

March 29, 2016

Ontario Securities Commission
20 Queen Street West, 22nd Floor
Toronto, ON M5H 3S8

Attention: Secretary of the Commission

Dear Sirs and Mesdames:

TR SEF LLC — Application

Thomson Reuters (SEF) LLC (the “Applicant” or “TR SEF”) is currently carrying on business in Ontario pursuant to an interim order (the “Interim Order”) under section 147 of the *Securities Act* (Ontario) (the “OSA”) dated October 1, 2013, exempting TR SEF from the requirement to be recognized as an exchange under subsection 21(1) of the OSA, as varied by a variance order dated September 30, 2014. TR SEF is also carrying on business in the Provinces of Manitoba and British Columbia pursuant to similar exempting orders dated October 1, 2013 (as varied by a variance order dated March 24, 2015) and July 9, 2014, respectively.

TR SEF hereby applies to the Ontario Securities Commission (the “OSC” or the “Commission”) for an order under section 147 of the OSA exempting TR SEF from the requirement to be recognized as an exchange under section 21 of the OSA (the “Exemption Order” or the “Subsequent Order”).

The OSA and all regulations, rules, policies and notices of the OSC made thereunder are collectively referred to herein as the “Legislation”.

Exemption Criteria

OSC Staff has prescribed criteria that it will apply when considering applications by foreign-based stock exchanges for exemption from registration and recognition. These criteria are set out in a document entitled “Criteria for Exemption of a Foreign Exchange Trading OTC Derivatives from Recognition as an Exchange”, attached as Appendix A to the draft order. For convenience, this Application is divided into the following Parts:

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Part I — Background

TR SEF is a Delaware limited liability company and is an indirect wholly-owned subsidiary of Thomson Reuters Corporation. TR SEF was established to provide an appropriate swap execution facility (“SEF”) platform for the execution of non-deliverable forward swaps (“NDFs”) and foreign exchange options (“FX Options”), two kinds of instruments that are classified as swaps under Title VII of the *Dodd-Frank Wall Street Reform and Consumer Protection Act* (the “DFA”).

FX Options on deliverable currencies are currency options between two counterparties used to either hedge or speculate against currencies that are not subject to exchange controls. These transactions are generally based on major currencies and on reference prices that are publicly available on a timely basis. NDFs are cash settled currency forwards between two counterparties used to either hedge or speculate against currencies where exchange controls in a particular country make it difficult for foreigners to trade in the spot market directly. Instead, the entire transaction is settled in a widely traded currency, usually United States dollars (“USD”). FX Options on NDFs are cash settled currency options between two counterparties used to either hedge or speculate against currencies where exchange controls in a particular country make it difficult for foreigners to trade in the spot market directly. There is no exchange of the underlying currency. Instead, the entire transaction is settled in a widely traded currency, usually USD.

In the United States, the Applicant operates under the jurisdiction of the Commodity Futures Trading Commission (the “CFTC”) and obtained permanent registration with the CFTC to operate a SEF on January 22, 2016. In addition to being registered as a SEF in the United States, TR SEF is regulated by the OSC pursuant to the Interim Order (and by the Manitoba Securities Commission, pursuant to a similar order, as described above).

Under the terms of the Interim Order, TR SEF became available to Ontario users (“Ontario Users”) on October 2, 2013, the date on which a multiple-to-multiple platform (such as TR SEF) was required to register as a SEF if it facilitated (among other things) foreign exchange NDF trades and FX Options trades. TR SEF offers a Central Limit Order Book (“Order Book”), a Request for Quote (“RFQ”) and Request for Stream (“RFS”) systems. The functionality for these instruments is provided using the FX Alliance (“FXall”) system technology. FXall and TR SEF are sister companies.

Title VII of the DFA amended the *Commodity Exchange Act* (the “CEA”) and created a new category of regulated markets for the execution of swaps on a multilateral basis. Under new section 5h of the CEA, entities that fall within the scope of the definition of a SEF must register with the CFTC and comply with certain core principles and other regulatory requirements. Consequently, any platform that facilitates the execution of swaps through a multiple-to-multiple trading mechanism must register as a SEF and comply with the core principles, as stipulated by the CFTC.

The market for currencies (the “Foreign Exchange Market” or “FX Market”) is, by its very nature, a global marketplace, and the impact of the DFA in regulating that market is far reaching. Many institutions have been required to, and have, registered as “Swap Dealers” or “Major Swap Participants” under the CFTC’s regulations. These registrants include participants in the FX Market from many jurisdictions and are not limited to the United States. Their activities in the markets for NDFs and FX Options, to a great extent, are required to be conducted in accordance with CFTC rules.

In addition, many other entities who are active in the FX Markets (for example, multinational corporations) will wish to execute transactions in NDFs and/or FX Options with counterparties subject to CFTC rules; and in order to do so, these other entities need to seek admission to a SEF in order to access counterparties who may only trade through a SEF.

It should be remembered that retail investors do not have access to TR SEF. Participants are typically large financial institutions with the requisite experience and resources to trade swap products on a wholesale market.

Part II — Application of Exemption Criteria to TR SEF

1. REGULATION OF THE EXCHANGE

1.1 Regulation of the Exchange

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

TR SEF is regulated by the CFTC and has obtained permanent registration with the CFTC to operate a SEF. As a registered SEF, TR SEF must comply with several types of regulatory obligations, including compliance with the “core principles” applicable to SEFs. The core principles relate to: (1) compliance with the core principles; (2) compliance with the CFTC’s rules; (3) facilitating swaps that are not readily susceptible to manipulation; (4) monitoring of trading and trade processing; (5) the ability to obtain information; (6) position limits or position accountability; (7) financial integrity of transactions; (8) emergency authority; (9) timely publication of trading information; (10) recordkeeping and reporting; (11) antitrust considerations; (12) conflicts of interest; (13) financial resources; (14) system safeguards; and (15) designation of the chief compliance officer. These core principles are included in Section 5h of the CEA and Part 37 of the CFTC’s regulations. Other regulations applicable to SEFs are included in Parts 1, 9, 16, 40, 43 and 45 of the CFTC’s regulations, among others. The CFTC does undertake periodic oversight reviews.

Pursuant to the core principles applicable to SEFs, TR SEF is obliged to have requirements governing (among other things) the conduct of its participants, and is required to monitor compliance with those requirements and to discipline participants. By way of a Regulatory Services Agreement (“RSA”), TR SEF has retained the National Futures Association (“NFA”) as a Regulatory Services Provider (“RSP”).

The NFA provides several services to TR SEF, including but not limited to:

- Trade practice surveillance;
- Market surveillance;

- Inquiries, investigations, and disciplinary matters;
- Reporting and recordkeeping;
- Arbitration services;
- Enforcement of audit trail requirements; and
- Financial surveillance.

1.2 Authority of the Foreign Regulator

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

CFTC regulations describe the obligations of a SEF. Pursuant to regulation 37.3(b)(6)(i), the CFTC grants registration to a SEF upon a determination, in its own discretion, that the SEF has demonstrated compliance with the CEA and the CFTC's regulations applicable to SEFs.

At any time, the CFTC may request information from TR SEF. Upon the CFTC's request, TR SEF must file information related to its SEF business in the form and manner and within the time period as specified in the CFTC's request.

Moreover, at any time, the CFTC may request a demonstration of compliance. Upon such a request, TR SEF must file with the CFTC a written demonstration, containing supporting data, information, and documents that it is in compliance with the core principles or with its other obligations under the CEA or CFTC regulations.

Lastly, TR SEF's Chief Compliance Officer ("CCO") must prepare, sign and file an annual report to the CFTC (the "Compliance Report") that contains a description of: (i) the compliance of TR SEF with the CEA; and (ii) the policies and procedures (including the code of ethics and conflict of interest policies) of TR SEF. Each Compliance Report must be accompanied by appropriate financial reports and a certification that, under penalty of law, the report is accurate and complete.

The core CFTC regulation applicable to SEFs is Part 37, whereby the CFTC adopted new rules, guidance, and acceptable practices to implement certain statutory provisions enacted by Title VII of the DFA. The final rules, guidance, and acceptable practices, which apply to the registration and operation of SEFs, implement the DFA's new statutory framework that, among other requirements, adds a new section 5h to the CEA concerning the registration and operation of SEFs and also adds a new section 2(h)(8) to the CEA concerning the mandatory execution of certain swaps on SEFs.

Section 2(h)(8) of the CEA requires that certain swaps that are already subject to the mandatory clearing requirement of CEA section 2h occur on a designated contract market ("DCM") or SEF, unless no DCM or SEF makes the swap available to trade.

Section 5h of the CEA provides the final regulations, guidance, and acceptable practices governing the registration and general obligations of SEFs under the core principles, including, but not limited to:

- Trading and product requirements;
- Compliance obligations;
- Surveillance obligations;
- Operational capabilities; and
- Financial information and resource requirements.

2. GOVERNANCE

2.1 Governance

The governance structure and governance arrangements of the exchange ensure:

a. effective oversight of the exchange,

TR SEF has adopted and impartially enforces a comprehensive set of rules for the operation and conduct of the exchange (collectively, the "Rules" and each a "Rule"), available at <https://www.fxall.com/solutions-capabilities/regulatory-solutions/thomson-reuters-sef>. The Rules, in conjunction with the TR SEF Compliance Manual (the "Compliance Manual"), the TR SEF LLC Agreement (the "LLC Agreement"), United States regulatory requirements and Delaware law, govern TR SEF. The Rules and LLC Agreement are available on the CFTC website (www.cftc.gov).

TR SEF is governed by a Board of Directors (the "Board") with a total of three members ("Directors"). The Board manages the day to day business operations of TR SEF in accordance with the LLC Agreement and applicable law. TR SEF has officers ("Officers") who are appointed by the Board and whose powers and duties are set out in the LLC Agreement.

The Board has the power and authority to call for review, and to affirm, modify, suspend or overrule any and all decisions and actions of standing committees or special committees of the Board or any panel of the Officers related to the day to day business operations of the Applicant. The Board may act only by the decision of an absolute majority in number of the Directors, either by vote at a meeting or by written consent without a meeting, or as otherwise set forth in the LLC Agreement.

The Board has adopted procedures 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 TR SEF.

TR SEF has a Regulatory Oversight Committee ("ROC") made up of three members, which are currently the three Directors. The ROC is responsible for: (1) providing independent oversight of the regulatory program, including trade practice, market and financial surveillance, (2) assisting the Board in minimizing potential conflicts of interest of TR SEF, (3) confirming that the regulatory program is fair and impartial to TR SEF members, and (4) monitoring the regulatory program for sufficiency, effectiveness, and independence.

The Rules establish the rules of the SEF for operations and conduct, including, but not limited to: (1) the terms and conditions of any swaps traded or processed on or through the SEF; (2) access rules for the SEF; (3) trade practice and business conduct rules; (4) audit trail requirements; (5) disciplinary rules; (6) mandatory trading requirements; (7) ownership and governance; and (8) disciplinary and arbitration rules.

The Rules establish TR SEF's authority to maintain a fair and orderly market and to assist TR SEF in complying with its legal and regulatory obligations, and with the core principles as approved by the CFTC.

b. that business and regulatory decisions are in keeping with its public interest mandate,

Under Section VIII.E of the Compliance Manual, TR SEF's CCO is generally responsible for, among other things: (1) overseeing and reviewing TR SEF's compliance with Section 5h of the CEA and any related rules adopted by the CFTC; and (2) in consultation with the Board, resolving any conflicts of interest that may arise.

Additionally, pursuant to Rule 207, the ROC is responsible for overseeing all facets of the regulatory program. This includes ensuring that TR SEF maintains fair, vigorous and effective regulation. In its

oversight of TR SEF's regulatory program, the ROC is responsible for providing independent oversight of the regulatory program (including trade practices, market and financial surveillance), assisting the Board in minimizing potential conflicts of interest of TR SEF, confirming that the regulatory program is fair and impartial to the SEF Participants, and monitoring the regulatory program for sufficiency, effectiveness, and independence.

c. fair, meaningful and diverse representation on the board of directors (Board) and any committees of the Board, including

(I) appropriate representation of independent directors, and

The CFTC has proposed rules that would require SEFs to have a certain percentage of directors that qualify as "Public Directors." The proposed definition of a Public Director is intended to ensure that such directors are independent from the SEF and its members. The CFTC has not yet finalized this requirement, however, so all of TR SEF's Directors are currently officers or employees of Thomson Reuters. The criteria for a person to be considered to be a Director are set forth in Rules 202 and 204.

(II) a proper balance among the interests of the different persons or companies using the services and facilities of the exchange,

Rule 202 provides that each Director must satisfy the fitness standards and requirements to serving as a director of a SEF under the CEA and CFTC regulations. Pursuant to these fitness standards, each Director must (among other things): (1) exhibit independence, objectivity and be capable of serving as a representative of not only the shareholder but also other core constituencies; and (2) represent the interests of a diversity of members. Additionally, at least one Director must not be: (a) a member of TR SEF; (b) currently a salaried employee of TR SEF; (c) primarily performing services for TR SEF in a capacity other than as a director; or (d) an officer, principal or employee of a firm which is a member of TR SEF either in its own name or through an employee on behalf of the firm. The compensation of non-executive members of the Board is not linked to the business performance of the Applicant.

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

In consultation with the Board, the CCO manages and resolves any conflicts of interest that arise, including:

- (a) conflicts between business considerations and compliance requirements;
- (b) conflicts between business considerations and the requirement that the Applicant provide fair, open, and impartial access as set forth in CFTC regulations; and
- (c) conflicts between TR SEF's management and members of the Board.

Also pursuant to Section VIII.E of the Compliance Manual, the CCO is required to notify TR SEF's ROC in the event that the CCO identifies a conflict of interest between his or her position as CCO or exercise of authority as CCO, and his or her personal interests. The ROC, upon receipt of such notice from the CCO, or on its own initiative if it identifies a conflict of interest involving the CCO through its oversight of the CCO, shall reassign the conflicted matter to an alternate employee who does not report to the CCO and who does not possess a conflict of interest.

Rule 210 outlines the Applicant's conflict of interest policy. Pursuant to Rule 210, a Director, Officer, disciplinary panel member or other person authorized to exercise the Applicant's authority concerning any inquiry, investigation, disciplinary proceeding, summary suspension, or other summary actions (any such

action, a "SEF Proceeding" and, collectively, "SEF Proceedings"), or emergency actions taken pursuant to Rule 209 or emergency disciplinary action taken pursuant to Rule 1014 (each such SEF Proceeding or emergency action, a "Self-Regulatory Action") who knowingly has a "material conflict of interest" (as set out below) between his or her position as a Director, Officer, panel member or exercise of authority concerning a Self-Regulatory Action and his or her personal interests (each, an "Interested Person") may not participate in any deliberations or vote of the Board, committee or panel, or exercise any authority with respect to such Self-Regulatory Action involving his or her personal interest, except as described in Rule 210(d). Before considering any Self-Regulatory Action, an Interested Person must disclose in writing to the Board the material facts concerning his or her relationship or interest in the matter.

For the purposes of Rule 210, a "material conflict of interest" means a Director, Officer, disciplinary panel member or other person:

- (a) being named as a respondent or potential respondent in the Self-Regulatory Action;
- (b) being an employer, employee, fellow employee or an affiliate of a respondent or potential respondent in the Self-Regulatory Action;
- (c) having any significant, ongoing business relationship with a respondent or potential respondent in the Self-Regulatory Action;
- (d) having a family relationship with a respondent or potential respondent in a Self-Regulatory Action (including the individual's spouse, co-habitator, former spouse, parent, step-parent, child, step-child, sibling, step-brother, step-sister, grandparent, grandchild, uncle, aunt, nephew, niece, father-in-law, mother-in-law, brother-in-law or sister-in-law);
- (e) having a direct and substantial financial interest in the result of the deliberations or vote based upon either exchange or non-exchange positions (as referenced in CFTC regulations), other than a direct or indirect equity or other interest in Thomson Reuters (Markets) LLC ("Thomson Reuters LLC"), that could reasonably be expected to be affected by the action. A direct and substantial financial interest includes positions in contracts in accounts of, controlled by, or affiliated with the Interested Person or in any other types of direct and substantial financial positions of the Interested Person that are reasonably expected to be affected by the deliberations or vote; and/or
- (f) any other circumstance that gives rise to a conflict between the Director's, Officer's, disciplinary panel member's or other person's exercise of authority concerning any Self-Regulatory Action and his or her personal interests.

However, any Interested Person who would otherwise be required to abstain from deliberations and voting as a result of having a direct and substantial financial interest in the result of the deliberations and vote may participate in deliberations, prior to a vote on the matter, if:

- (a) the material facts about the Interested Person's financial interest in the matter are disclosed or known to the Board, committee, or disciplinary panel;
- (b) the Board, committee, or disciplinary panel determines that the participation by the Interested Person would be consistent with the public interest; and
- (c) a majority of the Directors (excluding any Interested Persons) vote to allow the Interested Person to participate in deliberations on the matter.

If a determination is made that an Interested Person may participate in deliberations prior to a vote, then the minutes of the meeting of the Board or committee thereof will reflect the determination and the reasons for the determination.

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

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

See section 2.1(c)(II) and section 2.2 of this Application for information regarding the qualification of directors and officers.

The LLC Agreement provides that a Director shall not be liable under a judgment, decree or order of court, or in any other manner, for a debt, obligation or liability of TR SEF.

Pursuant to Rule 203(d), each Director and Officer is entitled to indemnification with respect to matters relating to TR SEF or otherwise relating to Thomson Reuters LLC. The LLC Agreement specifically provides that TR SEF will indemnify Directors and Officers against any losses, claims or damages such Directors or Officers may become subject to by reason of the formation, operation or termination of TR SEF or its affiliates.

Rule 931 provides a general limit to the liability of TR SEF and its Directors, Officers and employees to \$25,000 for all losses suffered on a single day, \$100,000 for all losses suffered in a month and \$500,000 for all losses suffered in a year.

Rule 202 provides that compensation of the non-executive members of the Board shall not be linked to the business performance of the SEF.

2.2 Fitness

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

Rule 204 sets forth the qualifications for Directors, disciplinary panel members, committee members and Officers. According to Rule 204, an individual may not serve as a Director, or serve on a committee established by the Board or a disciplinary panel if the individual:

- (a) within the prior three years has been found, by a final decision in any action or proceeding brought in a court of competent jurisdiction, the CFTC, or any self-regulatory organization, to have committed a disciplinary offense;
- (b) within the prior three years has entered into a settlement agreement in which any of the findings or, in the absence of such findings, any of the acts charged, included a disciplinary offense;
- (c) is currently suspended from trading on a contract market, is suspended or expelled from membership in a self-regulatory organization, is serving any sentence or probation, or owes any portion of a fine or penalty related to either:

- (i) a finding of a disciplinary offense by a final decision in any action or proceeding brought in a court of competent jurisdiction, the CFTC, or any self-regulatory organization; or
- (ii) a settlement agreement in which any of the findings or, in the absence of such findings, any of the acts charged included a disciplinary offense;
- (d) is currently subject to an agreement with the CFTC or self-regulatory organization not to apply for registration with the CFTC or for membership in the self-regulatory organization;
- (e) is currently, or within the past three years has been, subject to a revocation or suspension of registration by the CFTC;
- (f) has been convicted of a felony listed under the CEA; or
- (g) is currently subject to a denial, suspension or disqualification from serving on a disciplinary committee, arbitration panel or governing board of any self-regulatory organization as that term is defined in the *Securities Exchange Act of 1934*.

TR SEF Directors are also subject to fitness standards. Directors must be of good repute and possess skills and expertise to fulfill their responsibilities in overseeing the governance of TR SEF. They receive sufficient training so they have a clear understanding of their responsibilities, including their fiduciary duty to the company as well as their responsibility to exercise sound judgment about the operations, management, growth and compliance of TR SEF.

The fitness standards also support the creation of a composition of the Board that provides a diversified set of talents and perspectives. Specifically, the Directors must:

- (a) behave ethically and with integrity in business and in life;
- (b) exhibit independence, objectivity and be capable of serving as a representative of not only the shareholder but also other core constituencies;
- (c) have the availability, commitment and personal qualities to be able to make a substantial active contribution to Board deliberations. These qualities include intelligence, self-assuredness, a high moral standard, inter-personal and communication skills, independence, courage, and a willingness to ask the difficult questions;
- (d) have no prior judgment or regulatory sanction issued against them;
- (e) have experience in the capital or analogous markets and/or in technology;
- (f) have an exemplary reputation and record for honesty in his or her personal dealings and business or professional activity;
- (g) have significant educational and business experience;
- (h) represent the interests of a diversity of members;
- (i) have an appreciation of, and experience with, a regulatory environment sufficient to foster a culture of compliance within TR SEF; and
- (j) have the ability to develop a good working relationship with other directors and contribute to the Board's working relationship with the senior management of TR SEF as well as regulators.

To meet the fitness standards, TR SEF completes a background check and/or has applicants fill out questionnaires.

3. REGULATION OF PRODUCTS

3.1 Review and Approval of Products

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

All products traded on TR SEF are submitted to the CFTC and are subject to requirements established by CFTC regulations.

TR SEF may list a new product through a self-certification process, which requires the Applicant to submit product information electronically to the CFTC the day preceding the new product's listing. The CFTC may request additional information to confirm the new product meets CEA requirements and CFTC regulations.

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

- (a) A properly completed cover sheet;
- (b) A copy of the new product's rules, including all rules relating to the new swap's terms and conditions;
- (c) An explanation and analysis of the product and its compliance with applicable provisions of the CEA and CFTC regulations, including documentation relied upon to establish the basis for compliance with applicable law;
- (d) A description of any agreements or contracts with third parties to support trading of the product on TR SEF;
- (e) A certification that TR SEF has posted a notice of pending product certification, and a copy of the submission, on TR SEF's public website; and
- (f) Any additional evidence requested by the CFTC staff.

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

3.2 Product Specifications

The terms and conditions of trading the products are in conformity with the usual commercial customs and practices for the trading of such products.

Products traded on TR SEF are currently limited to NDFs and FX Options. The terms and conditions of trading these products are in conformity with the usual commercial customs and practices for trading as described in TR SEF listings.

For NDFs, the usual commercial customs and practices include:

- Fixing date;
- Settlement procedure;
- Quoting Convention and Trading Increment;
- Minimum Size;
- Forward Rate; and
- Trading Hours.

For FX Options, the usual commercial customs and practices include:

- Option Style – European only;
- Option Type (put or call); and
- Expiration Date and Time.

TR SEF ensures conformity to these commercial customs and practice for trading by utilizing market standards for reference data and definitions.

3.3 Risks Associated with Trading Products

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

Rule 924(a) states that to reduce the potential threat of market manipulation or congestion, the SEF shall adopt for each of the contracts listed on the platform, as is necessary and appropriate, position limitations or position accountability levels for speculators. TR SEF does not currently have position limits or position accountability levels set for any contract because it has determined that, at this time, setting position limits or accountability levels for contracts on TR SEF is not necessary and appropriate. This is due to the fact that the contracts do not have a deliverable supply. Instead, the contracts are cash settled and such settlement does not depend on the supply of physical commodities or related securities. Further, the contracts are not subject to minimum position limits under statute or CFTC regulations. The CFTC has not yet imposed any position limits or accountability levels for swaps. TR SEF will establish appropriate position limits and/or position accountability levels should the CFTC promulgate such limits related to the contracts.

Rule 928 requires pre-execution credit checks to be performed for transactions executed on the Order Book. If the credit check fails, a trade is not permitted.

Rule 929 outlines the Applicant's risk controls for trading. TR SEF reserves the right to modify, adjust, or cancel any transaction where:

- (a) The transaction is unlawful, off market, the result of error, or otherwise incompatible with the Rules, the user agreement, or the efficient and secure operation of TR SEF, including, but not limited to, excessive electronic traffic sent by any Participant, to TR SEF.
- (b) Such action is necessary to mitigate market disrupting events caused by the improper or erroneous use of the platform or by system defects.
- (c) Allowing the trade to stand as executed may have a material, adverse effect on the integrity of the market.

In addition, the Applicant reserves the right to take any action to reduce the potential of market disruption, including but not limited to, market restrictions that pause or halt trading in market conditions prescribed by TR SEF if such action is in the best interest of the swap markets.

Lastly, TR SEF maintains rules applicable during an emergency (the "Emergency Rules", and each an "Emergency Rule"). Pursuant to Rule 209(b), the ROC may adopt Emergency Rules that authorize TR SEF, the Board, any committee of the Board, the CEO, CCO, or any other Officer to take actions necessary or appropriate to respond to the emergency, including, but not limited to: imposing or modifying position limits, imposing or modifying price limits, imposing or modifying intraday market restrictions, imposing special margin requirements, ordering the liquidation or transfer of open positions in any contract, ordering the fixing of a settlement price, extending or shortening the expiration date or the trading hours, suspending or curtailing trading in any contract, transferring customer contracts and the margin, or altering any contract's settlement terms or conditions, or if applicable, providing for the carrying out of such actions through its agreements with the RSP. These Emergency Rules give TR SEF the authority to intervene as necessary to maintain markets with fair and orderly trading and to prevent or address manipulation or disruptive trading practices, whether the need for intervention arises exclusively from the TR SEF market or as part of a coordinated, cross-market intervention.

Under Rule 209(e), TR SEF is required to use reasonable efforts to notify the CFTC prior to implementing, modifying or terminating any Emergency Rule. Where prior notification is not possible or practicable, TR SEF is required to notify the CFTC as soon as is possible or reasonably practicable. Under Rule 209(f), any decision to take emergency action shall be documented, and TR SEF will explain to the CFTC its decision-making process, the reasons for using its emergency authority, and how conflicts of interest were minimized under Rule 209(g).

TR SEF conducts pre-execution credit checks through an automated system check only for the Order Book because it is an anonymous execution system. A Credit Engine manages credit limits for bilaterally settled contracts. At the start of the trading day, the Credit Engine loads each Participant's credit limits and open positions. The Participant's outstanding credit available with each provider is calculated using a Net Open Position model. Positions are converted to their USD equivalents using the prevailing market rates. Utilization is determined by looking at the greater of the sum of the long or short currency positions netted to the USD. Available credit is adjusted intraday as a result of:

- Executed transactions – the credit needed for the transaction is "reserved" at the time of the check. It is rolled back if the transaction is not completed; and
- Instructions from a provider to change a Participant's limits.

The Order Book trading components transmit requests to the Credit Engine to perform real-time pre-trade credit checks on a trade-by-trade basis. If a potential trade exceeds the limit for one or both counterparties, the transaction is rejected by the Credit Engine.

TR SEF employs several real-time risk controls to manage and mitigate risks associated with trading. These include:

- Maximum Order Quantity - Participants can elect to configure a maximum order quantity to be used for all orders. Participants are blocked from entering orders for amounts that exceed the pre-set quantity through the RFS and Order Book GUIs, and through the Order Book API.
- Order Book Price Bands - For order book GUI users, there is a global price tolerance in effect. It is 1% from the current best bid or offer. If an order price exceeds the price tolerance, the Participant is prompted with a warning screen. The Participant may override the warning and submit the order at the original price.

As the RFQ and RFS trading modalities are fully disclosed (meaning, the counterparties already know how much credit they have with each other), and are currently bilaterally settled, pre-trade credit checks are unnecessary. A provider can reject an order from a client for any reason, including a lack of available credit.

At such time when clearing is mandated for products traded on the TR SEF, pre-trade clearing checks will be put in place for all trading modalities.

4. ACCESS

4.1 Fair Access

- (a) The exchange has established appropriate written standards for access to its services including requirements to ensure**
 - a. participants are appropriately registered as applicable under Ontario securities laws, or exempted from these requirements,**
 - b. the competence, integrity and authority of systems users, and**
 - c. systems users are adequately supervised.**

TR SEF does not provide direct access to an Ontario User unless the Ontario User represents that it is appropriately registered as an applicant under Ontario securities laws or is exempt from or not subject to those requirements, and qualifies as a Participant under the CEA.

TR SEF requires Ontario Users to notify TR SEF if their registration under Ontario securities laws has been revoked, suspended, or amended by the OSC, or if they are no longer exempt from or become subject to those requirements. Following notice from the Ontario User and subject to applicable laws, TR SEF promptly restricts the Ontario User's access to TR SEF if that user is no longer appropriately registered.

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

TR SEF does not provide access to an Ontario User to trading in products other than swaps and security-based swaps, as defined in section 1(a) of the CEA, without prior OSC approval.

TR SEF's access criteria are set out in Rule 301. To be eligible for admission as a Participant, an applicant must demonstrate to the satisfaction of TR SEF that it:

- (a) is an eligible contract participant ("ECP")¹ (which may be demonstrated through a representation);
- (b) is of good reputation and business integrity;
- (c) maintains adequate financial resources and credit;
- (d) is of the age of majority in the individual's state of residence (if an individual);

¹ The term "eligible contract participant" is defined in the CEA, as amended, at 17 U.S.C. § 1a(18).

- (e) is validly organized, in good standing, and authorized by its governing body and, if relevant, documents of organization, to trade any swap, contract, agreement or transaction approved for trading on the TR SEF ("Contracts") (if an entity);
- (f) has not filed for bankruptcy;
- (g) is not prohibited from using the services of TR SEF for any reason whatsoever;
- (h) holds all registrations required under applicable law, including any swap dealer, major swap participant, introducing broker, futures commission merchant, commodity pool operator, commodity trading advisor, associated person registration, as applicable;
- (i) is not subject to statutory disqualification under the CEA;
- (j) consents to TR SEF's jurisdiction pursuant to Rule 311; and
- (k) satisfies any other criteria that TR SEF may require from an eligible contract participant.

If a Participant's status changes, such Participant must immediately notify TR SEF of such change. At all times once admitted, Participants must continue to comply with the Rule 301 eligibility criteria.

Pursuant to Rules 504, 507 and 510, TR SEF receives certain financial and related information from members. The NFA periodically reviews Participants' financial information as it deems appropriate to ensure that they continue to qualify as ECPs.

TR SEF Rule 406 stipulates that TR SEF monitor trading on the platform in order to prevent manipulation, price distortion, and disruptions of the delivery or cash settlement process through surveillance, compliance, and disciplinary practices and procedures, including through the real-time monitoring of trading, and comprehensive trade reconstruction.

TR SEF supervises users of the system through its utilization of the NFA's surveillance system, NFA Participant audits, and daily real-time monitoring by TR SEF using email alerts (i.e. Bank Connectivity Alerts, Offer to Deal Timeout, Failed Database Insert Notifications, and Dealfeed-DTCC Submission Rejects) and support tools (i.e., Relationship Trading Trade and Event Viewers, Market Data Snapshot Viewer and Dealfeed Viewer).

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

TR SEF provides fair, open and impartial access to the SEF. Accordingly, the application process, as set out in Rule 302, is documented and the same for all applicants. Any person who desires to become a Participant must:

- (a) enter into a user agreement or SEF addendum;
- (b) agree to abide by the Rules and applicable law;
- (c) provide such information and documentation as may be requested by TR SEF pertaining to the Participant or the Participant's clients if the Participant is an account manager, and follow the procedures established by TR SEF for admission; and
- (d) if the Participant is organized or located outside of the United States, enter into a written agreement acceptable to TR SEF appointing a third party as its U.S. agent for service of process, and shall provide TR SEF with a copy of the agreement.

TR SEF reviews eligibility determinations in conjunction with the Rules so as to prevent unfair discrimination among Participants. In considering an application from a potential Participant, TR SEF may require additional information from the applicant, or conduct an investigation to verify information submitted by the applicant, or both. In determining whether to admit an applicant as a Participant, TR SEF will evaluate, among other things, the applicant's disciplinary history and financial and operational soundness. TR SEF may deny, condition or terminate the Participant status of any person:

- (a) If such person is unable to satisfactorily demonstrate its ability to satisfy the eligibility criteria to become or remain a Participant;
- (b) If such person is unable to satisfactorily demonstrate its capacity to adhere to all applicable Rules;
- (c) If such person would bring TR SEF into disrepute as determined by TR SEF in its sole discretion; or,
- (d) for such other cause as TR SEF may reasonably determine.

If TR SEF decides to decline or condition an application for admission as a Participant, or terminate a person's status as a Participant, it promptly notifies such person (the "Affected Person"). Such Affected Person may, within seven calendar days, request in writing that TR SEF provide the reasons for the denial, conditioning or termination of Participant status. Within fourteen calendar days after receiving such written request, TR SEF sends a written response to the Affected Person setting forth the reasons for the denial, conditioning or termination. Within fourteen calendar days of receiving TR SEF's written response, the Affected Person may request in writing that the Board reconsider the determination.

Within twenty-eight calendar days of receiving any request for reconsideration, the Board either confirms, reverses or modifies the denial, conditioning or termination of the Affected Person as a Participant, and promptly notifies the Affected Person accordingly in writing. The Board may, within its discretion, schedule a hearing (in-person or by teleconference); request additional information from the Affected Person; or, establish any other process that it believes is necessary and appropriate to consider the request for reconsideration. The Board's decision is final and is not subject to appeal.

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

If an applicant has been refused access or granted access subject to appeal, the applicant may appeal to the TR SEF Board pursuant to Rule 302.

TR SEF continuously monitors participants to ensure they satisfy requirements. The Market Regulation Department ("MRD") reviews regulatory and industry alerts daily for information regarding disciplinary actions taken against any SEF participants. Any traders requesting to be permissioned for SEF trading who were not on original onboarding documentation must be approved by the MRD before they can trade. Participant LEIs are checked monthly with the Global Markets Entity Identifier ("GMEI") Portal to ensure that all entity representations made on original onboarding documentation are accurate and up to date.

- (d) **The exchange does not**
 - a. **permit unreasonable discrimination among participants, or**
 - b. **impose any burden on competition that is not reasonably necessary and appropriate.**

TR SEF's Rules and business plan are designed to avoid unreasonable restraints of trade or the imposition of any material anticompetitive burden on trading, as will the specifications for each contract approved for trading on the platform. In particular, access to the platform does not require the acquisition of any equity interest and is available to a broad range and potentially unlimited number of Participants, on a fair, equitable and timely basis.

The TR SEF RFS and RFQ platforms both permit Participants to interact and trade with any other Participant with whom they have a credit arrangement for uncleared swaps.

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

TR SEF's MRD keeps records of the membership process for each applicant. The MRD reports to the SEF CCO, who oversees the monitoring, surveillance and other enforcement functions of TR SEF with the support of the MRD. The MRD consists of TR SEF staff supported by NFA personnel. TR SEF has contracted with the NFA, its designated RSP, to perform many of TR SEF's trading and market surveillance, audit and investigatory functions. The MRD supervises the effectiveness of the services provided by the NFA and has authority to investigate matters within its jurisdiction.

TR SEF's MRD can initiate an investigation upon the receipt of a request from the CFTC or upon the discovery or receipt of information that, in the judgment of the MRD, indicates a possible basis for finding that a violation has occurred or will occur.

5. REGULATION OF PARTICIPANTS ON THE EXCHANGE

5.1 Regulation

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

TR SEF is a self-regulatory organization and, consequently, has certain self-reporting obligations.

All Participants accessing, entering any orders or submitting any Contracts in the platform agree: (1) to be bound by, and comply with, the Rules; (2) to become subject to the jurisdiction of TR SEF; (3) to permit the NFA to access any and all information relevant to activities related to TR SEF business; and (4) to assist TR SEF in complying with its legal and regulatory obligations (including through cooperation with TR SEF and the CFTC in any inquiry and investigation).

Chapter 5 of the Rules sets forth the obligations of Participants, which includes certain disclosure obligations to TR SEF. Under Rule 503, TR SEF may, directly or through the NFA: (1) inspect a Participant's systems, equipment and software; (2) access a Participant's systems, equipment, software or premises; and (3) copy or reproduce certain Participant data. Additionally, under Rule 205(d), the CCO may, directly or through the NFA, inspect the books and records of any Participant or require any Participant to appear before him or her and produce its books and records and answer questions regarding alleged violations of the Rules.

The Rules establish compliance with the rules of TR SEF, including, but not limited to: (1) the terms and conditions of any swaps traded or processed on or through TR SEF; (2) access rules for TR SEF; (3) trade practice rules; (4) audit trail requirements; (5) disciplinary rules; and (6) mandatory trading requirements.

As stated in Rule 207, the ROC has the authority to monitor TR SEF's regulatory program for sufficiency, effectiveness and independence, and to oversee all facets of TR SEF's regulatory program. Subject to the oversight of the ROC, the CCO oversees the monitoring, surveillance and other enforcement functions of TR SEF with the support of the MRD. TR SEF has contracted with the NFA, its designated RSP, to perform many of TR SEF's trading and market surveillance, audit and investigatory functions in accordance with Rule 212. The MRD supervises the effectiveness of the services provided by the NFA.

As stated in Rule 406 (Monitoring of Trading and Trade Processing), TR SEF, with the assistance of the NFA, monitors trading on the platforms in order to prevent manipulation, price distortion, and disruptions of the delivery or cash settlement process through surveillance, compliance, and disciplinary practices and procedures, including through the real-time monitoring of trading through comprehensive trade reconstruction. TR SEF's technology collects, arrays and transmits bid, offer and other data to the NFA. For real-time trade monitoring, TR SEF has an automated system in place to detect market anomalies and potentially manipulative behavior. In addition, TR SEF coordinates with the NFA to ensure that such real-time monitoring is integrated with the NFA's T+1 surveillance of manipulative trade practice (for example, front-running, wash trading, pre-arranged trading, fraudulent trading, money passes).

In addition to surveillance and market monitoring, the NFA assists with: conducting inquiries, investigations, disciplinary proceedings and appeals from disciplinary proceedings, summary imposition of fines and summary suspensions.

Chapter 10 of the Rules sets forth TR SEF's disciplinary and enforcement process, which includes steps to inquire into, investigate, adjudicate and sanction potential rule violations within the disciplinary jurisdiction of TR SEF. The authority of the MRD to investigate matters within its jurisdiction and the obligations of each Participant to cooperate with such investigations are set forth in the Rules.

In certain circumstances, emergency disciplinary actions may be required that do not conform to the full set of procedures provided for in Chapter 10 of the Rules. Such disciplinary actions (including suspensions) may be conducted under Rule 1014 when the CCO reasonably believes that such emergency disciplinary action is necessary to protect the public or the best interests of TR SEF.

Currently, all swaps traded on TR SEF are uncleared. There is no mandate for FX swaps to be cleared. On an ongoing basis, TR SEF monitors the CFTC notifications regarding any further mandates to clear swaps.

Trade reporting is handled the same way for all trading modalities. A separate trade reporting server receives the trade data in real-time, formats them, and sends them to the SDR.

TR SEF contracts with the NFA to monitor trade practice violations on a T+1 basis. The NFA on a daily basis looks at generated exception reports designed to identify various types of potential trading abuses and other anomalous trading activity. The types of exceptions noted include, among others, those abuses prohibited by the CFTC including: front-running, wash trading, pre-arranged trading, fraudulent trading, money passes, manipulative trading, disruptive trading, trading ahead of customer orders, trading against customer orders, accommodation trading, and improper cross trading, and any other trading practices that a SEF deems to be abusive.

The MRD reviews SEF activity daily and regularly tracks and updates disciplinary history, trader authorizations, and legal entity information of its participants. The MRD also tracks any reporting issues, system incidents or outages, and receives weekly reports regarding canceled and amended SEF trades. All trading exceptions discovered by either the MRD or NFA under MRD oversight are sent to the CCO for review, as are participant representations during the SEF onboarding process before they can be granted permission to trade on TR SEF by the CCO. The MRD receives alerts for service disruptions and new regulatory or reporting requirements/specifications and informs the CCO upon receipt of such.

TR SEF Order Book has an off-market alert system. This is a post-trade process that automatically notifies Trading Operations staff whenever a transaction has overstepped a pre-defined bid-offer spread. Operations staff has the ability to define the acceptable bid-offer spread for any transaction, and when this spread is found to have been violated by an executed trade, an email alert is generated and broadcast to Trading Operations staff. This capability gives the Trading Operations staff a proactive method for detecting off-market transactions rather than relying solely on counterparties to report such trades.

The MRD is in regular communication with NFA staff assigned to monitor TR SEF activity. The NFA monitors trading as it occurs on a T+1 basis; the MRD oversees this. There is an Incident Management Log that TR SEF MRD has access to via the NFA Portal. If a potential exception is detected by the NFA, they indicate this in the Incident log and alert the MRD. The MRD reviews internally to determine whether TR SEF has additional information about the incident. If an explanation can be found for the exception or pattern of activity in question, the MRD informs the NFA of such. If the activity remains suspicious in nature after the MRD investigates, the MRD would then ask the NFA to investigate further. Both the MRD and NFA (under MRD authority) may take disciplinary action against a participant for improper trading practices.

The TR SEF MRD worked closely with the NFA to review and vet the NFA surveillance alerts and processes. To date, no major customizations have been needed to the NFA surveillance system to handle TR SEF trading modalities. TR SEF staff and the NFA hold regular update calls to discuss any data issues that arise and may impact NFA surveillance processes.

The NFA monitors trading as it occurs and may contact the SEF's Help/Control Desk in instances that are identified to warrant contacting the Participant. In the event that a suspicious trade is detected, the NFA raises it to TR SEF and TR SEF makes the decision regarding whether further investigation is necessary.

6. RULEMAKING

6.1 Purpose of Rules

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

TR SEF maintains a comprehensive set of rules and policies designed to govern the operation of the SEF. Chapter 5 of the Rules lays out the obligations of Participants on TR SEF. Chapter 9 includes the Rules governing trading practices and conduct. The Rules do not impose an unreasonable, unnecessary or inappropriate burden on competition.

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

The Rules are designed to ensure compliance with applicable law.

Pursuant to Rule 205(a)(1), the CCO is obligated to oversee and review TR SEF's compliance with the CEA and any regulations adopted by the CFTC.

TR SEF must comply with CFTC Regulations - Part 37, along with recordkeeping and reporting requirements for CFTC Regulations - Parts 43 and 45. TR SEF must also comply with section 5h of the CEA. TR SEF has various daily and weekly reviews performed by the MRD that enable the CCO to review and oversee the SEF's compliance with key regulations. The MRD reviews SEF activity and

participant information regularly. The MRD is in communication with the NFA with respect to monitoring SEF activity and any potential exceptions they may find.

(ii) prevent fraudulent and manipulative acts and practices,

Rules 905 through 910 prohibit Participants from engaging in fraudulent or manipulative acts.

Pursuant to Chapter 9 of the TR SEF Rulebook (Trading Practices and Business Conduct), Participants are prohibited from engaging in the following fraudulent and manipulative practices:

- Fraudulent acts, whereby no Participant shall engage in any fraudulent act or engage in any scheme to defraud, deceive, trick, or mislead in connection with or related to any SEF activity.
- Fictitious, wash, or non-competitive transactions, whereby no Participant shall create, place or accept fictitious transactions, wash transactions, or non-competitive transactions except, in the case of non-competitive transactions, as otherwise authorized by the SEF Rules, or execute any such order with knowledge of its nature as a fictitious transaction, wash transaction, or non-competitive transaction. Participants are prohibited from placing or accepting to buy and sell orders in the same Unique Swap Identifier, where the person knows or reasonably should know that the purpose of the orders is to avoid taking a bona fide market position exposed to market risk. Buy and sell orders for different accounts with common beneficial ownership that are entered with the intent to negate market risk or price competition shall also be deemed to violate the prohibition on wash transactions. Additionally, no person shall knowingly execute or accommodate the execution of such orders by direct or indirect means.
- Market disruptions, whereby orders entered into the platform for the purpose of upsetting the equilibrium of the market in any contract or creating a condition in which prices do not or will not reflect fair market values are prohibited, and any Participant who makes or assists in entering any such order with knowledge of the purpose thereof or who, with such knowledge, in any way assists in carrying out any plan or scheme for the entering of any such order, will be deemed to have engaged in an act detrimental to the SEF.
- Market manipulation, whereby no participant shall directly or indirectly manipulate or attempt to manipulate the market in any contract, the price of any swap, or of any contract in interstate commerce.
- Disruptive trading practices, whereby no Participant shall engage in any trading practice or conduct that constitutes a disruptive trading practice which includes, but is not limited to, engaging in conduct that violated bids or offers, or is, is of the character of, or is commonly known to the trade as "spoofing".
- Abusive trading practices, whereby no Participant shall engage in any abusive trading practice, including front-running, wash transactions, pre-arranged trading (except with regard to block trades), fraudulent trading or money passes.
- Misstatements, whereby no Participant shall make any knowing misstatement of a material fact to the SEF, any SEF official, any Board of Directors committee or SEF panel, or the Regulatory Services Provider.
- Acts detrimental to welfare of the SEF, whereby no Participant shall engage in any act that is detrimental to the SEF.

- Adherence to law, whereby no Participant shall engage in conduct that is a violation of the CEA or CFTC Regulations.
- Misuse of the platform, whereby it shall be deemed an act detrimental to the SEF to permit unauthorized use of the platform, to assist any Person in obtaining unauthorized access to the platform, to trade on the platform without a User Agreement, to alter the equipment associated with the platform (except with the SEF's consent), to interfere with the operation of the platform, to intercept or interfere with information provided thereby, or in any way to use the platform in a manner contrary to the Rules.
- Withholding orders, whereby any Participant entering orders on the platform shall not withhold or withdraw from the market any order, or any part of an order, for the benefit of any Person other than for the customer for whom the Participant is placing the order.
- Priority of customers' orders, whereby no Participant shall enter an order into the platform for his own account, an account in which he has a direct or indirect financial interest or an account over which he has discretionary trading authority, including, without limitation, an order allowing discretion as to time and price, when such Participant is in possession of any un-submitted customer order based on the same contract and with the same fixing date or expiration date and that the platform is capable of accepting.
- Handling of customers' orders, whereby no Participant in possession of a customer order shall knowingly trade ahead of a customer order or 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; and whereby no Participant in possession of a customer order shall engage in accommodation trading or improper cross-trading (except for Block Trades or the 15-Second Rule).
- Disclosing orders, whereby no Participant shall disclose another customer's order to buy or sell except to a designated SEF Official or the CFTC, and no Participant shall solicit or induce another Participant to disclose order information. No person shall take action or direct another to take action based on non-public order information, however acquired. The mere statement of opinions or indications of the price at which a market may open or resume trading does not constitute a violation.
- Pre-arranged and non-Competitive trades, whereby no Person shall pre-arrange any purchase or sale or noncompetitively execute any transaction, except in accordance with certain exception(s) and other Rules.
- Discretionary orders, whereby no Participant shall submit a discretionary order to the platform for any account of another person, without the prior specific written consent of such other person to the exercise of such discretion.

(iii) promote just and equitable principles of trade,

Pursuant to Rule 501, each Participant must observe high standards of integrity, market conduct, commercial honor, fair dealing, and just and equitable principles of trade while conducting or attempting to conduct any activities on TR SEF. Pursuant to Rule 904, it is a violation for a Participant to violate any TR SEF Rule or any agreement made with TR SEF, or to engage in fraud, dishonorable or dishonest conduct, or in conduct which is inconsistent with just and equitable principles of trade.

TR SEF has numerous personnel and systems controls in place to ensure the duties of and responsibilities of participants are monitored. The MRD reviews SEF trading activity daily. The TR SEF onboarding team follows specific guidelines when performing client onboarding and setup. The NFA

performs T+1 surveillance of the daily SEF trading activity of participants. The NFA performs a recordkeeping audit trail exam of participants. The MRD reviews disciplinary actions taken against participants by other SROs, reviews news regarding participants, and the operations team performs real-time monitoring.

- (iv) **foster co-operation and co-ordination with persons or companies engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in the products traded on the exchange,**

Pursuant to Rule 211, TR 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 Contracts trade.

TR SEF has not entered into any information-sharing agreements or other arrangements or procedures to coordinate surveillance with other markets.

- (v) **provide a framework for disciplinary and enforcement actions, and**

Rules 904 through 923 set forth rule violations, prohibited practices and rules to minimize conflicts of interest. Chapter 10 of the Rules describes TR SEF's disciplinary and enforcement procedures.

- (vi) **ensure a fair and orderly market.**

The TR SEF Rules provide the framework for ensuring a fair and orderly market. Pursuant to Rule 907, orders entered into the platform for the purpose of upsetting the equilibrium of the market in any Contract or creating a condition in which prices do not or will not reflect fair market values are prohibited, and any Participant who makes or assists in entering any such order with knowledge of the purpose thereof or who, with such knowledge, in any way assists in carrying out any plan or scheme for the entering of any such order, will be deemed to have engaged in an act detrimental to TR SEF.

In the event of an emergency, Rule 209 provides for Emergency Rules (as previously described in Section 3 of this Application) granting the Applicant authority to intervene as necessary to maintain markets with fair and orderly trading and to prevent or address manipulation or disruptive trading practices, whether the need for intervention arises exclusively from the TR SEF market or as part of a coordinated, cross-market intervention.

7. DUE PROCESS

7.1 Due Process

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

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

Section 5 and section 12.2 of this Application provide information on TR SEF's disciplinary and enforcement process, generally.

Rule 302 sets out the procedure for an Affected Person when TR SEF decides to decline or condition an application for admission as a Participant, or terminate a person's status as a Participant. This procedure is previously described in Section 4 of this Application.

Pursuant to Rule 1005 (Notice of Charges), Rule 1006 (Answer to Notice of Charges), Rule 1007

(Settlements), Rule 1008 (Respondent Review of Evidence), Rule 1009 (Hearings), and Rule 1010 (Decision of Hearing Panel), parties are given an opportunity to be heard or make representation and to review the decisions of TR SEF.

Pursuant to Rule 1005 (Notice of Charges), 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 notice of charges, which the TR SEF MRD will prepare and serve. Such a notice will state the acts, conduct, or practices in which the respondent is alleged to have engaged, the rule(s) alleged to have been (or about to be) violated, and advise the respondent that he is entitled to a hearing upon request. Upon being served with a notice of charges, a respondent will have the right to be represented by legal counsel or any other representation of its choosing in all succeeding stages of the disciplinary process.

Pursuant to Rule 1006 (Answer to Notice of Charges), if the respondent determines to answer a notice of charges, the respondent must (in writing) specify the allegations they deny or admit, specify the allegations they don't have sufficient information to deny or admit, specify any specific facts that contradict the notice, any affirmative defenses to the notice, and sign and serve the answer to the CCO. Any failure by the respondent to timely serve an answer to a notice, to answer one or more allegations in a notice, and any allegations in a notice that the respondent fails to expressly deny, will all be deemed to be an admission to those allegations. If a respondent admits to allegations through such a failure to respond, the Hearing Panel will impose appropriate sanctions, prior to which the Hearing Panel will notify the respondent in writing and advise respondent that it may request a hearing on such a sanction within a specified period of time. If such a hearing is not requested within 20 days of being served with such notice, the respondent will be deemed to have accepted the sanction.

Pursuant to Rule 1007 (Settlements), a respondent or potential respondent may at any time propose in writing an offer of settlement related to anticipated disciplinary proceedings, which should contain proposed findings and sanctions and be signed by the respondent or potential respondent. Disciplinary proceedings may be settled without the admission or denying of findings contained in the order of the disciplinary proceedings, but must accept the jurisdiction of the SEF over it and over the subject matter of the proceedings. After an offer of settlement is received, if the MRD and Hearing Panel agree to accept the offer of settlement, the offer shall be accepted and the Hearing Panel will issue a written decision specifying the rule violations it has a reason to believe were committed and any sanctions to be imposed, including full customer restitution where customer harm is demonstrated. Once the offer of settlement is accepted by the Hearing Panel, the respondent's submission of the offer will be deemed to constitute a waiver of the right to notice, opportunity for a hearing and review, as well as appeal under the SEF Rules. If the offer of settlement is not accepted or is withdrawn by the respondent or potential respondent, the matter will proceed as if the offer had not been made.

Pursuant to Rule 1008 (Respondent Review of Evidence), respondents will be given the opportunity to review all books, records, documents, papers, transcripts of testimony and other tangible evidence in possession or under control of the SEF that the MRD will use to support the allegations and proposed sanctions in the notice of charges. No respondent will have the right to view, and the SEF will have no obligation to disclose, any information protected by attorney-client privilege. Information which could adversely affect the competitive position of the person providing the information, or if such information might compromise other investigations being conducted by the MRD, the MRD may redact, edit, or code such information before furnishing it to the respondent. Notwithstanding the foregoing, the MRD 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 notice of charges.

Pursuant to Rule 1009 (Hearings), hearings shall be fair, conducted before members of the Hearing Panel, and shall be promptly convened after reasonable notice to the respondent. The Hearing Panel shall consist of no fewer than three members, who shall be appointed by the CCO or the NFA. Each Hearing Panel shall represent the interests of a diversity of Participants so as to ensure fairness and to

prevent special treatment or preference for any Person in the conduct of the Hearing Panel's responsibilities, and shall consist of at least one individual who is not an employee of TR SEF, a member of the NFA, an employee of a member of the NFA, or an employee of the NFA. No member of the TR SEF MRD or person involved in adjudicating any other stage of a proceeding shall participate in a Hearing Panel for such proceeding. Additionally, a Hearing Panel shall consist of at least one individual who is not a Participant or an employee of a Participant with respect to any disciplinary action in which the subject of the action is a member of the Board or the Hearing Panel, or for any disciplinary action in which any of the charged, alleged or adjudicated violations involve manipulation or attempted manipulation of the price of a contract, or conduct which directly results in financial harm to a person that is not a Participant of TR SEF.

After reasonable notice to each respondent, the Hearing Panel will promptly convene a hearing to conduct the disciplinary proceedings with respect to such respondent. Parties include each respondent and the MRD. The chair of the Hearing Panel may continue, adjourn, or otherwise conduct the hearing as he or she may deem appropriate, and will determine all procedural and evidentiary matters (including the admissibility and relevance of any evidence proffered). Once admitted during the hearing, the Hearing Panel may consider, and attach the weight it believes appropriate to, evidence or other materials. The Hearing Panel may summarily impose sanctions on any Participant that impedes or delays the progress of a hearing, and no interlocutory appeals of rulings of any Hearing Panel or chair of Hearing Panel are permitted.

Pursuant to Rule 1010 (Decision of Hearing Panel), Hearing Panels will issue written orders rendering their decisions based on the weight of the evidence contained in the record of the disciplinary proceedings as promptly as reasonable after a hearing. A decision by a majority of the Hearing Panel will constitute the decision of the Hearing Panel. The Chief Compliance Officer will serve a copy of the order of the disciplinary proceedings on the respondent and the MRD. The order will include the notice of charges or summary of allegations, the answer, if any, or a summary of the answer, a summary of evidence introduced at the hearing or, where appropriate, incorporation by reference of the investigation report, findings of fact and conclusions concerning each allegation, each specific SEF Rule and provision of applicable law that the respondent is found to have violated, and the imposition of sanctions, if any, including the basis for such sanctions and the effective date of each sanction.

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

Pursuant to Rule 403(a), TR SEF maintains complete and accurate books and records of all activities relating to the business of TR SEF, including investigatory files, disciplinary files, and all books and records required to be maintained pursuant to the CEA and CFTC regulations.

Section 13.1 of this Application provides additional information regarding record keeping.

Pursuant to Rule 1101 (Disputes Subject to Arbitration), the following may be submitted for arbitration through the National Futures Association Arbitration Program:

- (1) claims of a Customer or Client that is not a Participant against a Participant that relate to or arise out of any Transaction on or subject to the SEF Rules, including any disputes brought under Rule 922(a);
- (2) at the discretion of the Chief Compliance Officer, any claim involving the interests of the SEF, its Participants, their business relations or trading in general not otherwise arbitrable under these rules, provided the parties have consented to such arbitration.

Ontario Users are subject to the same rules and regulations as all other users.

Pursuant to Rule 1012, an appeal of a suspension, expulsion, disciplinary or access denial action, or other adverse action, including summary actions imposed by the SEF pursuant to the Rules may be taken pursuant to Part 9 of the CFTC Regulations. If an applicant has been refused access or granted access subject to appeal, the applicant may appeal to the TR SEF Board pursuant to Rule 302.

8. CLEARING AND SETTLEMENT

8.1 Clearing Arrangements

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

8.2 Risk Management Clearing House

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

TR SEF does not facilitate the trading of anything subject to mandatory clearing, so this section is not applicable.

9. SYSTEMS AND TECHNOLOGY

9.1 Systems and Technology

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

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

TR SEF has outsourced the development, support, and operation of its platform to FXall. All policies, procedures, and services performed by FXall are performed as part of the Master Services Agreement ("MSA") between FXall and TR SEF.

FXall is subject to all Thomson Reuters Corporation policies and standards, and therefore falls within the scope of the Thomson Reuters Corporate Compliance & Audit group (the "Compliance Group"). The Compliance Group has reporting responsibilities to the Audit Committee Chair and General Counsel. This group monitors, assesses and analyzes organizational risk and controls, as well as reviews and confirms compliance with policies and standards. The Compliance Group provides assurance that key internal controls are designed and operating properly, performs financial and operational reviews, tests key financial application implementations, and performs fraud investigation and awareness activities.

FXall maintains controls used to ensure the proper function, adequate security and capacity of automated trading systems and related systems such as those used for dissemination of market data and recording and safe storage of audit trail information. These controls include periodic, objective testing and the review of automated systems to ensure that these systems are reliable, secure and have adequate scalable capacity.

FXall/Thomson Reuters adopts principles and elements of practice from industry IT control and risk management frameworks, including based on the ISO 27001 framework to manage the business risks arising from the use of information technology and change management in support of our critical business processes.

The IT department is guided by the following principles in assessing and managing IT risks:

- IT risk decisions are made after examining each situation in consideration of overall enterprise-wide risk management;
- The IT risk program enables FXall business objectives by pursuing operational efficiency and cost effectiveness; and
- The IT risk management program relies on representatives from each region and business area that share in performance, accountability and ownership.

The IT risk management program strives to:

- Protect FXall systems and customer information at a level commensurate with its value;
- Enable secure access to information resources;
- Collaborate with FXall business management team to nurture a strong culture of IT risk management;
- Balance the cost of developing and deploying a solution with the risk the solution mitigates; and
- Comply with corporate information security policies, standards and relevant regulations.

FXall is subject to all Thomson Reuters policies and standards, and therefore in the scope of the Corporate Audit and IT compliance purview. The Thomson Reuters Corporate Compliance and Audit Group reports through Corporate Finance and has reporting responsibilities to the Audit Committee Chair and the General Counsel. This group performs monitoring, assessing, and analyzing organizational risk and controls; and reviewing and confirming information and compliance with policies and standards.

The compliance function of the Corporate Compliance and Audit Group provides assurance that key internal controls are designed and operating properly for all business processes in scope for the *Sarbanes-Oxley Act* (section 404).

The internal audit function of the corporate compliance and audit group performs financial and operational reviews, tests key financial application implementations, and performs fraud investigation and awareness activities.

IT compliance function targets environments including critical business environments, business applications, information systems and networks. The Thomson Reuters IT compliance role is part for the Information Security Risk Management function, which reports to the CISO and regularly provides input

reporting to the FXall Risk Committee. The FXall Information Security Office employs dedicated experienced staff with certifications from ISACA. In the course of performing audits, FXall also contracts an independent and licensed CPA and PCAOB registered firm for the audit of Service Organization Controls ("SOC"). The scope of the audits includes:

- SOC 1 examination assesses the internal control over financial reporting
- SOC 2 reports information and the CPA firm's opinion about controls relevant to security, availability, processing integrity, confidentiality and privacy.

Regularly scheduled internal audits include the access recertification process for all critical systems. Findings from audits are tracked to resolution and regularly reported to executive management.

9.2 System Capability/Scalability

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

- a. makes reasonable current and future capacity estimates;**
- b. conducts capacity stress tests to determine the ability of those systems to process transactions in an accurate, timely and efficient manner;**

In order to ensure adequate capacity and performance planning, FXall employs a process of determining the production capacity needed by monitoring usage trends and peaks, which can trigger follow-up actions for increasing capacity where there are indications that established thresholds are being exceeded. Additional resources are typically triggered at 50% of capacity at face value. The results and remediation are reported monthly to the FXall operating committee. TR SEF undertakes capacity stress tests to ensure systems can adequately process transactions.

- c. reviews the vulnerability of those systems and data center computer operations to internal and external threats, including physical hazards and natural disasters;**

FXall uses an industry leading commercial Vulnerability Management ("VM") to help automate the lifecycle of network auditing and VM. Network perimeter unauthenticated scans are performed monthly on all external facing IP addresses for the FXall data centers and offices. Each time a scan is run, reports are generated to identify new, fixed, and un-remediated vulnerabilities. This serves for tracking successful remediation of previous findings. High severity or high risk vulnerabilities are flagged and targeted to be remediated as priority. For lower severity vulnerabilities, reports are distributed to security personnel in various infrastructure groups to review, track, and remediate where practical and provided there is no adverse business impact. Interior network authenticated scans are scheduled to be performed quarterly on hosts in the data center.

In the event of a physical or natural disaster, the data center facility has contingencies in place to keep the infrastructure functioning, despite potential disruptions such as lengthy power outages. To maintain power availability, high-capacity, redundant generators are utilized that guarantee power availability even during regional power outages. In addition, the data centers are built on raised floors and have high-volume, zoned temperature and humidity control systems which are monitored on a 24/7 basis. Redundant HVAC units are employed with emergency electrical systems to maintain availability. The fire suppression system utilized in the data centers is built around the VESDA ("Very Early Smoke Detection Apparatus") detection system – a state-of-the-art "sniffer" system that detects smoke from the earliest stages of combustion. Finally, leak detection is built into the data center's building automation / management system.

- d. ensures that safeguards that protect a system against unauthorized access, internal failures, human errors, attacks and natural catastrophes that might cause improper disclosures, modification, destruction or denial of service are subject to an independent and ongoing audit which should include the physical environment, system capacity, operating system testing, documentation, internal controls and contingency plans;**

FXall utilizes Aspect Security ("Aspect") to perform application security penetration tests and code review. The objectives of the review are to find security vulnerabilities, validate the proper use of security mechanisms, and evaluate the use of best practices in the application. Aspect uses a combination of source code analysis and manual penetration testing to identify the issues in the application. Aspect analyzes the application's security mechanisms for architecture, implementation, and configuration issues. In addition, Aspect searches the application for vulnerabilities common to similar applications.

More recently, FXall began using the veracode ("Veracode") solution for application security scans to identify security flaws using automated static, automated dynamic and/or manual security analysis techniques. FXall has integrated Veracode security review into its Software Development Life Cycle ("SDLC") to improve security posture. From the application security scans, identified risks ranked high and above are prioritized for remediation and require a security re-scan to validate the fixes. The vulnerability findings are reviewed and validated by security personnel, distributed to system owners as appropriate and material risk items are tracked for remediation through the trouble ticketing system. Issues with a medium risk or below are remediated after the threat has been reviewed, and no adverse business impact determined.

- e. ensures that the configuration of the system has been reviewed to identify potential points of failure, lack of back-up and redundant capabilities;**

FXall maintains control over the configuration of its IT system and applications through a defined set of processes and procedures. A tool is used to automate the process of inventory information gathering. Information gathered includes hardware attributes (manufacturer, model, serial number, processor, and memory), software attributes (operating system, version number, patch and/or release level), and operational information (system hostname, network interfaces, IP addresses). The inventory information is regularly archived.

- f. maintains reasonable procedures to review and keep current the development and testing methodology of those systems; and**

FXall adopts compliance requirements and industry standard SDLC concepts and practices. The development team is responsible for system design and development. Upon completion, the development team performs full functional testing of the system before formally handing it over to the Quality Assurance Team (the "QA Team"). The QA Team reviews the system upon formal hand-over from the development team. If acceptable to the QA Team, the system is subject to the team's own independent testing. QA testing focuses on functionality, security and performance. Issues uncovered during QA are documented and tracked for resolution. Additionally, where there is a regulatory requirement being included in the software update, the Compliance Group also performs a review and approval.

Upon passing QA, the system is promoted to TR SEF's integration environment where it is subject to stress testing and user acceptance testing. The application support team, a part of the trading operations department, determines when the system under testing in the integration environment is ready for production release with formal sign-off.

- g. maintains reasonable back-up, contingency and business continuity plans, disaster recovery plans and internal controls.**

TR SEF maintains a Business Continuity and Disaster Recovery ("BC-DR") plan. The FXall information security team monitors changes introduced into FXall controlled environments, and alerts management to any detected deviation from the defined change management process.

FXall utilizes the Savvis, Inc. data centre (the "Savvis Data Center") in Sterling, VA as its BC-DR site. The Savvis Data Center is a warm, self-managed site located approximately 350 miles from the primary production site. The site has similar network and server hardware to the primary production site to function as a warm disaster recovery site. FXall servers in the Savvis Data Center are housed in a locked cage that is solely dedicated to FXall. The equipment is either owned by FXall or is completely dedicated to FXall usage. Savvis is responsible for the operation of the facility, including redundant power, climate control, internet connectivity, building security, video surveillance, and on-site operations staff. Operations staff is limited to acting at the direction of FXall personnel.

FXall depends on providers to ensure the availability of market data. However, the trading data FXall systems generate and capture is secured and made available through industry standard practices. The data is stored on a high-availability EMC storage device in either RAID-5 or RAID-6 configuration. Data is also replicated every fifteen minutes from the production site to the warm BC-DR site to minimize data loss in case that the primary data center becomes unavailable.

FXall maintains dedicated tape backups in both primary and secondary (BC-DR) data centers. Incremental backups are performed daily and full backups weekly. Archival tapes are stored at a secure off-site facility. Data restoration from tape is tested monthly. Authorized FXall personnel manage and support the BC-DR site remotely through VPN access.

FXall participates in the annual industry wide BC-DR testing organized by Security Industry and Financial Markets Association ("SIFMA"), for the overall description of that test and results. In that test, FXall simulates a DR event that incapacitates its primary production data center in Weehawken, NJ. Providers and traders that use FXall's platform are able to perform testing on connectivity and certain simulated market activities through FXall's BC-DR site in Sterling, VA. SIFMA Members can sign up to participate in the test with FXall and their other providers for the annual test.

The results of business continuity tests were provided to the CFTC.

9.3 Information Technology Risk Management Procedures

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

TR SEF has tools and procedures in place to perform appropriate risk management, including the ability to modify, adjust, or cancel any transaction, including block trades and to pause or halt the market in compliance with Rule 929.

10. FINANCIAL VIABILITY

10.1 Financial Viability

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

TR SEF maintains financial resources that exceed the total amount that would enable it to cover its operating costs for a one-year period, as calculated on a rolling basis, and maintains liquid financial resources equal to at least six months' operating costs.

11. TRADING PRACTICES

11.1 Trading Practices

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

Chapter 9 of the Rules imposes an extensive set of restrictions designed to protect Participants from forms of abusive, disruptive, fraudulent, uncompetitive and unfair conduct and trade practices. Prohibited conduct and trade practices include, but are not limited to, fictitious, wash, or non-competitive transactions (Rule 906), trading ahead of and against customer orders (Rules 917 and 918), accommodation trading (Rule 918), improper cross-trading (Rule 918), front-running (Rule 910), wash trading (Rules 906 and 910), fraudulent trading (Rule 905), and other manipulative, disruptive or abusive trading practices (Rules 905, 907, 908 and 910).

As stated in Rule 910 and enforced by the RSA with the NFA, TR SEF prohibits abusive trading practices on its markets by Participants. See section 5.1 of this Application for additional information.

TR SEF, with the assistance of the NFA, implements a compliance program which conducts market surveillance and trade practice monitoring on a real-time and T+1 basis. For real-time trade monitoring, TR SEF has an automated system in place to detect market anomalies and potentially manipulative behavior. In addition, TR SEF coordinates with the NFA to ensure that such real-time monitoring is integrated with the NFA's T+1 surveillance of manipulative trade practice (for example, front-running, wash trading, pre-arranged trading, fraudulent trading, money passes). The MRD supervises the effectiveness of the services provided by the NFA.

As part of its surveillance program, TR SEF maintains all data reflecting the details of each order entered into the platform, including:

- (a) all data that are input into the trade entry or matching system for the transaction to match;
- (b) the categories of participant for which each trade is executed, including whether the person executing a trade was executing it for his/her own account or an account for which he/she has discretion;
- (c) timing and sequencing data adequate to reconstruct trading; and
- (d) identification of each account to which fills are allocated.

The NFA's automated system is able to detect and flag specific trade execution patterns and trade anomalies; compute, retain and compare trading statistics; compute trade gains, losses and swap-equivalent positions; reconstruct the sequence of market activity; perform market analyses; and perform in-depth analyses and ad hoc queries of trade-related data.

11.2 Orders

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

Chapter 6 (Supported Transactions) and Chapter 7 (Execution Methods) of the Rules specify trading procedures to be followed by Participants when entering and executing orders traded or posted on the platform, including block trades.

Pursuant to Rule 602(a), TR SEF publishes the list of contracts for which it permits and facilitates the bilateral trading and execution of block trades on its website. A block trade must be for a quantity that is at or in excess of the applicable minimum block size pursuant to CFTC Regulation 43.6.

The TR SEF platform includes a price-time priority Order Book, an RFQ system, and an RFS system.

Through the Order Book, all Participants can enter multiple bids and offers, observe bids and offers entered by other market participants, and choose to transact on such bids and offers. For certain permitted transactions, Participants must have an agreement governing the execution and settlement of such permitted transaction.

Through the RFQ platform, Participants can transmit an RFQ to buy or sell a specific instrument to other Participants, to which all such Participants may respond. The RFQ Platform is a fully disclosed trading system.

Through the RFS Platform, Participants can transmit an RFS subscription to buy or sell a specific instrument to other Participants, to which all such Participants may respond. The RFS Platform is a fully disclosed trading system.

11.3 Transparency

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

If a transaction is executed as a block trade pursuant to the Rules, then the reporting counterparty must report the swap to TR SEF pursuant to Rule 602(c)(7), and TR SEF will report the transaction and pricing data to a SDR as soon as possible and pursuant to CFTC regulation.

TR SEF records and reports all data required by CFTC regulations. TR SEF has an agreement with DTCC Data Repository (U.S.) LLC ("DTCC") to utilize the DTCC's SDR to make public timely information regarding swaps as prescribed by CFTC regulations. The TR SEF platform electronically captures trade information executed on the facility. All of the trading systems electronically send trade information through a centralized server, the Deal Feed Server ("Deal Feed"). The Deal Feed service connects to the DTCC SDR server (as prescribed by the DTCC) and electronically transmits all trade information executed on the platform as soon as practicable.

TR SEF disseminates trade information to Participants and to the public (through DTCC) on a continuous basis without distinction between different Participants.

TR SEF also posts on its website data about the volume of NDFs and FX Options executed on the platform, as well as rule filings and product listings, which are freely available to the public at: <http://www.fxall.com/sef-volumes/sef-volumes>.

12. COMPLIANCE, SURVEILLANCE AND ENFORCEMENT

12.1 Jurisdiction

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

TR SEF is a self-regulatory organization and, consequently, has certain self-regulatory obligations.

As discussed above, TR SEF is under the jurisdiction of and regulated by the CFTC. Pursuant to Rule 205(b), the CCO has the authority and resources to develop and enforce policies and procedures necessary to fulfill the requirements set forth in the Rules, CEA and CFTC regulations.

12.2 Member and Market Regulation

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

TR SEF's CCO oversees the MRD which maintains appropriate resources to evaluate and ensure compliance with exchange and legislative requirements by TR SEF and its Participants. As stated in Rule 207, TR SEF's ROC has the authority to oversee all facets of the regulatory program, including reviewing the size and allocation of the regulatory budget and resources, and number, hiring, termination and compensation of regulatory personnel.

Chapter 10 of the Rules sets forth the disciplinary and enforcement process, which includes steps to inquire into, investigate, adjudicate and sanction potential rule violations within the disciplinary jurisdiction of TR SEF. Through the NFA, the Applicant maintains disciplinary panels. The composition of any disciplinary panel meets all applicable CFTC requirements. The MRD prosecutes potential violations of the Rules.

The decision as to whether to initiate an investigation is made by TR SEF under Rule 1004. The decision as to whether to impose sanctions and, if so, the form of such sanctions is taken by TR SEF under Rules 1010 and 1011. As stated in Rule 1011 (Sanctions), TR SEF imposes sanctions if any Participant or other user is found to have violated or to have attempted to violate a Rule or provisions of applicable law for which TR SEF possesses disciplinary jurisdiction.

TR SEF may impose one or more of the following sanctions or remedies:

- (a) censure;
- (b) limitation of trading privileges, ability to otherwise access the platform, and/or other activities, functions or operations;
- (c) suspension of trading privileges and/or ability to otherwise access the platform;
- (d) fine;
- (e) restitution or disgorgement;
- (f) termination of trading privileges and/or ability to otherwise access the platform; or
- (g) any other sanction or remedy deemed to be appropriate.

As part of the SEF application process, TR SEF performed an assessment of resources and submitted same to the CFTC. At least annually, the CCO re-evaluates this formally as part of the annual CCO report. If there is a change in resource needs in the interim, the CCO performs an evaluation and brings his findings to the President and Regulatory Oversight Committee for review.

Pursuant to Rule 205(f), the CCO annually prepares and signs a report pursuant to the requirements in Section 37.1501(e) and 37.1501(f) of the CFTC regulations which must contain a description of: (i) the compliance of the SEF with the CEA; and (ii) the policies and procedures, including the code of ethics

and conflict of interest policies, of the SEF. Such annual report includes a certification that, under penalty of law, it is accurate and complete and be submitted to the CFTC.

Section 37.1501(e)(2)(ii) of the CFTC regulations requires that the annual report include a self-assessment as to the effectiveness of the policies and procedures of the SEF. Section 37.1501(e)(2)(iii) requires that the annual report include a discussion of areas for improvement and recommends potential or prospective changes or improvements to the compliance program and resources of the SEF.

Section 37.1501(e)(4) of the CFTC regulations requires that the annual report include a catalogue of investigations and disciplinary actions taken since the last annual compliance report, and a review of the performance of disciplinary committees and panels. Where applicable, this may include metrics to determine whether investigations are completed in a timely manner.

12.3 Availability of Information to Regulators

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

All books and records kept pursuant to Rule 403 are reported to the CFTC as requested by the CFTC and are open to inspection and examination by the CFTC and the Securities and Exchange Commission. Under Rule 503, TR SEF will provide any information in its possession to the CFTC, and may share such information with other regulatory organizations (including the Commission), data repositories, and reporting services as required by the CFTC or as otherwise necessary and appropriate to fulfill its self-regulatory and reporting responsibilities.

TR SEF retains volume reports, as well as reports of service-impacting outages to put together volume numbers and incidents reports for the Commission upon request on a timely basis.

13. RECORD KEEPING

13.1 Record Keeping

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

TR SEF keeps complete and accurate books and records of all activities relating to the business of the SEF, including a complete audit trail for all swaps executed on or subject to the rules of TR SEF, investigatory files, and disciplinary files, and all books and records required to be maintained pursuant to the CEA and CFTC regulations.

TR SEF retains all such books and records for at least five years. All records relating to swaps are kept for at least five years following final termination of the swap. Records relating to swaps are readily accessible via real time electronic access by TR SEF throughout the life of the swap and for two years following the final termination of the swap, and are retrievable by TR SEF within three business days through the remainder of the period following final termination of the swap during which it is required to be kept.

TR SEF has manual and automated processes in place to ensure that all audit trail information is captured and securely stored. As stated in the RSA with the NFA, TR SEF works with the NFA in enforcing its audit trail and recordkeeping program for all Participants. The NFA enforces TR SEF's audit

trail and recordkeeping requirements through at least annual reviews of all Participants subject to SEF's recordkeeping requirements. Such reviews include reviewing randomly selected samples of front-end audit trail data for order routing systems; reviewing the process by which user identifications are assigned and user identifications records are maintained; reviewing usage patterns associated with user identifications to monitor for violations of user identification rules and reviewing account numbers in trade records to test for accuracy and improper use.

CEA Sections 2(a)(13)(G), 4r and 21(b) relate to regulatory reporting and swap data recordkeeping requirements. CEA Section 2(a)(13) establishes standards and requirements relating to real-time reporting and the public availability of data relating to swap transactions. SEFs must retain books and records for at least five years. All records relating to Swaps shall be kept for at least five years following final termination of the swap.

Trading data is captured, secured and made available through industry standard practices. The data is stored on a high-availability EMC storage device in either RAID-5 or RAID-6 configuration. Data is also replicated every fifteen minutes from the production site to the warm BC-DR site to minimize data loss in case that the primary data center becomes unavailable.

FXall maintains dedicated tape backups in both primary and secondary (BC-DR) data centers. Incremental backups are performed daily and full backups are performed weekly. Archival tapes are stored at a secure off-site facility. Data restoration from tapes is tested monthly.

14. OUTSOURCING

14.1 Outsourcing

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

TR SEF has the following agreements in place for key services or systems:

- (a) RSA between TR SEF and the NFA.
 - (i) The services provided by the NFA include trade and market practice surveillance and inquiries, investigations and disciplinary matters.
- (b) MSA between TR SEF and FXall.
 - (i) The services provided by FXall under the MSA include: marketing and customer support services, regulatory and compliance services, relationship management and other support services.
- (c) A Technology License Agreement ("TLA") between TR SEF and FXall.
 - (i) Pursuant to the TLA, FXall provides and maintains the FXall platform as a software platform that can be accessed by TR SEF's customers.

The MRD supervises the effectiveness of the services provided by all of the above agreements. The systems and services provided by these service providers are in accordance with industry best practices.

15. FEES

15.1 Fees

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

Rule 401(a)(5) states that TR SEF has the authority to charge fees for the transmission of transaction and pricing data to a real-time disseminator for transactions executed on the platform or pursuant to the Rules, provided, however, that such fees shall be equitable and non-discriminatory.

TR SEF is required pursuant to CFTC Regulation 37.202 to provide Participants with impartial access to TR SEF, which includes: (i) establishing access criteria that are impartial, transparent and applied in a fair and non-discriminatory manner and (ii) establishing comparable fee structures for Participants receiving comparable access or services.

The transaction fees assessed by TR SEF are similar in nature and structure to the fees assessed on the FXall platform. On the FXall platform, clients trading on a disclosed basis with their relationship banks (RFQ / RFS) do not pay a transaction fee; rather the relationship bank pays for the trading activity. On the FXall platform, all Participants trading anonymously in the Order Book pay an identical transaction fee for posting or removing liquidity. This same logic was followed when devising the transaction fees for TR SEF.

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

Rule 305 sets out TR SEF's dues, assessments and fees, which are also posted on TR SEF's website. The Applicant sets the amounts and times of payment for dues, assessments or fees required to be paid by Participants. Such charges may include: platform fees, brokerage fees, transaction surcharges, transaction data transmission fees and regulatory reporting fees. TR SEF does not privately negotiate dues, assessments or fees.

Each Participant agrees to pay such dues, assessments and fees when due. If a Participant fails to pay, and such payment obligation remains unsatisfied for thirty days after its due date, TR SEF may suspend, revoke, limit, condition, restrict or qualify the Participant's trading privileges and/or ability to otherwise access the platform as it deems necessary or appropriate.

TR SEF may modify or amend such dues, assessments or fees as are published by posting such modification or amendments to the TR SEF website, and any such amendment shall be effective twenty-five days after it is posted on the TR SEF website.

TR SEF's fee schedule is submitted to the CFTC for review via self-certification process per CFTC Regulation 40.6.

16. INFORMATION SHARING AND OVERSIGHT ARRANGEMENTS

16.1 Information Sharing and Regulatory Cooperation

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

Rule 211 permits TR SEF to enter into information sharing agreements to coordinate surveillance with other markets on which financial instruments related to the Contracts are traded. Pursuant to Rule 211, TR SEF may:

- (a) provide market surveillance reports to other markets;
- (b) share information and documents concerning current and former Participants with other markets;
- (c) share information and documents concerning ongoing and completed investigations with other markets; and/or
- (d) require its current or former Participants to provide information and documents to the platform at the request of other markets with which the platform has an information-sharing agreement or other arrangements or procedures.

Pursuant to Rule 211, TR SEF may disclose to any person or entity information concerning or associated with a Participant or other person that it believes is necessary and appropriate in exercising a legal or regulatory function, whether or not a formal arrangement governing the disclosure exists or a request for information was made. In addition, Rule 211(b) provides that TR SEF may enter into any arrangement with any person or body (including, without limitation, a foreign regulatory authority) if TR SEF considers such arrangement to be in furtherance of TR SEF's purpose or duties or any law or regulation.

Under Rule 503, TR SEF will provide any information in its possession to the Commission upon request, and may share such information with other regulatory organizations, data repositories, and reporting services as required by the Commission or as otherwise necessary and appropriate to fulfill its self-regulatory and reporting responsibilities. TR SEF will enter into international information-sharing agreements as the Commission may require from time to time.

16.2 Oversight Arrangements

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

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

As described above, pursuant to Rule 211, TR SEF may disclose to any person or entity information concerning or associated with a Participant or other person that it believes is necessary and appropriate in exercising a legal or regulatory function, whether or not a formal arrangement governing the disclosure exists or a request for information was made. In addition, Rule 211(b) provides that TR SEF may enter into any arrangement with any person or body (including, without limitation, a foreign regulatory authority, including the Commission) if TR SEF considers such arrangement to be in furtherance of TR SEF's purpose or duties or any law or regulation.

17. IOSCO PRINCIPLES

17.1 IOSCO Principles

To the extent it is consistent with the laws of the foreign jurisdiction, the exchange adheres to the standards of the International Organization of Securities

Commissions (IOSCO), including those set out in the “Principles for the Regulation and Supervision of Commodity Derivatives Markets” (2011).

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

Part III — Submissions

Further to the Interim Order, an order pursuant to section 147 of the OSA exempting TR SEF from the requirement to be recognized as an exchange under section 21 of the OSA which will revoke and replace the Interim Order.

Since TR SEF provides certain Ontario residents with access to trading on TR SEF, while regulating their conduct as Participants, it is considered by the OSC to be carrying on a business as an exchange in Ontario under the OSA. The Applicant is therefore prohibited from carrying on business in Ontario unless it is recognized or exempt from recognition under section 21 of the OSA.

TR SEF is regulated by the CFTC and has obtained permanent registration with the CFTC to operate a SEF. TR SEF is obliged under CFTC rules to have requirements governing the conduct of its Participants, to monitor compliance with those requirements and to discipline Participants, and TR SEF has retained the NFA as a RSP.

It is submitted that TR SEF satisfies all required criteria required for exemption. It is submitted that Ontario Users that trade in NDFs and foreign exchange options benefit from the ability to trade on the TR SEF platform, as they have access to these exchange-traded derivative products. Stringent CFTC oversight of the Applicant as well as the sophisticated information systems, regulation and compliance functions that have been adopted by TR SEF ensure that Ontario Users are adequately protected in accordance with international standards. We, therefore, submit that it would be in the public interest to grant relief from the requirement to be recognized as an exchange under the OSA.

Other Matters

- 1) Enclosed is a certificate of verification of an officer of TR SEF confirming the truth of the facts contained herein.
- 2) The Applicant consents to the publication of this Application for public comment.

* * *

Yours truly,


James D. Scarlett
Torys LLP

cc: James F.X. Sullivan, *TR SEF LLC*
Wayne Pestone, *TR SEF LLC*
Daniella Shteynfeld, *TR SEF LLC*
Adam Freedman, *Torys LLP*

Enclosures

VERIFICATION STATEMENT

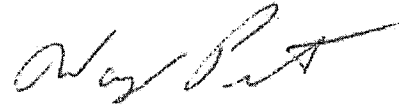
To: Ontario Securities Commission

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

DATED at Washington, District of Columbia, USA this 29th day of March, 2016.

TR SEF LLC

By: _____



Name: Wayne Pestone
Title: Chief Compliance Officer