS, DAMAGE OR EXPENSES UNDER THIS AGREEMENT, THE AGGREGATE LIABILITY OF AEGIS-SEF UNDER THE AGREEMENT, REGARDLESS OF THE FORM OF ACTION, SHALL IN NO EVENT EXCEED THE GREATER OF (i) \$10,000 AND (ii) THE TOTAL COMMISSIONS, FEES, OR OTHER AMOUNTS (EXCLUDING ANY APPLICABLE TAXES AND DUTIES) PAID TO AEGIS-SEF BY PARTICIPANT DURING THE SIX MONTHS PRECEDING THE DATE ON WHICH THE EVENTS GIVING RISE TO SUCH LIABILITY AROSE.



ANY CLAIM FOR REDRESS OR DAMAGES HEREUNDER SHALL BE FILED IN A COURT OF COMPETENT JURISDICTION WITHIN TWO (2) YEARS OF THE DATE ON WHICH SUCH CLAIM ALLEGEDLY AROSE. FAILURE TO INSTITUTE LITIGATION WITHIN SUCH TIME PERIOD SHALL BE DEEMED TO BE A WAIVER OF SUCH CLAIM AND THE CLAIM SHALL BE OF NO FURTHER FORCE OR EFFECT. THE ALLOCATIONS OF LIABILITY IN THIS RULE 9.10 REPRESENT THE AGREED AND BARGAINED FOR UNDERSTANDING OF THE PARTIES, AND EACH PARTY ACKNOWLEDGES THAT THE OTHER PARTY'S RIGHTS AND OBLIGATIONS HEREUNDER REFLECT SUCH ALLOCATIONS. THE PARTIES AGREE THAT THEY WILL NOT ALLEGE THAT THIS REMEDY FAILS ITS ESSENTIAL PURPOSE. THIS LIMITATION OF LIABILITY DOES NOT APPLY TO AEGIS-SEF'S OBLIGATIONS ARISING FROM THE CEA AND COMMISSION REGULATIONS, INCLUDING PART 37 OF THE COMMISSION'S REGULATIONS.

## **SECTION X. CONTRACT SPECIFICATIONS FOR LISTED SEF CONTRACTS**

### **10.1 *Listed SEF Contracts – Contract Specifications.***

From time to time, AEGIS-SEF will offer specific SEF Contracts on the AEGIS-SEF Platform, which will be listed, together with the applicable Contract Specifications, on AEGIS-SEF's webpage. The process for listing any SEF Contract on the AEGIS-SEF Platform is described in Rules 5.1 and 5.2 of this Rulebook. As set forth in Rule 5.1 of this Rulebook, the President of AEGIS-SEF, whether acting on its own volition or in response to a request from a Participant, shall have authority, subject to complying with Rule 5.2 and to objectively justifiable commercial criteria, to submit a proposed SEF Contract to the CFTC, either with a request for prior approval pursuant to CFTC Regulations Section 40.3, or with a self-certification pursuant to CFTC Regulations Section 40.2.

## EXHIBIT A – Regulatory Oversight Committee Charter

### I. Purpose

The Regulatory Oversight Committee (“**ROC**”) is a committee comprised of up to 3 so-called “public directors” who are members of the Board of Directors (“**Board**”) of AEGIS SEF LLC (“**AEGIS-SEF**”) and no less than two “Public Director” members of the Board of AEGIS-SEF. One of those Public Directors shall be designated as the Chairperson of the ROC. Initially, Bruce Aust and Jason Lish are “public directors” that are members of the Board of AEGIS-SEF and Bruce Aust will serve as the Chair of the ROC. The ROC is responsible for oversight of the SEF’s exercise of its self-regulatory responsibilities as a swap execution facility (“**SEF**”) under the Commodity Exchange Act and Commodity Futures Trading Commission’s (“**CFTC**”) regulations thereunder, including (i) independent oversight of the SEF’s self-regulatory program (“**Self-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 Self-Regulatory Program is fair and impartial to SEF participants; and (iv) monitoring the Self-Regulatory Program for sufficiency, effectiveness, and independence.

### II. Responsibilities and Authority

#### Responsibilities

The ROC shall monitor the Self-Regulatory Program for sufficiency, effectiveness, and independence.

The ROC shall oversee all facets of the Self-Regulatory Program, including:

- Trade practice and market surveillance; audits, examinations, and other regulatory responsibilities with respect to SEF participants (including ensuring compliance with, if applicable, financial integrity, financial reporting, sales practice, recordkeeping, and other requirements); and the conduct of investigations;
- Reviewing the size and allocation of the regulatory budget and resources, and the number, hiring, termination, and compensation of regulatory personnel;
- Reviewing the performance of the Chief Compliance Officer of AEGIS-SEF (“**CCO**”), and making recommendations with respect to such performance to the Board;
- Maintaining minutes and records of its meetings, deliberations and analyses, including records of all decisions made by the ROC;
- Preparing an annual report for the Board and the CFTC describing the Self-Regulatory Program, which sets forth such Program’s expenses, describes its staffing and structure, catalogues investigations and disciplinary proceedings taken during the year, and reviews the performance of disciplinary panels, appeals panels and the CCO;
- Recommending changes that would ensure fair, vigorous, and effective regulation;
- Reviewing all regulatory proposals prior to implementation and advising the Board as to whether and how such changes may impact regulation; and
- Enforcement of Shared Services Agreement, Confidentiality Requirements, and Prohibitions of Sharing, or Trading on the Basis of, Material Non-Public Information by AEGIS-SEF Personnel.

The ROC shall review such other matters and perform such additional activities, within the scope of its

responsibilities, as the Board deems necessary or appropriate.

#### **Authority**

The ROC shall have the authority, discretion, and necessary resources to:

- Conduct its own inquiries;
- Consult directly with SEF regulatory staff;
- Review all relevant documents;
- Interview employees, officers, and SEF participants;
- Otherwise exercise its independent analysis and judgment to fulfill its regulatory obligations; and
- Ask members of management or others to attend meetings and provide information.

The ROC may delegate its day-to-day authority over self-regulatory functions and personnel to the CCO.

#### **III. Membership Composition**

The members of the ROC shall be appointed in accordance with the Limited Liability Company Agreement of AEGIS SEF LLC, provided that, at all times following the compliance date of the CFTC Regulations applicable to AEGIS-SEF's governance as a SEF, the ROC shall be composed of no fewer than two "Public Directors" (as such term is defined in the CFTC Regulations). The Board shall designate one of the Public Directors as the Chairperson of the ROC.

Each member of the ROC and its Chairperson shall serve for a term of two calendar years from the date of her/his appointment or for the remainder of the term to which she/he is appointed as a replacement, and until the due appointment of her/his successor, or until her/his earlier resignation or removal (as a member of the Regulatory Oversight Committee or as a member of the Board) for cause or dismissal pursuant to the Limited Liability Company Agreement of AEGIS SEF LLC.

#### **IV. Meetings**

The ROC shall meet as often as it may deem necessary and appropriate in its judgment, but in no event less than once each year.

Each ROC member not subject to a recusal (for reasons including, but not limited to, an actual or potential conflict of interest) shall have one vote in all matters requiring a vote by the ROC. A majority, but not fewer than two, of the ROC members shall constitute a quorum for the transaction of business; provided, that in the event that one or more members of the ROC has been recused, the remaining member(s) of the ROC shall constitute a quorum. The act of a majority of the ROC members not subject to a recusal at any duly constituted meeting, if a quorum is present, shall be the act of the ROC. In the event of a tie vote, the vote of the Chairperson of the ROC shall decide the matter.

#### **V. Reporting**

The ROC Chairperson shall make regular reports of the ROC's activities to the Board.

The ROC shall prepare periodic reports for the Board and an annual report assessing effectiveness, sufficiency and independence of the SEF's self-regulatory program for the Board and the CFTC, which describes the self-regulatory program and sets forth the self-regulatory program's expenses, describes its staffing and structure, catalogues disciplinary actions taken during the year, reviews the performance of Disciplinary Panels, and includes any proposals to remedy unresolved regulatory deficiencies.

The ROC shall reassess the adequacy of this Charter no less frequently than annually and submit any recommended changes to the full Board for approval.

## **VI. Publicly Available Information**

The SEF shall make this Charter publicly available.

### **Public Directors of AEGIS SEF, LLC**

The applicable definition of “Public Director” is provided under Core Principle 16 of section 5(d) of the Act, CONFLICTS OF INTEREST, in Appendix B to Part 38 of the CFTC’s Regulations applicable to Contract Markets (provided, that each reference therein to “contract market” is replaced with the term “SEF”):

“(2) Public director

(i) To qualify as a public director of a contract market, an individual must first be found, by the board of directors, on the record, to have no material relationship with the contract market. A “material relationship” is one that reasonably could affect the independent Judgment or decisionmaking of the director.

(ii) In addition, a director shall be considered to have a “material relationship” with the contract market if any of the following circumstances exist:

(A) The director is an officer or employee of the contract market or an officer or employee of its affiliate. In this context, “affiliate” includes parents or subsidiaries of the contract market or entities that share a common parent with the contract market;

(B) The director is a member of the contract market, or an officer or director of a member. “Member” is defined according to section 1a(34) of the Commodity Exchange Act and Commission Regulation 1.3;

(C) The director, or a firm with which the director is an officer, director, or partner, receives more than \$100,000 in combined annual payments from the contract market, or any affiliate of the contract market (as defined in subsection (2)(ii)(A)), for legal, accounting, or consulting services. Compensation for services as a director of the contract market or as a director of an affiliate of the contract market does not count toward the \$100,000 payment limit, nor does deferred compensation for services prior to becoming a director, so long as such compensation is in no way contingent, conditioned, or revocable;

(D) Any of the relationships above apply to a member of the director's “immediate family,” i.e., spouse, parents, children and siblings.

(iii) All of the disqualifying circumstances described in subsection (2)(ii) shall be subject to a one-year look back.

(iv) A contract market's public directors may also serve as directors of the contract market's affiliate (as defined in subsection (2)(ii)(A)) if they otherwise meet the definition of public director in this section (2).

(v) A contract market shall disclose to the Commission which members of its board are public

directors, and the basis for those determinations.”

As described below, AEGIS-HS, and consequently AEGIS-SEF, is not a publicly-traded company and, consequently, all the voting members of the board of directors that have been elected by shareholders of AEGIS-HS are holders of material ownership interests in AEGIS-HS, and in turn its wholly-owned subsidiary, AEGIS-SEF.

However, in recognition of the self-regulatory functions to be performed by AEGIS-SEF as described heretofore in the AEGIS-SEF Compliance Manual and in the AEGIS-SEF Rulebook, the Board of AEGIS-HS, as the managing member of AEGIS-SEF, has approved a resolution authorizing two voting members of the five voting members of AEGIS-SEF’s Board of Directors to be “Public Directors” as the term “Public Director” is defined in Appendix B to Part 38 of the CFTC’s Regulations applicable to Contract Markets (with all references therein to “contract market” converted to “SEF”). Accordingly, as the term “material relationship” is defined in Appendix B to Part 38 of the CFTC’s Regulations applicable to Contract Markets, no Public Director of AEGIS-SEF shall have any “material relationship” with AEGIS-SEF, AEGIS-HS, or AEGIS-CTA.

Any Public Director of AEGIS-SEF shall be nominated and authorized, and may be removed, in accordance with the provisions of the Limited Liability Company Agreement (the “**Operating Agreement**”) of AEGIS-SEF applicable to the nomination, authorization and removal, in general, of members of the Board of Directors of AEGIS-SEF; provided, however, that upon removal of any such voting member of the AEGIS-SEF Board that is a Public Director, such voting member of the AEGIS-SEF Board must be replaced by another Public Director.

AEGIS-SEF hereby designates the following two voting members of the Board of AEGIS-SEF as Public Directors, who will also be members of the ROC:

Public Director #1: Jason Lish

Public Director #2: Bruce Aust, Chair of ROC