

**B.11.2 Marketplaces**

**B.11.2.1 RTX SEF LLC – Application for Exemption from Recognition as Exchange – Notice and Request for Comment**

**NOTICE AND REQUEST FOR COMMENT**

**APPLICATION BY  
RTX SEF LLC  
FOR EXEMPTION FROM RECOGNITION AS EXCHANGE**

**A. Background**

RTX FINTECH & RESEARCH LLC (**RTX SEF**) has applied to the Commission for an exemption from the requirement to be recognized as an exchange pursuant to subsection 21(1) of the *Securities Act* (Ontario) (**OSA**).

RTX SEF is a marketplace for trading derivatives that are regulated as swaps by the United States Commodity Futures Trading Commission (**CFTC**). RTX SEF offers trading in interest rate swaps, which are regulated as swaps by the CFTC.

RTX SEF will enable clients to access its platform directly to enter transactions on their own behalf. In addition, RTX SEF intends to provide direct access to trading on its marketplace to participants located in Ontario and therefore is considered to be carrying on business in Ontario.

As RTX SEF will be carrying on business in Ontario, it is required to be recognized as an exchange under the OSA or apply for an exemption from this requirement. RTX SEF has applied for an exemption from the recognition requirements on the basis that it is already subject to regulatory oversight by the CFTC.

**B. Application and Draft Exemption Order**

In the application, RTX SEF has outlined how it meets the criteria for exemption from recognition. The specific criteria can be found in Appendix 1 of the draft exemption order. Subject to comments received, Staff intends to recommend that the Commission grant an exemption order with terms and conditions based on the draft exemption order. The application and draft exemption order are available on our website at [www.osc.ca](http://www.osc.ca).

**C. Comment Process**

The Commission is publishing for public comment the RTX SEF application and the draft exemption order. We are seeking comment on all aspects of the application and draft exemption order.

Please provide your comments in writing, via e-mail, on or before July 3, 2023, to the attention of:

Ontario Securities Commission  
20 Queen Street West  
22nd Floor  
Toronto, Ontario M5H 3S8  
Fax: 416-593-2318  
Email: [comments@osc.gov.on.ca](mailto:comments@osc.gov.on.ca)

The confidentiality of submissions cannot be maintained as the comment letters and a summary of written comments received during the comment period will be published.

Questions on may be referred to:

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**RTX FINTECH & RESEARCH LLC**  
**APPLICATION FOR**  
**EXEMPTION FROM RECOGNITION AS AN EXCHANGE**

May 17, 2023

Ontario Securities Commission  
20 Queen Street West, 20th Floor  
Toronto, Ontario M5H 3S8

Attention: Secretary

**Re: RTX Fintech & Research LLC's Application for Exemption from Recognition as an Exchange**

**Dear Sirs and Mesdames:**

RTX FINTECH & RESEARCH LLC, a limited liability company organized under the laws of Delaware (the "**Applicant**" or "**RTX SEF**"), is requesting an order for the following relief (collectively, the "**Requested Relief**") relating to the operation by RTX SEF of a marketplace (the "RTX SEF Platform") for trading swaps—which is regulated by the United States Commodity Futures Trading Commission ("**CFTC**") under the terms of the U.S. Commodity Exchange Act ("**CEA**")—in the Province of Ontario:

1. exempting the Applicant from the requirement to be recognized as an exchange under subsection 21(1) of the Securities Act (Ontario) (the "**OSA**") pursuant to section 147 of the OSA; and
2. exempting the Applicant from the requirements in National Instrument 21-101 *Marketplace Operation* ("NI 21-101") pursuant to section 15.1(1) of NI 21-101, the requirements of National Instrument 23-101 *Trading Rules* ("NI 23-101") pursuant to section 12.1 of NI 23-101, and the requirements of National Instrument 23-103 *Electronic Trading and Direct Electronic Access to Marketplaces* ("NI 23-103") pursuant to section 10 of NI 23103.

RTX SEF offers trading in interest-rate swaps, which are regulated as swaps by the CFTC.

RTX SEF will enable sophisticated persons—each of whom must be an Eligible Contract Participant ("**ECP**") as defined in the CEA (each a "Participant")—to access the RTX SEF Platform directly to trade and execute interest-rate swaps on their own behalf.

In addition, RTX SEF intends to provide direct access to trading on its RTX SEF Platform to participants located in Ontario, including participants with their headquarters or legal address in Ontario (e.g., as indicated by a participant's Legal Entity Identifier ("**LEI**")), and all traders conducting transactions on behalf a participant regardless of the trader's physical location (inclusive of non-Ontario branches of Ontario legal entities), as well as any trader physically located in Ontario who conducts transactions on behalf of any other entity. The Applicant does not offer access to retail clients.

The Applicant has no physical presence and does not otherwise carry on business in Ontario except as described herein. The Applicant seeks the Requested Relief on the basis that it is already subject to regulatory oversight by the CFTC.

This application is divided into the following Parts I to V, Part III of which describes how the Applicant satisfies criteria for exemption of a foreign exchange that allows customers to trade interest-rate swaps (i.e., OTC derivatives) from recognition as an exchange set by staff of the Ontario Securities Commission (the "Commission").

This application is divided into the following Parts I to V, Part III of which describes how the Applicant satisfies criteria for exemption of a foreign exchange that allows customers to trade interest-rate swaps (i.e., OTC derivatives) from recognition as an exchange set by staff of the Ontario Securities Commission (the "**Commission**").

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CRITERIA FOR EXEMPTION OF A FOREIGN EXCHANGE TRADING OTC DERIVATIVES FROM  
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## PART I. INTRODUCTION

### 1. Description of the Applicant's Services to Ontarians

Applicant operates a swap execution facility (SEF), which is an exchange for trading swaps regulated by the Commodity Futures Trading Commission (CFTC). Applicant's platform offers trading in interest-rate swaps, which the CFTC regulates as *swaps*; subject to obtaining any required regulatory approvals, Applicant may offer additional products for trading in the future. Applicant's platform enables participants to trade using the trading methodologies described in Part 5 of the Applicant's rulebook, available online at <https://www.rtxfintech.com/regulatory>. As explained in the rulebook, all the products allowed to be traded on the platform are interest-rate swaps that are either "Permitted Transactions" (as the term is defined in the CFTC's regulations under the CEA) or "Required Transactions" (as the term is defined in the CFTC's regulations under the CEA). As set forth in Parts 6 and 7 of the Applicant's rulebook, the platform offers participants the following two execution methods for products:

- **Electronic Order Book.** Part 1 of the rulebook defines the platform's "Electronic Order Book" as "all open Orders entered into the Trading System—except those entered into the Voice Order Book—displayed electronically. This is an order book that is separate from the Voice Order Book." Elsewhere, in rule 602(a) of the rulebook, it adds that in the Electronic Order Book "all Orders are managed based upon price/time priority, which means A) an Order with a better price (highest Bid, cheapest Offer) has execution priority over an Order with an inferior price (not highest Bid, not cheapest Offer) and B) for two Orders with the same price and same direction, the Order that is entered into the EOB first will be matched first against an aggressing opposing Order."
- **Voice Order Book.** Part 1 of the rulebook defines the "Voice Order Book" as "a Trading Facility that provides a non-automated method for trading facilitated by an Execution Specialist who enables multiple participants to enter Bids or Offers to multiple participants through the use of telephone, electronic messaging, or other communication devices." And rule 702 adds that in the Voice Order Book "all Orders are managed based upon price/time priority, which means A) an Order with a better price (highest Bid, cheapest Offer) has execution priority over an Order with an inferior price (not highest Bid, not cheapest Offer) and B) for two Orders with the same price and direction, the Order that is entered into the VOB first will be matched first against an aggressing opposing Order." In addition, rule 702 says the following about voice trading systems: "A Voice Trading System is a Trading Facility, as defined by section 1a(51) of the Act, that uses Voice Functionality that enables multiple participants to offer Bids or Offers that are open to multiple participants through the use of telephone, electronic messaging or other Approved Communication Methods. Voice Trading is facilitated by an Execution Specialist who makes known to Participants the existence of trading interest in a Swap, facilitates the communication of Bids or Offers among multiple Participants, and assists in orderly trading on the RTX SEF."

The Applicant will offer direct access to trading on its platform to participants that are located in Ontario ("**Ontario Participants**") and that satisfy criteria for an "eligible contract participant" ("**ECP**")—as defined in Section 1a(18) of the U.S. Commodity Exchange Act (the "**CEA**")—and as further described in Part III below. Ontario Participants may include Canadian financial institutions, registered dealers and advisors, government entities, pension funds, and other well-capitalized, non-regulated entities.

The Applicant has no physical presence in Ontario and does not otherwise carry on business in Ontario except as described herein.

## PART II. BACKGROUND OF THE APPLICANT

### 1. Ownership of the Applicant

The Applicant is a limited liability company organized under the laws of Delaware. The ultimate parent company of the Applicant is RTX Holdings, Inc, organized under the laws of Delaware ("**RTX Holdings**").

The Applicant is a swap execution facility ("SEF") on which interest-rate products will be executed. As such, the Applicant is regulated in the United States by the Commodity Futures Trading Commission ("**CFTC**") in accordance with U.S. federal law—and specifically, with section 5h of the Commodity Exchange Act ("CEA") and the regulations promulgated by the CFTC, particularly Part 37 to the CFTC's regulations.

The Applicant received its SEF license from the CFTC on April 21, 2023.

### 2. Products Traded on the Applicant's Swap Execution Facility

The Applicant will provide its customers with trading and execution services for interest-rate swaps. Additional details describing the products traded on the Applicant's RTX SEF Platform will be posted on Applicant's website at <https://www.rtxfintech.com>.

### **3. Participants**

The Applicant's platform will enable participants to access it directly to:

- Post an open order or accept an open order for a contract using the Electronic Order Book; or
- Obtain the assistance of a platform employee ("Execution Specialist") to post an open order or accept an open order for a contract in the Voice Order Book.

To become a participant on the RTX SEF Platform, a person must satisfy the eligibility criteria and the application procedures in Part 3 of the RTX SEF Rulebook. The eligibility requirements are in Rule 302 of the RTX SEF Rulebook, and the application procedures that a person must follow to apply for "Trading Privileges" are in Rule 303.

Participants will include a wide range of sophisticated persons, including commercial and investment banks, and other institutional customers. Each person that wishes to trade directly on the RTX SEF Platform as a participant must qualify as an ECP.

The criteria for becoming a participant on the RTX SEF Platform is described more fully below in § 4.1. ("Fair Access") to Part III. ("Application of Exemption Criteria to the Applicant").

#### **PART III. APPLICATION OF EXEMPTION CRITERIA TO THE APPLICANT**

The following is a discussion of how the Applicant meets the criteria of the Commission for exemption of a foreign exchange, which allows participants to trade OTC derivatives, from recognition as an exchange.

##### **1. Part 1: Regulation of the Exchange**

###### **1.1. Regulation of the Exchange**

**Requirement:**

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

- *Criteria for exemption of a foreign exchange trading OTC derivatives from recognition as an exchange, 1.1*

The Applicant is registered with the Commodity Futures Trading Commission ("**CFTC**") to operate a swap execution facility ("**SEF**") in the U.S. in accordance with U.S. federal law—and specifically, with section 5h of the Commodity Exchange Act ("**CEA**") and the regulations promulgated by the CFTC, particularly Part 37 to the CFTC's regulations. The Applicant is subject to regulatory supervision by the CFTC. The Applicant is obligated to give the CFTC access to all records, unless providing such access is prohibited by law or unless a record is subject to attorney-client privilege. The CFTC reviews, assesses, and enforces the Applicant's adherence to the CEA—including the fifteen Core Principle requirements for SEFs ("**SEF Core Principles**") required by Section 5h of the CEA—and the regulations thereunder on an ongoing basis. The SEF Core Principles relate to the operation and oversight of the platform, including financial resources, systems and controls, maintenance of an orderly market, execution and settlement of transactions, rulemaking, and investor protection.

###### **1.2. Authority of the Foreign Regulator**

**Requirement:**

"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."

- *Criteria for exemption of a foreign exchange trading OTC derivatives from recognition as an exchange, 1.1*

The Foreign Regulator—the CFTC—has the appropriate authority and procedures for oversight of the exchange. This includes regular, periodic oversight reviews of the exchange by the Foreign Regulator. The CFTC is empowered by the U.S. Congress under the CEA to supervise and regulate the U.S. swaps market and SEFs. The CEA (which is U.S. federal law) requires, among other things, that SEFs follow a set of core principles (SEF Core Principles). In accordance with certain provisions of the CEA, the CFTC carries out the regulation U.S. SEFs. To implement the regulation of SEFs, the CFTC has promulgated regulations and guidelines ("CFTC regulations") that further interpret the SEF Core Principles (in the CEA) and govern the conduct of SEFs. The CFTC also undertakes periodic in-depth audits or rule reviews of a SEF's compliance with certain SEF Core Principles. Among these are examinations that assess SEF's compliance with the system-safeguards requirements that all SEFs must comply with.

The Applicant is required to demonstrate its compliance with the SEF Core Principles applicable to all U.S. SEFs. Among other things, the SEF Core Principles and CFTC regulations require SEFs to have a rulebook and a compliance program that includes

a Chief Compliance Officer and compliance manual. A SEF's access criteria for participants must be impartial and transparent and must be applied in a fair and non-discriminatory manner. The CFTC requires each SEF to have certain required trading protocols. A SEF must publish on its website certain daily trading data for each swap contract listed on the SEF and must report, or cause to be reported, all transactions executed on the SEF to a swap data repository. A SEF must also comply with system-safeguards requirements. The CFTC reviews, assesses, and enforces a SEF's adherence to CFTC regulations on an ongoing basis.

In addition, a SEF is a self-regulatory organization under CFTC regulations. A SEF is obliged under CFTC regulations to have requirements governing the conduct of participants, to monitor compliance with those requirements, and to discipline participants, including by means other than exclusion from the marketplace. The Applicant is staffed with experienced compliance personnel who will conduct market surveillance of trades on its platform for violations of the Applicant's rules.

## **2. Part 2: Governance**

### **2.1. Governance**

**Requirement:**

"The governance structure and governance arrangements of the exchange ensure:

- (a) effective oversight of the exchange,
  - (b) that business and regulatory decisions are in keeping with its public interest mandate,
  - (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
    - (ii) a proper balance among the interests of the different persons or companies using the services and facilities of the exchange,
  - (d) the exchange has policies and procedures to appropriately identify and manage conflicts of interest for all officers, directors and employees, and
  - (e) there are appropriate qualifications, remuneration, limitation of liability and indemnity provisions for directors, officers and employees of the exchange."
- *Criteria for exemption of a foreign exchange trading OTC derivatives from recognition as an exchange, 2.1*

As demonstrated below, the governance structure and governance arrangements of the exchange ensure each item in 2.1 of the Exemption Criteria.

#### **2.1.1. Effective Oversight of the Exchange**

The Board of Directors ("Board of Directors" or "Board") manage all business and affairs of the Applicant and have all the powers and authority permitted by law, the RTX SEF's Rules, and the RTX SEF Operating Agreement.

#### **2.1.2. Business and Regulatory Decisions That are in Keeping with Its Public-Interest Mandate**

The Board discharges its responsibilities and exercises its authority in a manner consistent with applicable legal and regulatory requirements, which promotes the sound and efficient operation of the RTX SEF Platform.

When fulfilling their responsibilities to RTX SEF—as directors, officers, committee members, or employees of RTX SEF or any corporate affiliate of RTX SEF that is performing functions for RTX SEF, or as consultants, contractors, or employees of a consultant or contractor—all persons must:

- Adhere to all legal mandates set forth by state, federal, or international governments and self-regulatory organizations.
- Comply with all applicable laws, rules, and regulations, including RTX SEF's internal policies.
- Promote regulatory compliance by RTX SEF and all its employees.
- Act in an ethical manner.

**2.1.3. Fair, Meaningful, and Diverse Representation on the Board and Any Board Committees**

The Board's composition is governed by the RTX SEF Operating Agreement and the standards set forth in Commission Rule 1.64(b)(1) and (b)(3).

The Board consists of five directors, three of whom are inside directors ("Member Mangers") and two of whom are outside directors ("Public Managers"). A Member Manger is a person who currently serves as either an officer of the Applicant or a director on the Applicant's Board. A Public Manager is a person who, for a period of at least one year, has had no previous or current material relationship with the Applicant or its affiliates and who meets the definition of "Public Director" in Appendix B to Part 38 of the CFTC's Regulations. Each director serves until the director's successor is duly appointed, or until the director's earlier resignation or removal, with or without cause.

The Applicant currently has one Board Committee: the Regulatory Oversight Committee ("ROC"). Its purpose is to monitor the regulatory program of RTX SEF for sufficiency, effectiveness, and independence; oversee the regulatory program, including trade-practice surveillance, market surveillance, and regulatory responsibilities with respect to members; review the size and allocation of the regulatory budget and the performance of the Chief Compliance Officer; and review all regulatory proposals and recommend changes to the regulatory program. The Board appoints the members of this committee and requires any such member to be a Public Director.

**2.1.4. Policies and Procedures to Appropriately Identify and Manage Conflicts of Interest for All Officers, Directors, and Employees**

Under Rules 207, 209, and 210 to the RTX Rulebook, Applicant has policies and procedures to appropriately identify and manage conflicts of interest for all officers, directors, and employees.

Rule 209 of the Applicant's rulebook establishes rules to minimize conflicts of interest in its decision-making process; and rule 203(b)(ii) provides that the Applicant's CCO, in consultation with the Board or the CEO, is responsible for resolving any conflicts of interest that may arise.

Under the Applicant's conflicts-of-interest policy, business decisions and actions must be based on the best interests of the Applicant and must not be motivated by personal considerations or relationships. An employee's outside business activity is not to interfere with his or her regular duties as an employee and should not represent a conflict of interest to the Applicant. The Applicant expects its employees to not knowingly place themselves in a position that would have the appearance of being, or could be construed to be, in conflict with the Applicant's interests.

The Applicant's employees are strictly prohibited from accepting bribes, lavish gifts, and kickbacks. Except as permitted in writing by the CEO, employees may not accept gratuities, gifts, or anything that might make it appear that their judgment on behalf of the Applicant would be compromised, including any gift, item, meal, or service valued at more than \$25. Employees may not directly or indirectly provide anything of value to a participant, including gratuities.

Further policies and procedures concerning conflicts of interest are in rules 207 and 209 of the Applicant's rulebook.

Under CFTC regulation 1.69(b), a SEF must, among other things, have rules that require a member of its Board, disciplinary committee, or oversight panel to abstain from such body's deliberations and voting on any matter involving a named party in interest where such member:

- is a named party in interest;
- is an employer, employee, or fellow employee of a named party in interest;
- is associated with a named party in interest through a "broker association" as defined in CFTC regulation 156.1;
- has any other significant, ongoing business relationship with a named party in interest, not including relationships limited to executing transactions opposite of each other or to clearing transactions through the same clearing member; or
- has a family relationship with a named party in interest.

The Applicant also has policies and procedures in place to manage conflicts between with its affiliates. The Applicant has a services agreement with RTX IB Services LLC, an Introducing Broker registered with and subject to the oversight of the NFA, a self-regulatory organization for the U.S. derivatives industry. For the Applicant's staff to perform services for the affiliate Introducing Broker, the staff must comply with all applicable NFA registration requirements and rules.

**2.1.5. Appropriate Qualifications, Remuneration, Limitation of Liability and Indemnity Provisions for All Directors, Officers, and Employees of the Exchange**

Members of the Applicant's management team are recruited for their particular position based on their skills and expertise. Their individual goals and performance are regularly assessed by Applicant as part of the Applicant's performance management process.

The directors of the Applicant must be of good reputation and possess skills and expertise to fulfill their responsibilities in overseeing the governance of the Applicant. They must receive sufficient training so that they have a clear understanding of their responsibilities, including their fiduciary duty to the Applicant as well as their responsibility to exercise sound judgment about the operations, management, growth, and compliance of the Applicant. The fitness standards also support the creation of a composition of the Applicant's Board that provides a diversified set of talents and perspectives.

Specifically, the directors must:

- Have a high ethical standard and the desire to do the "right thing" at all times, at the core of their approach in business and life. The directors must exhibit independence, objectivity, and be capable of serving as a representative of not only the shareholders but also of other core constituencies.
- 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, integrity, interpersonal and communication skills, independence, courage, and a willingness to ask the difficult questions.
- Have no prior judgment or regulatory sanction issued against them or a company for which they controlled or had a controlling interest.
- Have experience in financial services, technology, or another field of expertise useful to the RTX SEF.
- Have a good overall reputation.
- Have significant educational and either business or teaching experience.
- Have an appreciation of, and experience with, a regulatory environment sufficient to foster a culture of compliance within the Applicant.
- 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 the Applicant as well as with regulators.

The Board has the authority to fix the compensation of the directors, and that compensation may include the reimbursement of expenses incurred in connection with meetings of the Board or a Board committee. The Applicant must reimburse directors for reasonable expenses incurred on behalf of the Applicant provided that those expenses have been approved by the Board. In addition, the Applicant's senior officer approves the CCO's compensation.

To the extent permitted by applicable law, the debts, obligations and liabilities of the Applicant, whether arising in contract, tort, or otherwise, are solely the debts, obligations, and liabilities of the Applicant; and the directors and officers are not obligated personally for any such debt, obligation, or liability of the Applicant solely by reason of being a director or officer of the Applicant.

**2.2. Fitness**

**Requirement:**

"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."

— *Criteria for exemption of a foreign exchange trading OTC derivatives from recognition as an exchange, 2.2*

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 that the 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.

The Applicant has established fitness standards for the Board in Rule 207(c) of the Applicant's rulebook ("Eligibility for Service on Boards and Committees").



The standards set for the Board reflect the Applicant's commitment to its stakeholders, as well as to the institutions and individuals who rely on the Applicant to provide swap-execution services and to complying with its role as a SEF subject to oversight by the CFTC.

The Board is committed to conducting itself in a legal and ethical manner in fulfilling its responsibilities. Each director is expected to comply with all applicable laws, rules and regulations, and Applicant policies, and to promote regulatory compliance by the Applicant and all of its employees. The Board discharges its responsibilities and exercises its authority in a manner that is consistent with applicable legal and regulatory requirements and that promotes the sound and efficient operation of the Applicant and its swap-execution activities.

### **3. Part 3: Regulation of Products**

#### **3.1. Review and Approval of Products**

**Requirement:**

"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."

— *Criteria for exemption of a foreign exchange trading OTC derivatives from recognition as an exchange, 3.1*

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

The CFTC core principles relevant to products traded on the Applicant's platform include:

- Core Principle 2—Compliance with Rules
- Core Principle 3—Swaps Not Readily Susceptible to Manipulation
- Core Principle 4—Monitoring of Trading and Trade Processing
- Core Principle 6—Positions Limits or Accountability
- Core Principle 7—Financial Integrity of Transactions
- Core Principle 9—Timely Publication of Trading Information

As noted previously, Core Principle 3 requires SEFs to demonstrate that new products are not susceptible to manipulation.

The Applicant's compliance manual sets forth the following procedure for adding new products or making changes to existing products:

- Under 17 CFR Part 40, RTX SEF is required to submit new swap contracts to the Commission prior to listing them for trading. To comply with this requirement, RTX SEF will utilize the following procedures:
  - First, the Compliance Department will analyze whether the contract meets the requirements set forth in 17 CFR Part 40.
  - Second, RTX SEF will take one of the following actions prior to listing the contract for trading:
    - if the Compliance Department is confident that the contract meets the requirements, RTX SEF will file a self-certification with the Commission—in accordance with the procedures in 17 CFR Part 40—that the new contract complies with the CEA and the Commission's regulations; or
    - if the Compliance Department is not confident that the contract meets the requirements, RTX SEF will either (i) submit a request to the Commission to approve the contract in accordance with the procedures in 17 CFR Part 40.
  - Lastly, RTX SEF shall list for trading only Swaps that are not readily susceptible to manipulation.
  - In addition, prior to the Applicant making any formal submission under Part 40 as discussed above involving a new swap contract to the CFTC, the Applicant's compliance department will consult

informally with the CFTC Division of Market Oversight (DMO) staff. The compliance department will provide the CFTC DMO staff with draft materials related to the proposed new swap contract. The compliance-department staff will work to address any questions or concerns with the CFTC DMO staff prior to making a formal submission under Part 40.

In order to submit a swap to the CFTC as self-certified, the Applicant must: (1) meet the submission criteria contained in CFTC regulation 40.2; (2) determine that the swap is “not readily susceptible to manipulation” in accordance with Core Principle 3 and CFTC regulations 37.300 and 37.301; and (3) include in the self-certified submission the information required by Appendix C to Part 38 of the CFTC regulations.

### **3.2. Product Specifications**

**Requirement:**

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

— *Criteria for exemption of a foreign exchange trading OTC derivatives from recognition as an exchange, 3.2*

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

Among other things, the requirement that new swaps comply with the SEF Core Principles means that they contain an analysis of the underlying cash market and the deliverable supply of the underlying product. In response to the Applicant's process for introducing a new product or changing an existing product, as described above, the CFTC has the right to follow up with questions requesting additional information on the underlying market, including but not limited to: supply and demand characteristics, participant composition, market concentration, deliverable supply estimates, the relation of the swap size to the underlying market, the quality of the product across various delivery facilities, and the delivery facilities used for the product. If the Applicant is unable to provide satisfactory answers to the CFTC's questions, it may require the platform to withdraw the proposed product addition or change it. Based on the experience of the Applicant's management (and the management includes the former CEO of two other SEFs), the terms and conditions of the swaps that will trade on the platform are standardized, generally accepted, and understood by participants.

### **3.3. Risks Associated with Trading Products**

**Requirement:**

“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.”

— *Criteria for exemption of a foreign exchange trading OTC derivatives from recognition as an exchange, 3.3*

Section 9.3 of Part III of this application covers the way that the Applicant measures, manages, and mitigates the trading risk associated with products traded on the platform.

The Applicant's compliance function is responsible for ensuring that surveillance systems monitor trading by participants to prevent manipulation, price distortion, and other violations of the platform's rules and applicable law. On a post-trade basis, the Applicant's compliance department performs trade-practice surveillance using an automated-trade-surveillance system that will load and process daily orders and trades and other events no later than 24 hours after the completion of the trading day. The purpose of this monitoring is to detect instances or threats of manipulation, price distortion, or disruptive trading practices.

The name of the automated-trade-surveillance system that the Applicant uses to conduct the monitoring is “Validus,” which is a product of Eventus Systems, Inc. Validus assists the compliance department in detecting possible trade-practice violations by analyzing data sets—which can be large—and investigating patterns of trading conduct. Validus can (1) compute, retain, and compare trading statistics; (2) analyze, monitor, and report on multiple market manipulation strategies; (3) reconstruct the sequence of market activity; (4) perform market analysis; (5) compute trade gains and losses; and (6) support the compliance department in performing in-depth analyses and ad hoc queries of trade-related data.

No later than 24 hours after the trading day, Validus will analyze the platform's trade data and automatically generate alerts, which the compliance department will then review to detect instances or threats of (1) manipulation; (2) price distortion; or (3) disruptive trading practices. The Validus alerts are different than the alerts that the platform generates in real time (price, volume, and

system). The compliance department will review, analyze, and close each alert in Validus. To close an alert requires the compliance department to determine whether or not there is a reasonable basis for finding that a rule violation occurred.

**4. Part 4: Access**

**4.1. Fair Access**

**Requirement:**

- (a) “The exchange has established appropriate written standards for access to its services including requirements to ensure
    - (i) participants are appropriately registered as applicable under Ontario securities laws, or exempted from these requirements,
    - (ii) the competence, integrity and authority of systems users, and (iii) systems users are adequately supervised.
  - (b) The access standards and the process for obtaining, limiting and denying access are fair, transparent and applied reasonably.
  - (c) The exchange does not unreasonably prohibit, condition or limit access by a person or company to services offered by it.
  - (d) The exchange does not
    - (i) permit unreasonable discrimination among participants, or
    - (ii) impose any burden on competition that is not reasonably necessary and appropriate.
  - (e) The exchange keeps records of each grant and each denial or limitation of access, including reasons for granting, denying or limiting access.”
- *Criteria for exemption of a foreign exchange trading OTC derivatives from recognition as an exchange, 4.1*

Consistent with applicable law, including the SEF Core Principles, the RTX SEF Platform provides access to participants on a fair, non-discriminatory, and open basis. Participant status, and access to and usage of the platform in such capacity, is available to all market participants that meet the criteria set forth by the Applicant and engage in transactions on the platform in accordance with its rules. Rule 302 of the Applicant’s rulebook sets out the admission and eligibility criteria that participants must meet. Unless otherwise prohibited by other rules, an eligible person must meet the following standards under rule 302:

- the person must qualify as an Eligible Contract Participant (“ECP”) at all times and must promptly notify the Applicant if it fails to qualify as an ECP;
- if a natural person, the person must have attained the age of majority and be of good character;
- if an entity, the person must be duly organized, existing, and in good standing under the laws of its jurisdiction of organization;
- the person must have good commercial standing and business experience;
- the person must have adequate financial resources and credit as reasonably determined by the Applicant;
- the person must, where relevant, be registered, licensed, or otherwise permitted by the appropriate governmental agency to conduct business on the platform or subject to the rules of the Applicant;
- the person must have such operational capabilities (including without limitation hardware, software, communications systems, and staffing) as the Applicant may from time to time determine is appropriate in view of such person’s anticipated type and level of activity on the platform or subject to the rules of the Applicant;
- the person must only trade for its own account and not as an agent or broker on behalf of customers; and
- the person must meet any other criteria that the Applicant may from time to time prescribe.

All participants must also demonstrate a capacity to adhere to all applicable rules of the platform and CFTC regulations, including those concerning recordkeeping, reporting, financial requirements, and trading procedures.

Ontario participants using the platform must be registered under Ontario securities laws, exempt from such registration requirements, or not subject to such registration requirements.

Core Principle 11 (Antitrust Considerations) requires—unless necessary or appropriate to achieve the purposes of the CEA—that a SEF not (a) adopt any rules or taking any actions that result in any unreasonable restraints of trade; or (b) impose any material anticompetitive burden on trading. As such, the Applicant does not implement rules that would impose any burden on competition that is not reasonably necessary and appropriate, because such rules would not meet SEF Core Principle requirements.

The Applicant may deny the grant of trading privileges or prevent a person from becoming or remaining a participant, if it would cause the Applicant to be in violation of any applicable law. The Applicant keeps records of each grant and each denial or limitation of access, including reasons for granting, denying, or limiting access. Under rule 304 of the Applicant's rulebook, if the Applicant denies an application for membership, the person is given an opportunity to be heard upon the specific grounds for the denial. A person denied membership may challenge the denial by filing with a petition for review of the denial by the Applicant's appeals committee. The person must file such a petition within thirty calendar days of the date upon which the Applicant's decision was mailed to the person. Hearings must be conducted in a manner that will give the person an opportunity to present fully and fairly to the Applicant the person's reasons why the application should be granted.

## **5. Part 5: Regulation of Participants on the Exchange**

### **5.1. Regulation**

**Requirement:**

"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."

— *Criteria for exemption of a foreign exchange trading OTC derivatives from recognition as an exchange, 5.1*

A SEF is a self-regulatory organization under CFTC regulations. Under CFTC regulations, a SEF must have requirements that govern the conduct of participants, and a SEF must monitor compliance with those requirements. A SEF must also discipline its participants for violating the requirements, including by means other than exclusion from the marketplace. All participants of the Applicant's platform must comply with the many rules that govern trading in the Applicant's rulebook. The applicable rules are primarily located in the following parts of the rulebook: Part 3 ("Participants"), Part 4 ("Obligations of Participants"), Part 5 ("Trading"), Part 6 ("Trading Electronically"), Part 7 ("Trading by Voice"), and Part 9 ("Business Conduct").

The Applicant's surveillance program includes market surveillance in real time and trade-practice surveillance on a T+1 basis. This section covers the latter.

On a post-trade basis, the Applicant's compliance department performs trade-practice surveillance using an automated trade surveillance system that will load and process daily orders and trades and other events no later than 24 hours after the completion of the trading day. The purpose of this monitoring is to detect instances or threats of (1) manipulation; (2) price distortion; or (3) disruptive trading practices.

The name of the automated trade surveillance system that the Applicant uses to conduct the monitoring is "Validus," which is a product of Eventus Systems, Inc. Validus assists the compliance department in detecting possible trade-practice violations by analyzing data sets—which can be large—and investigating patterns of trading conduct. Validus can (1) compute, retain, and compare trading statistics; (2) analyze, monitor, and report on multiple market manipulation strategies; (3) reconstruct the sequence of market activity; (4) perform market analysis; (5) compute trade gains and losses; and (6) support the compliance department in performing in-depth analyses and ad hoc queries of trade-related data.

No later than 24 hours after the trading day, Validus will analyze the platform's trade data and automatically generate alerts, which the compliance department will then review to detect instances or threats of (1) manipulation; (2) price distortion; or (3) disruptive trading practices. The Validus alerts are different than the alerts that the platform generates itself in real time (price, volume, and system). The compliance department will review, analyze, and close each alert in Validus. To close an alert requires the compliance department to determine whether or not there is a reasonable basis for finding that a rule violation occurred.

The Applicant expends considerable human, technological, and financial resources that are focused on the maintenance of fair, efficient, competitive, and transparent markets, and the protection of all participants from fraud, manipulation, and other abusive trading practices. The Applicant's market-surveillance activities include a broad range of interconnected efforts that include trade-practice reviews, data-quality-assurance audits and enforcement activities. To fulfill its mandate to effectively monitor and enforce the platform's rules, the Applicant uses the Validus software (of Eventus Systems, Inc.)—an automated trade surveillance system—to establish a trade surveillance system capable of detecting potential trade-practice violations. As noted above,

participants are required to comply with a significant number of rules governing trading on the platform under the Applicant's rulebook; those rules are primarily found in the following parts of the rulebook: Part 3 (Participants); Part 4 (Obligations of Participants); Part 5 (Trading); Part 6 (Trading Electronically); Part 7 (Trading by Voice); and Part 9 (Business Conduct).

Investigating and enforcing rule violations are necessary components of regulatory safeguards. The Applicant's disciplinary rules include establishing review panels, conducting investigations, prosecuting rule violations, and imposing sanctions in accordance with Part 10 (Disciplinary Proceedings) of the Applicant's rulebook.

The Applicant is dedicated to safeguarding the integrity of its platform and ensuring that it is free from manipulation and other abusive practices. The efforts described in this part are a necessary component of markets that work efficiently and safely, thereby allowing participants that use the platform to have access to a marketplace that is open, transparent, and free from manipulation and market abuse.

Specifically with reference to regulatory technology, the Applicant has made significant investments in this area, ensuring that the Applicant's regulatory and market protection capabilities anticipate and evolve with the changing dynamics of the marketplace.

The Applicant has the ability to capture a comprehensive audit trail of market activity. The Applicant also has powerful and flexible data query and analytical tools that allow its regulatory staff to examine real-time, historical-order, and transaction data; to maintain profiles of markets and participants; and to detect trading patterns potentially indicative of market abuses.

## **6. Part 6: Rulemaking**

### **6.1. Purpose of Rules**

**Requirement:**

- (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.
- (b) The Rules are not contrary to the public interest and are designed to
  - (i) ensure compliance with applicable legislation,
  - (ii) prevent fraudulent and manipulative acts and practices,
  - (iii) promote just and equitable principles of trade,
  - (iv) foster co-operation and co-ordination with persons or companies engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in the products traded on the exchange,
  - (v) provide a framework for disciplinary and enforcement actions, and (vi) ensure a fair and orderly market.

— *Criteria for exemption of a foreign exchange trading OTC derivatives from recognition as an exchange, 6.1*

#### **6.1.1. Governing the Operations and Activities of Participants**

In accordance with its obligations under the CEA and CFTC regulations, Applicant has implemented rules, policies, and other similar instruments that govern the operations and activities of its participants. Such rules are in Part 1–12 of its rulebook.

#### **6.1.2. Not Permitting Unreasonable Discrimination Among Participants or Imposing Any Burden on Competition That Is Not Reasonably Necessary or Appropriate**

Applicant believes that its rules and policies governing the activities of participants are consistent with the rules and policies of other derivatives marketplaces and therefore do not impose any burden on competition that is not reasonably necessary or appropriate.

In addition, Core Principle 11 (Antitrust Considerations) requires—unless necessary or appropriate to achieve the purposes of the CEA—that a SEF not (a) adopt any rules or taking any actions that result in any unreasonable restraints of trade; or (b) impose any material anticompetitive burden on trading. As such, the Applicant does not implement rules that would impose any burden on competition that is not reasonably necessary and appropriate, because such rules would not meet SEF Core Principle requirements.

### **6.1.3. Aligning with the Public Interest**

The Applicant's rulebook is subject to the standards and requirements outlined by the CFTC's SEF Core Principles. At a high level, the Applicant's rulebook seeks to ensure fair and orderly markets accessible to all eligible participants. This aim is accomplished by establishing rules that reflect the SEF Core Principle criteria, that are not contrary to the public interest, and that are designed to:

- ensure compliance with applicable legislation;
- prevent fraudulent and manipulative acts and practices;
- promote just and equitable principles of trade;
- 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;
- provide a framework for disciplinary and enforcement actions; and
- ensure a fair and orderly market.

### **6.1.4. Ensuring Compliance with Applicable Legislation**

The Applicant must comply with the CEA and CFTC regulations, which include the SEF Core Principles. As a result, the Applicant must implement rules that require compliance with these legal requirements by its participants.

Under SEF Core Principle 1 (Compliance with Core Principles), a swap execution facility must register as such, maintain its registration, and comply with the SEF Core Principles in the CEA and all applicable CFTC requirements. The Applicant proactively ensures compliance with all applicable laws and regulations. SEF Core Principle 2 (Compliance with Rules) requires SEFs to ensure participants consent to SEF rules and jurisdiction prior to accessing its markets. And Part 3 of the Applicant's rulebook governs membership requirements and establishes compliance with the rules that bring market participants within the jurisdiction of the CFTC and the scope of the SEF Core Principles.

### **6.1.5. Preventing Fraudulent and Manipulative Acts and Practices**

Core Principle 2 (Compliance with Rules) requires a SEF to collect information, examine members' records, facilitate direct supervision of the market, maintain sufficient compliance staff, establish procedures for audit-trail reviews, conduct audit-trail reviews, perform real-time market monitoring and market surveillance, and maintain an automated trade surveillance system. The Applicant has instituted all these controls.

Core Principle 3 (Swaps Not Readily Susceptible to Manipulation) requires a SEF to ensure that the swaps it trades in are not readily susceptible to manipulation. The Applicant will comply with this core principle by including narrative descriptions of the product terms and conditions of every swap and by certifying in its CFTC regulation 40.2 submission that each swap is not readily susceptible to manipulation in accordance with Core Principle 3 and the criteria set forth in Appendix C to Part 38 of the CFTC regulations.

In addition, Parts 5 and 9 of the Applicant's rulebook prescribe trading practices and business-conduct requirements, including prohibited trading activities and prohibitions on fictitious trades, fraudulent activity, and manipulation.

### **6.1.6. Promoting Just and Equitable Principles of Trade**

Core Principle 9 (Timely Publication of Trading Information) requires a SEF to promote transparency by making timely public disclosures of trading information. The Applicant conforms to this Core Principle by publishing daily information on settlement prices and volume, for actively traded swaps, where applicable to the method of execution and products traded on the platform.

Core Principle 7 (Financial Integrity of Transactions) requires a SEF to ensure the financial integrity of transactions entered into on its markets. The Applicant's data and order-entry-feed systems offer simultaneous and equivalent access to all market participants.

Core Principle 11 (Antitrust Considerations) prohibits the imposition of unreasonable restraints or uncompetitive burdens on trade. Throughout its rulebook, the Applicant has established transparent and objective standards to prevent unreasonable restraints on trade and foster competitive and open market participation. Additionally, the Applicant's compliance manual provides that the Applicant and its employees may not adopt any rules or take any actions that result in any unreasonable restraint of trade or impose any material anticompetitive burden on trading or clearing.

The Applicant believes that compliance with these Core Principles, which require transparency, financial integrity, fair access, and fair competition among participants, promotes just and equitable principles of trade.

**6.1.7. Fostering Cooperation and Coordination with Persons or Companies Engaged in Regulating, Settling, and Processing Information with Respect to, and Facilitating Transactions in the Products Traded on the Exchange**

Rule 1203 of the Applicant's rulebook provides that the Applicant may share information with other regulatory organizations, data repositories, and third-party data reporting services as required by the CFTC or as otherwise necessary and appropriate to fulfill its self-regulatory and reporting responsibilities. For such purposes, it also permits the Applicant to enter into information-sharing arrangements with any person or body (including the CFTC, the Ontario Securities Commission, the NFA, any self-regulatory organization, any SEF, DCM, market, clearing organization, or any governmental body).

**6.1.8. Promoting a Framework for Disciplinary and Enforcement Actions**

Core Principle 2 (Compliance with Rules) requires a SEF to adopt a rule enforcement program, disciplinary procedures, and sanctions. In response to this requirement, Rule 204(b) of the Applicant's rulebook authorizes the Applicant to conduct and oversee surveillance, investigation, and rule-enforcement activities; rule 1206 prescribes the Applicant's procedures for dispute resolution.

**6.1.9. Ensuring a Fair and Orderly Market**

Core Principle 2 (Compliance with Rules) requires a SEF to establish rules governing the operation of the SEF, including orderly trading procedures and rule enforcement programs. Core Principle 3 (Swaps Not Readily Susceptible to Manipulation) requires a SEF to ensure that swaps traded on the facility are not readily subject to manipulation. Core Principle 4 (Monitoring of Trading and Trade Processing) requires a SEF to establish procedures for monitoring of trading and trade process. The Applicant complies with these Core Principles by prescribing trading rules, collecting and evaluating market activity data, by maintaining and auditing its real-time monitoring program, and by auditing historical data to detect trading abuses.

Core Principle 9 (Timely Publication of Trading Information) requires timely public disclosure of trade information, all of which will be published daily. SEF Core Principle 14 (System Safeguards) requires a SEF to establish and maintain a program of risk analysis and oversight to identify and minimize sources of operational risk; to establish and maintain emergency procedures, backup facilities, and a plan for disaster recovery; and to periodically conduct tests to verify that the backup resources of the SEF are sufficient to ensure continued order processing and trade matching, price reporting, market surveillance, and maintenance of a comprehensive and accurate audit trail. The Applicant periodically reviews its programs and procedures, including risk analysis, emergency planning, and systems testing. The Applicant regularly audits systems and technology tests both for technical and regulatory compliance. The Applicant believes that compliance with these Core Principles, which require effective trading rules, real-time and post-trade monitoring, public data dissemination, and risk management procedures and testing, ensure a fair and orderly market.

**7. Part 7: Due Process**

**7.1. Due Process**

**Requirement:**

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

— *Criteria for exemption of a foreign exchange trading OTC derivatives from recognition as an exchange, 7.1*

Under SEF Core Principle 2, the Applicant is required to adopt a rule-enforcement program that includes disciplinary procedures and sanctions. To satisfy this requirement, Applicant has established the rules in Part 10 of its rulebook (entitled "Disciplinary Proceedings"). These rules set forth Applicant's policies and procedures for discipline and rule enforcement, as well as for dispute resolution.

Applicant has the authority to initiate and conduct investigations of possible rule violations. And in response to rule violations, Applicant can enforce remedial action and impose sanctions. It is the duty of the Applicant's Chief Compliance Officer (CCO) to enforce the rules, but the Chief Compliance Officer may also delegate such authority to members of the compliance department.

The Applicant's compliance department has the authority to conduct investigations of possible violations of the platform's rulebook, prepare written reports respecting such investigations, furnish such reports to the Applicant's review panel and conduct the prosecution of such violations. An investigation must be commenced upon receipt of a request from CFTC staff or receipt of information by the Applicant that, in the judgment of the compliance department, indicates a reasonable basis for finding that a

violation has occurred or will occur. The Applicant maintains records of all investigations conducted by the Applicant in accordance with its recordkeeping policy.

If the compliance department concludes that a violation may have occurred, the participant may be issued a warning letter or an investigation report concerning the matter may be filed with the Applicant's review panel. No more than one warning letter may be issued to the same person found to have committed the same violation more than once in a rolling 12-month period. The investigation report must include the reason the investigation was initiated; a summary of the complaint, if any; the relevant facts; the Compliance Department's analysis and conclusions; and a recommendation as to whether disciplinary action should be pursued.

The review panel promptly reviews each investigation report prepared by the compliance department. And in the event that it decides that additional investigation or evidence is needed, it will promptly direct the compliance department to conduct further investigation. Within a reasonable period of time not to exceed sixty days after the receipt of a completed investigation report, the review panel must take one of the following actions:

- If it determines that no reasonable basis exists for finding a violation or that prosecution is otherwise unwarranted, it may direct that no further action be taken. Such a determination must be in writing and contain a brief statement setting forth the reasons therefore.
- If it determines that a reasonable basis exists for finding a violation which should be adjudicated, it shall direct that any person alleged to have committed the violation be served by the compliance department with a notice of charges, thus commencing disciplinary proceedings pursuant to the rules in Applicant's rulebook.
- It may also determine to issue a warning letter to the person being investigated, which is not a penalty or an indication that a finding of a violation has been made.

If the compliance department serves a notice of charges on a participant, it will do so in accordance with the rules in Part 10 of Applicant's rulebook. That part of the rulebook also contains the procedures that govern answers, formal hearings, decisions, and penalties. The procedures in Part 10 of Applicant's rulebook contain the following requirements:

- **Notice of Charges (Rule 1005):** a written notice of charges is served by the compliance department on the respondent, including details of the alleged acts, practices, or conduct; the violated rules; predetermined penalties, if any; the respondent's right to a hearing and the 30-day period to request it; and the respondent's right to serve an answer within 30 days of receiving the notice of charges.
- **Service (Rule 1006):** service of the notice of charges or other documents can be made by personal delivery to the respondent or their appointed agent, or by first-class mail addressed to the respondent's last known address. If the respondent is represented by counsel, service is made to counsel. Service on the compliance department is made by personal delivery or first-class mail to the specified address. Filing with the Disciplinary Committee is made by personal delivery or first-class mail to the specified address.
- **Completion and Time Extension:** service by mail is considered complete when deposited in an official United States Postal Service depository. If service is made by mail, any time period calculated with respect to the date of service is extended by five days.
- **Electronic Service:** service can be made through electronic mail or facsimile with the agreement of all parties.
- **Answer from Respondent (Rule 1007):** the respondent must serve a written answer to the notice of charges within 30 days. Failure to serve an answer or explicitly deny charges is considered an admission. If the respondent admits or fails to deny charges, the Hearing Panel may find a violation and impose a penalty.
- **Right to Representation (Rule 1008):** the respondent is entitled to legal representation of their choosing in proceedings, but RTX SEF is not obliged to furnish an attorney.
- **Hearings (Rule 1009):** the respondent may request a hearing on denied charges or imposed penalties. Hearings are held before a Hearing Panel of the Disciplinary Committee. Respondents have the right to examine evidence, cross-examine witnesses, and call their own witnesses. Formal rules of evidence do not apply, but procedures must ensure a fair hearing. A verbatim record of the hearing is made and becomes part of the proceeding's record.
- **Decision (Rule 1010):** after the hearing, the Hearing Panel issues a written decision based on the evidence, serving a copy to the compliance department and the respondent. The decision is the final action of RTX SEF and not subject to appeal within the organization. Decisions include a summary of charges, evidence, findings, conclusions, and imposed penalties.



- Penalties (Rule 1011): penalties for violating the rules can include censure, suspension, termination, fines up to \$100,000 per violation, or other penalties deemed appropriate by the Hearing Panel. Penalties must be commensurate with the violation and take into account the respondent's disciplinary history.
- Reporting (Rule 1010): when a decision becomes final, RTX SEF must provide a copy to the National Futures Association within 30 days for entry into its Background Affiliation Status Information Center system.
- Respondent Accountability (Rule 1011): participants are responsible for paying any fines or other amounts imposed on their Supervised Persons who do not pay.
- Settlement (Rule 1013): Respondents can propose a written settlement after receiving a notice of charges and before a decision is issued. The Disciplinary Committee may accept or reject the proposal but cannot alter the terms unless agreed upon by the respondent. The Committee may allow a respondent to accept a penalty without admitting or denying violations. If accepted, the Committee will issue a written decision.
- Minor Penalties (Rule 1014): The compliance department can impose fines for failing to make timely payments, submit accurate information, or maintain records as required by the Rules. Fines range from a minimum of \$1,000 to a maximum of \$10,000. Participants can request a review of the fine within 10 days.
- Participant Responsibility Actions (Rule 1015): RTX SEF can suspend or take summary action against a participant if it believes immediate action is necessary to protect the marketplace. After a hearing, the Hearing Panel of the Disciplinary Committee will render a written decision, which is the final action and not subject to appeal.
- Action Against Non-Participants (Rule 1016): if a non-participant is believed to be violating regulations, the compliance department can require them and any participant involved to participate in an interview or hearing. After the hearing, the Disciplinary Committee can take various actions, including imposing penalties, denying access to the trading system, or other measures.
- Conflicts of Interest or Bias (Rule 1017): members of committees must disclose any relationships or biases with named parties-in-interest and may be disqualified if necessary. The Chief Compliance Officer makes the final determination regarding disqualification. The same rule applies to RTX SEF employees involved in disciplinary matters.

In addition, a participant may appeal certain disciplinary actions to the CFTC under Part 9 of the CFTC regulations. As of the date of this filing, those procedures currently provide for such things as:

- Time Frame in Which to File Notice of Appeal (17 CFR § 9.20): the general rule is that "any person who is the subject of disciplinary or access denial action by an exchange or any person who is otherwise adversely affected by any other action of an exchange may, at any time within thirty days after notice of the disciplinary or access denial action has been delivered to the person disciplined or denied access in accordance with [17 CFR] § 9.11, or within thirty days after notice of another adverse action, file a notice of appeal of such disciplinary, access denial or other adverse action."
- Filing of Record by Exchange (17 CFR § 9.21)
- Appeal Brief (17 CFR § 9.22)
- Answering Brief (17 CFR § 9.23)
- Possibility of Petition for Stay of Disciplinary or Access Denial (17 CFR § 9.24)
- Limited Participation of Interested Persons (17 CFR § 9.25)
- Possibility of CFTC Staff Participation (17 CFR § 9.26)
- Possibility of Oral Argument (17 CFR § 9.32)
- Final Decision by CFTC (17 CFR § 9.33)

The CFTC items listed above are provided for the convenience of the reader and are not meant to be a substitute for the actual text of the CFTC's regulations. Part 9 of the CFTC's regulations can be found at this address: <https://www.ecfr.gov/current/title-17/chapter-I/part-9>.

## 8. Part 8: Clearing and Settlement

### 8.1. Clearing Arrangements

**Requirement:**

“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.”

— *Criteria for exemption of a foreign exchange trading OTC derivatives from recognition as an exchange, 8.1*

The platform has or requires its participants to have appropriate arrangements for the clearing and settlement of transactions for which clearing is mandatory through a clearinghouse. Part 8 of the Applicant’s rulebook concerns clearing and the financial integrity of contracts. Under rule 804 in that part, the Applicant requires *all* swap transactions executed on the platform to be cleared, even if applicable law would otherwise permit a transaction not to be cleared. The platform will forward the swaps executed on or subject to the rules of the platform to a participant-selected clearing organization or via a straight-through processing (STP) entity that sends swap transactions to clearing, reporting, and counterparties.

All trades on the platform are cleared through a derivatives clearing organization (DCO). And currently the platform offers only two DCOs to choose from: (1) CME, Inc.; and (2) LCH Ltd.

All orders are checked against risk-based limits provided by a clearing member before the order is entered into the platform. All trades are submitted to the DCO for approval and acceptance before they are final.

At the time of customer onboarding, the proposed participant provides the Applicant with information regarding its clearing account, including the name of its clearing member and the DCO. The Applicant then liaises with the relevant clearing member and DCO to verify the clearing information and will contact the relevant clearing member to arrange pretrade credit checks before the order is allowed onto the RTX SEF platform.

The Applicant may make periodic reviews of clearing arrangements by any ongoing participant, and at the time a participant attempts to enter an order onto the platform, a pretrade credit check with the relevant clearing member will occur. Upon submission of matched orders to the DCO for clearing, if the DCO rejects the order, the matched orders are “void ab initio” and no trade is completed.

### 8.2. Risk Management of Clearing House

**Requirement:**

“The exchange does not offer products which are intended to be cleared.”

— *Criteria for exemption of a foreign exchange trading OTC derivatives from recognition as an exchange, 8.2*

The platform will clear all swaps through either CME, Inc. or LCH Ltd. As a SEF, the platform is an execution venue only and does not provide clearing or settlement services.

The Applicant currently has connections to the DCOs CME, Inc. and LCH Ltd., which have been exempted from registration by the OSC. These are the two most systemically important DCOs in interest-rate swaps. Both are registered with the CFTC and must comply with the CEA, including without limitation the core principles for DCOs provided in Section 5b of the CEA, as well as CFTC regulations, including without limitation those in 17 CFR Part 38 (“Derivative Clearing Organizations”).

RTX SEF monitors and periodically reviews the procedures and policies of the DCOs and remains in dialogue with other industry counterparts on the robustness of these procedures and policies.

9. Part 9: Systems and Technology

9.1. Systems and Technology

**Requirement:**

“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, and
- (h) financial reporting.”

— *Criteria for exemption of a foreign exchange trading OTC derivatives from recognition as an exchange, 9.1*

The Applicant’s platform has appropriate internal controls to ensure completeness, accuracy, integrity, and security of information; and it has sufficient capacity and business continuity plans to enable the exchange to properly carry on its business.

The Applicant has put safeguards and security tools in place to protect the critical data and system components of its platform. As discussed above, the Applicant leverages the trade-surveillance capabilities of the Validus software, while maintaining full responsibility for compliance obligations.

The Applicant captures and retains all audit-trail data necessary to detect, investigate, and prevent customer and market abuses. Such data is required to be sufficient to reconstruct all trades and trade-related activity within a reasonable period of time and to provide evidence of any violations of the rules of the platform. The Applicant has also developed risk-monitoring tools and risk controls to prevent and reduce the potential risk of market disruptions, including but not limited to market restrictions that could pause or halt trading under market conditions prescribed by the Applicant.

The Applicant has established a business-continuity-plan-and-disaster-recovery document with respect to the platform. The plan describes the Applicant’s response to and addresses both small-scale and wide-scale service disruptions to the Applicant’s platform. The main objective of the document is to enable timely recovery and resumption of the platform’s operation and the resumption of the Applicant’s fulfillment of its responsibilities and obligations following any disruptions to the platform’s operations, including: order processing; price reporting; market surveillance; and maintenance of a comprehensive audit trail.

The Applicant operates and provides participants with a robust and scalable platform. Standard system-monitoring metrics include capacity and performance level alerts. In addition to system level monitoring of capacity and performance of resources, the Applicant also conducts standardized application or platform capacity tests on a regular basis. This ensures the platform is well positioned to provide adequate responsiveness to customers. The data generated from these tests are used to establish present and historical benchmarks to identify performance and/or capacity hot spots or deficiencies. Additional resources are deployed where appropriate to resolve performance or capacity issues outside of the benchmark to bring performance back in line with benchmark expectation.

## 9.2. System Capability/Scalability

**Requirement:**

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

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

— *Criteria for exemption of a foreign exchange trading OTC derivatives from recognition as an exchange, 9.2*

The Applicant’s platform uses technology for its electronic trading platform that includes software provided by third-party vendors, such as Genesis Global.

The Applicant makes capacity estimates by regularly monitoring its systems usage as well as maintaining constant communications between internal parties whenever new business or possible changes in the market may increase capacity on the systems.

The Applicant conducts regular performance and capacity tests in a production test environment, which matches production in its size, scope, and infrastructure.

The Applicant has internal policies and controls that govern system access, failures, and errors. Also, the Applicant or its service providers periodically conduct risk audits, internal physical security compliance inspections, and both internal and external penetration tests. Additionally, the Applicant performs cybersecurity vulnerability testing. Such tests are designed to periodically assess the operating effectiveness of security controls as well as to monitor internal compliance with security policies and procedures. External threats such as physical hazards and natural disasters are addressed in the platform’s business-continuity-plan-and-disaster-recovery document.

The Applicant or its service providers review the configuration of its systems as part of its regular control procedures and conducts reviews as needed when issues are identified and resolved through its enterprise risk management and governance protocols. Configuration management is the subject of internal audits and is also included in the Applicant’s business-continuity-plan-and-disaster-recovery tests.

The Applicant reviews and keeps current the development and testing methodology of the above systems pursuant to its policies and procedures. The Applicant’s business-continuity-plan-and-disaster-recovery document is designed to allow for the recovery and resumption of operations and the fulfillment of the duties and obligations of the Applicant following a disruption. The Applicant performs periodic tests to verify that the resources are sufficient to ensure continued fulfillment of all duties of the Applicant under the CEA and CFTC regulations.

Complete backups are stored by Amazon Web Services in accordance with Applicant’s policies and procedures. This data is retained for the period specified in CFTC regulations.

### 9.3. Information Technology Risk Management Procedures

**Requirement:**

“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.”

— *Criteria for exemption of a foreign exchange trading OTC derivatives from recognition as an exchange, 9.3*

The Applicant provides extensive market-integrity controls to ensure fair and efficient markets.

The Applicant uses risk monitoring tools and risk controls to prevent and reduce the potential risk of market disruptions. As described in rule 208 of the Applicant’s rulebook, the Applicant has the power to take immediate action to maintain markets with fair and orderly trading and to prevent or address manipulation or disruptive-trading practices. Such actions can include:

- suspending or restricting trading or limiting trading to liquidating only (in whole or in part);
- extending, limiting or changing trading hours;
- imposing intraday market restrictions;
- imposing special margin requirements;
- transferring both customer contracts and the margin in coordination with the platform’s clearing organizations and clearing participants;
- ordering the liquidation or transfer of open positions;
- shortening or extending trading hours;
- suspending or curtailing trading in a product;
- altering the terms and conditions of a product;
- imposing or modifying price limits; and
- imposing or modifying position limits.

Rule 1303 of the Applicant’s rulebook also provides that to reduce the potential for market disruption, the platform may, in its discretion but subject to certain procedures, take any action that it deems necessary and appropriate, including but not limited to restricting or halting trading when doing so is in the best interest of the swap market.

In addition, the Applicant is required to take any other action as directed by the CFTC.

## 10. Part 10: Financial Viability

### 10.1. Financial Viability

**Requirement:**

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

— *Criteria for exemption of a foreign exchange trading OTC derivatives from recognition as an exchange, 10.1*

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

The Applicant has adequate financial and staff resources to carry on its activities in full compliance with its regulatory requirements and with best practices. Under CFTC regulations, a SEF must submit financial statements to the CFTC and maintain adequate financial resources to cover its operating costs for a period of at least one year, calculated on a rolling basis. A SEF must also hold liquid financial assets equal to at least six months’ operating costs. The Applicant maintains no less than the current minimum capital amounts needed, and will maintain any future minimum capital amounts needed to meet CFTC requirements.

## 11. Part 11: Trading Practices

### 11.1. Trading Practices

**Requirement:**

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

- *Criteria for exemption of a foreign exchange trading OTC derivatives from recognition as an exchange, 11.1*

The Applicant is obligated to comply with CFTC regulations, which, as described in section 6.1 to Part III of this application above, require trading practices that are fair, properly supervised, and not contrary to the public interest. The CFTC regulations also require that the Applicant implement rules that require compliance with the CFTC regulations by its participants. The Applicant’s rulebook, which addresses SEF trading practices, is subject to the standards and requirements outlined by the SEF Core Principles. At a high level, the SEF Core Principles and Applicant’s rulebook both seek to ensure fair and orderly markets are accessible to all eligible participants that are properly supervised and operated in a manner consistent with the public interest.

### 11.2. Orders

**Requirement:**

“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.”

- *Criteria for exemption of a foreign exchange trading OTC derivatives from recognition as an exchange, 11.2*

Rules pertaining to order size and limits are set forth in rule 509 of the Applicant’s rulebook. The Applicant’s rulebook is subject to the standards and requirements outlined by the SEF Core Principles and is subject to periodic review by the Applicant to ensure that the limits are fair, equitable, and appropriate for the market. The Applicant submits that its rules for accepting and distinguishing between and executing different types of orders is fair, equitable, and transparent.

### 11.3. Transparency

**Requirement:**

“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.”

- *Criteria for exemption of a foreign exchange trading OTC derivatives from recognition as an exchange, 11.3*

Core Principle 9 requires a SEF to make public timely information concerning swaps transactions executed on the SEF. The Applicant fulfills Core Principle 9 by posting trade data to its website daily, and by reporting swaps data to DTCC, the swap data repository for the Applicant’s platform.

## 12. Part 12: Compliance, Surveillance and Enforcement

### 12.1. Jurisdiction

**Requirement:**

“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.”

- *Criteria for exemption of a foreign exchange trading OTC derivatives from recognition as an exchange, 12.1*

The platform that the Applicant will operate is a SEF, which the CFTC will regulate. Under CFTC regulations, a SEF is a self-regulatory organization that has obligations to monitor participants’ trading activity on the platform under CFTC regulations sections 37.203(e), 37.401, 37.402 and 37.403.

## 12.2. Member and Market Regulation

**Requirement:**

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

— *Criteria for exemption of a foreign exchange trading OTC derivatives from recognition as an exchange, 12.2*

Core Principle 2 requires a SEF to collect information, examine members' records, direct supervision of the market, maintain sufficient compliance staff, establish procedures for and conduct audit trail reviews, perform real-time market monitoring and market surveillance, and utilize an automated trade surveillance system. The Applicant has instituted all these controls and has adequate resources available to ensure that controls are properly applied. Core Principle 2 also requires a SEF to adopt a rule enforcement program, disciplinary procedures, and sanctions policy. Section 7 of Part III of this application describes the resources available to the platform to investigate and discipline participants for rule violations. Also, Part 9 of the Applicant's rulebook sets out its disciplinary rules; and Part 10 of the rulebook prescribes the Applicant's dispute resolution procedures.

The CCO is appointed by the Board and assists the Applicant in meeting its regulatory obligations, as set out by the CFTC.

It is the duty of the CCO to enforce the Applicant's rules and to assess the quality of its compliance oversight and disciplinary policies and procedures. As noted in this application, the Applicant's compliance staff, under the direction and direct supervision of the CCO, is responsible for conducting investigations of possible violations of any of the Applicant's rules, preparing written reports with respect to such investigations, furnishing such reports to the Applicant's disciplinary panels, and conducting the prosecution of any rule violations in accordance with Part 10 of the Applicant's rulebook. The CCO, on an ongoing basis, reviews the performance of staff and, where necessary, establishes procedures for the remediation of noncompliance issues. The CCO reports directly to the Board.

The CCO is supervised by the Board's Regulatory Oversight Committee (ROC). The committee is appointed by the Board and consists of a group of public directors with experience in regulatory compliance, financial markets, or other related areas. The ROC monitors the regulatory program of the Applicant for sufficiency, effectiveness, and independence; oversees the regulatory program, including trade practice surveillance, market surveillance and regulatory responsibilities with respect to participants; reviews the size and allocation of the regulatory budget and the performance of the CCO; and reviews all regulatory proposals and recommends changes to the program.

The ROC meets with the CCO at least a quarterly. The ROC reports to the Board as needed but no less than annually. The ROC's annual report to the Board will include an overview of the ROC's activities and a review of the Applicant's policies, procedures, risk management, and trade-surveillance practices.

The ROC may also provide ad hoc reports to the Board in response to specific events or emerging regulatory concerns or make recommendations on enhancing the Applicant's regulatory program as a whole.

## 12.3. Availability of Information to Regulators

**Requirement:**

“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.”

— *Criteria for exemption of a foreign exchange trading OTC derivatives from recognition as an exchange, 12.3*

Please see section 16.1 of Part III to this Application below.

**13. Part 13: Record Keeping**

**13.1. Recordkeeping**

**Requirement:**

“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.”

— *Criteria for exemption of a foreign exchange trading OTC derivatives from recognition as an exchange, 13.1*

The Applicant collects data on a daily basis related to its regulated activity in compliance with Core Principle 10 (Recordkeeping and Reporting). The Applicant is required to maintain records of all activities relating to its business, including data related to order messaging, order execution, and pricing. Data is collected from across the platform, independent of whether the transaction was privately negotiated or matched in the Electronic Order Book. The Applicant maintains a precise and complete data history, referred to as the audit trail, for every order entered and transaction executed across the platform. Audit-trail information for each transaction includes the order instructions, entry time, modification time, execution time, price, quantity, account identifier, and parties to the transaction. On a daily basis, files of all electronic orders are archived, and copies are stored in the cloud to ensure redundancy and critical safeguarding of the data. Furthermore, as a safeguard, the CFTC and the Applicant require participants to maintain all audit trail data for a minimum of five years.

**14. Part 14: Outsourcing**

**14.1. Outsourcing**

**Requirement:**

“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.”

— *Criteria for exemption of a foreign exchange trading OTC derivatives from recognition as an exchange, 14.1*

The Applicant has entered into several licensing and services agreements with affiliates (including a shared-services agreement) and unaffiliated third parties for the use of (1) trade reporting technology; (2) front, middle, and back-office functionality (including monitoring, invoicing, and billing); (3) software; and (5) various support services, including technology support, trade reporting, books and records, telecommunications, and information technology. These agreements permit the Applicant to meet its obligations and are in accordance with industry best practices. The outsourcing arrangements have terms that allow the Applicant to monitor the services provided to ensure that the Applicant meets its regulatory obligations with respect to the outsourced service and that any services are provided in accordance with industry best practices. The Applicant at all times retains (1) responsibility for any functions delegated to any service provider; and (2) the ultimate decision-making authority.

**15. Part 15: Fees**

**15.1. Fees**

**Requirement:**

- (a) “All fees imposed by the exchange are reasonable and equitably allocated and do not have the effect of creating an unreasonable condition or limit on access by participants to the services offered by the exchange.
- (b) The process for setting fees is fair and appropriate, and the fee model is transparent.”

— *Criteria for exemption of a foreign exchange trading OTC derivatives from recognition as an exchange, 15.1*

The CFTC requires the Applicant to charge comparable fees for participants receiving comparable access to, or services from, the platform. The Applicant complies with this requirement and therefore fees charged by the Applicant do not create an unreasonable condition or limit on access by participants.



The Applicant provides participants with a fee schedule that comprehensively lists all dues, fees, and other charges imposed, or to be imposed, by or on behalf of the Applicant for its services. In that fee schedule, the Applicant also describes the basis and methods used in determining the level and structure of the dues, fees, and other charges.

Under the current fee schedule, the Applicant currently charges participants a per-trade fee that is based on the following transaction variables: (1) product; (2) term; (3) notional; (4) basis-point fee; and either a “price maker” fee (charged on a trade resulting from a participant placing a resting order in the trading system) or a “price taker” fee (charged on a trade resulting from a participant aggressing a resting order in the trading system). It discloses the minimum ticket fees, which are based on currency. And formulas are provided to derive the actual dollar (or other currency) amount charged for swaps and permitted swap-trade strategies (curve trades and butterfly trades). Other items covered in the fee schedule include: technology-access fees; broker fees; clearing-participant fees; and liquidity and fee-reduction programs.

As to the liquidity and fee-reduction programs: the fee schedule provides notice that from time to time, the Applicant, in order to provide liquidity and orderliness in a market, may adopt certain programs granting one or more participants certain benefits in return for assuming and adequately performing obligations. It also provides notice that any such program be made available to all participants.

The Applicant satisfies the CFTC’s requirements because the Applicant:

- Has a fee schedule that comprehensively lists all dues, fees, and other charges imposed, or to be imposed, by or on behalf of the Applicant for its services, charging comparable fees for participants receiving access to, or services from, the platform;
- Describes the basis and methods used in determining the level and structure of the dues, fees, and other charges in that fee schedule;
- Provides its fee schedule to its participants; and
- Makes liquidity and fee-reduction programs available to all participants.

In addition, the Applicant’s business strategy is predicated on optimizing workflows and settings fees that are much cheaper than what the market currently charges for the services being provided (in some instances, the Applicant’s fees may be around 30 to 60 percent cheaper than its competitors).

## **16. Part 16: Information Sharing and Oversight Arrangements**

### **16.1. Information Sharing and Regulatory Cooperation**

**Requirement:**

“The exchange has mechanisms in place to enable it to share information and otherwise co-operate with the Commission, self-regulatory organizations, other exchanges, and other appropriate regulatory bodies.”

— *Criteria for exemption of a foreign exchange trading OTC derivatives from recognition as an exchange, 16.1*

In response to any proper regulatory inquiry or request for documents, Applicant’s policy is to respond promptly and completely through its legal and compliance departments. All inquiries and other communications from the Commission will be referred immediately to the Applicant’s legal and compliance departments.

Rule 1203 of the Applicant’s rulebook provides that the Applicant may share information with other regulatory organizations, data repositories, and third-party data reporting services as required by the CFTC or as otherwise necessary and appropriate to fulfill its self-regulatory and reporting responsibilities. For such purposes, it also permits the Applicant to enter into information-sharing arrangements with any person or body (including the CFTC, the Ontario Securities Commission, the NFA, any self-regulatory organization, any SEF, DCM, market, clearing organization, or any governmental body). The Applicant shares or will share information with DTCC (as a designated swap data repository).

## 16.2. Oversight Arrangements

**Requirement:**

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

- *Criteria for exemption of a foreign exchange trading OTC derivatives from recognition as an exchange, 16.2*

The CFTC has entered into memorandum of understanding (“MOU”) arrangements for cooperative enforcements with foreign regulatory authorities in numerous jurisdictions. The MOUs typically provide for access to non-public documents and information already in the possession of the regulatory authorities, and often include undertakings to obtain documents and to take testimony of, or statements from, witnesses on behalf of a requesting regulatory authority.

The CFTC and the Commission are parties to an MOU that was entered into by the parties as of March 25, 2014. The MOU is available at: <https://www.osc.ca/en/about-us/domestic-and-international-engagement/international-mous/notice-memorandum-understanding-4>. The Minister of Finance approved this MOU on May 26, 2014, as evidenced at: <https://www.osc.ca/en/about-us/domestic-and-international-engagement/international-mous/notice-ministerial-approval-5>.

## 17. Part 17: IOSCO Principles

### 17.1. IOSCO Principles

**Requirement:**

“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).”

- *Criteria for exemption of a foreign exchange trading OTC derivatives from recognition as an exchange, 17.1*

Applicant adheres to the standards of IOSCO by virtue of the fact that Applicant must comply with the CEA and CFTC regulations, which reflect the IOSCO standards. In addition, the CFTC will regularly examine Applicant for compliance with applicable law.

## PART IV. SUBMISSIONS BY THE APPLICANT

The swaps that trade on the RTX SEF Platform fall under the definition of “derivative” set out in Section 1(1) of the OSA. The RTX SEF Platform operated by the Applicant falls under the definition of “marketplace” set out in Section 1(1) of the OSA because it brings together buyers and sellers of derivatives and uses established, non-discretionary methods under which orders interact with each other.

An “exchange” is not defined under the OSA; but subsection 3.1(1) of the companion policy to National Instrument 21-101 (Marketplace Operation) provides that a “marketplace” is considered an “exchange” if, among other things, it sets requirements governing the conduct of marketplace participants or disciplines such participants. Under CFTC Regulations, a SEF is a self-regulatory organization whose obligations include monitoring participant trading activity. Because a SEF regulates the conduct of its participants, the Commission considers it an *exchange* under the OSA.

According to OSC Staff Notice 21-702 (Regulatory Approach for Foreign-Based Stock Exchanges), the Commission considers an exchange located outside Ontario to be carrying on business as an exchange in Ontario if it provides Ontario Participants with direct access to the exchange. Because the Applicant provides Ontario participants with direct access to trading derivatives on its RTX SEF Platform, the Commission considers it to be “carrying on business as an exchange” in Ontario, and therefore RTX SEF must either be recognized or exempt from recognition by the Commission.

The Applicant satisfies all the criteria for exemption from recognition as an exchange set out by Commission Staff, as described in Part III of this application. Ontario market participants that trade in swaps would benefit from the ability to trade on the Applicant’s platform, as they would have access to a range of swaps and swap counterparties that otherwise may not be available in Ontario. Stringent CFTC oversight of the Applicant’s platform as well as the sophisticated information systems, regulations, and compliance functions that have been adopted by the Applicant will ensure that Ontario users of the platform are adequately protected in accordance with international standards set by IOSCO.

Based on the foregoing, we submit that it would not be prejudicial to the public interest to grant the Requested Relief.

**PART V. CONSENT TO PUBLICATION**

The Applicant consents to the publication of this application for public comment.

Yours very truly,

**/s/ Glenn Chaleff**

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**ANNEX I: DRAFT ORDER**

**IN THE MATTER OF  
THE SECURITIES ACT,  
R.S.O. 1990, CHAPTER S. 5, AS AMENDED  
(THE ACT)**

**AND**

**IN THE MATTER OF  
RTX FINTECH & RESEARCH LLC**

**ORDER  
(Section 147 of the Act)**

**WHEREAS** RTX FINTECH & RESEARCH LLC (**Applicant**) has filed an application dated May 17, 2023 (**Application**) with the Ontario Securities Commission (**Commission**) requesting the following relief (collectively, the **Requested Relief**):

1. exempting the Applicant from the requirement to be recognized as an exchange under subsection 21(1) of the Act pursuant to section 147 of the Act; and
2. exempting the Applicant from the requirements in National Instrument 21-101 Marketplace Operation (NI 21-101) pursuant to section 15.1 of NI 21-101, the requirements of National Instrument 23-101 Trading Rules (NI 23-101) pursuant to section 12.1 of NI 23-101 and the requirements of National Instrument 23-103 Electronic Trading and Direct Electronic Access to Marketplaces (NI 23-103) pursuant to section 10 of NI 23-103.

**AND WHEREAS** the United States Commodity Futures Trading Commission (**CFTC**) granted the Applicant permanent registration as a swap execution facility (**SEF**) on April 21, 2023;

**AND WHEREAS** the Applicant has represented to the Commission that:

- The Applicant is a limited liability company organized under the laws of Delaware. The ultimate parent company of the Applicant is RTX Holdings, Inc, a Delaware company that is not publicly traded, but is privately owned. No less than two of the five voting members of the Applicant's Board of Directors must be Public Directors (which have no ownership interest in the Applicant and no "material relationship" with the Applicant, its parent, or any affiliate of the Applicant);
- The Applicant is a marketplace for trading derivatives that are regulated as swaps by the CFTC. The Applicant's SEF supports order book functionality, as required under CFTC regulations;
- In the United States, the Applicant will operate under the jurisdiction of the CFTC and obtained registration with the CFTC to operate a SEF on April 21, 2023;
- The Applicant is obliged under CFTC regulations to have requirements governing the conduct of participants, to monitor compliance with those requirements, and to discipline participants, including by means other than exclusion from the marketplace;
- The Applicant has not chosen to contract with a regulatory service provider (RSP) for the provision of services to assist in complying with its regulatory obligations as permitted but not required by the CFTC;
- Because the Applicant regulates the conduct of its participants, it is considered by the Commission to be an exchange;
- Because the Applicant has participants located in Ontario—including (a) participants with their headquarters or legal address in Ontario (e.g., as indicated by a participant's Legal Entity Identifier (LEI)) and all traders conducting transactions on behalf of such participants, regardless of the traders' physical location (inclusive of non-Ontario branches of Ontario legal entities), and (b) traders physically located in Ontario who conduct transactions on behalf of any other entity—it is considered by the Commission to be carrying on business as an exchange in Ontario and is required to be recognized as such or exempted from recognition pursuant to section 21 of the Act;
- The Applicant does not offer access to retail clients;
- The Applicant has no physical presence in Ontario and does not otherwise carry on business in Ontario except as described above; and

- The Applicant satisfies all the SEF Criteria as described in Appendix 1 to Schedule “A”.

**AND WHEREAS** the products traded on the Applicant’s SEF are not commodity futures contracts as defined in the *Commodity Futures Act* (Ontario) and the Applicant is not considered to be carrying on business as a commodity futures exchange in Ontario;

**AND WHEREAS** the Applicant has acknowledged to the Commission that the scope of the Requested Relief and the terms and conditions imposed by the Commission attached hereto as Schedule “A” to this order, or the determination whether it is appropriate that the Applicant continue to be exempted from the requirement to be recognized as an exchange, may change as a result of the Commission’s monitoring of developments in international and domestic capital markets or the Applicant’s activities, or as a result of any changes to the laws in Ontario affecting trading in derivatives or securities;

**AND WHEREAS** based on the Application, together with the representations made by and acknowledgements of the Applicant to the Commission, the Commission has determined that Applicant satisfies the criteria set out in Appendix 1 to Schedule “A” and that the granting of the Requested Relief would not be prejudicial to the public interest;

**IT IS HEREBY ORDERED** by the Commission that, (i) pursuant to section 147 of the Act, the Applicant is exempt from recognition as an exchange under subsection 21(1) of the Act, and (ii) pursuant to sections 15.1(1) of NI 21-101, 12.1 of NI 23-101, and 10 of NI 23-103, the Applicant is exempt from the requirements in NI 21-101, NI 23-101, and NI 23-103.

**PROVIDED THAT** the Applicant complies with the terms and conditions contained in Schedule “A.”

DATED \_\_\_\_\_, 2023.

\_\_\_\_\_  
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## SCHEDULE "A": TERMS AND CONDITIONS

### Meeting Criteria for Exemption

1. The Applicant will continue to meet the criteria for exemption included in Appendix 1 to this Schedule.

### Regulation and Oversight of the Applicant

2. The Applicant will maintain its registration as a swap execution facility (**SEF**) with the Commodity Futures Trading Commission (**CFTC**) and will continue to be subject to the regulatory oversight of the CFTC.
3. The Applicant will continue to comply with the ongoing requirements applicable to it as a SEF registered with the CFTC.
4. The Applicant must do everything within its control, which includes cooperating with the Commission as needed, to carry out its activities as an exchange exempted from recognition under subsection 21(1) of the Act in compliance with Ontario securities law.

### Access

5. The Applicant will not provide direct access to a participant in Ontario including a participant with its headquarters or legal address in Ontario (e.g., as indicated by a participant's Legal Entity Identifier (LEI)) and all traders conducting transactions on its behalf, regardless of the traders' physical location (inclusive of non-Ontario branches of Ontario legal entities), as well as any trader physically located in Ontario who conducts transactions on behalf of any other entity (**Ontario User**) unless the Ontario User is appropriately registered as applicable under Ontario securities laws or is exempt from or not subject to those requirements, and qualifies as an "eligible contract participant" under the United States Commodity Exchange Act, as amended (**CEA**).
6. For each Ontario User provided direct access to its SEF, the Applicant will require, as part of its application documentation or continued access to the SEF, the Ontario User to represent that it is appropriately registered as applicable under Ontario securities laws or is exempt from or not subject to those requirements.
7. The Applicant may reasonably rely on a written representation from the Ontario User that specifies either that it is appropriately registered as applicable under Ontario securities laws or is exempt from or not subject to those requirements, provided the Applicant notifies such Ontario User that this representation is deemed to be repeated each time it enters an order, request for quote or response to a request for quote on the Applicant.
8. The Applicant will require Ontario Users to notify the Applicant if their registration as applicable under Ontario securities laws has been revoked, suspended, or amended by the Commission or if they are no longer exempt from or become subject to those requirements and, following notice from the Ontario User and subject to applicable laws, the Applicant will promptly restrict the Ontario User's access to the Applicant if the Ontario User is no longer appropriately registered or exempt from those requirements.

### Trading by Ontario Users

9. The Applicant will not provide access to an Ontario User to trading in products other than swaps, as defined in section 1a(47) of the CEA (and for greater certainty, excluding security-based swaps), without prior Commission approval.

### Submission to Jurisdiction and Agent for Service

10. With respect to a proceeding brought by the Commission arising out of, related to, concerning or in any other manner connected with the Commission's regulation and oversight of the activities of the Applicant in Ontario, the Applicant will submit to the non-exclusive jurisdiction of (i) the courts and administrative tribunals of Ontario and (ii) an administrative proceeding in Ontario.
11. The Applicant will submit to the Commission a valid and binding appointment of an agent for service in Ontario upon whom the Commission may serve a notice, pleading, subpoena, summons or other process in any action, investigation or administrative, criminal, quasi-criminal, penal or other proceeding arising out of, related to, concerning or in any other manner connected with the Commission's regulation and oversight of the Applicant's activities in Ontario.

### Prompt Reporting

12. The Applicant will notify staff of the Commission promptly of:
  - (a) any authorization to carry on business granted by the CFTC is revoked or suspended or made subject to terms or conditions on the Applicant's operations;

- (b) the Applicant institutes a petition for a judgment of bankruptcy or insolvency or similar relief, or to wind up or liquidate the Applicant or has a proceeding for any such petition instituted against it;
- (c) a receiver is appointed for the Applicant or the Applicant makes any voluntary arrangement with creditors;
- (d) the Applicant's marketplace is not in compliance with this order or with any applicable requirements, laws, or regulations of the CFTC where it is required to report such non-compliance to the CFTC;
- (e) any known investigations of, or disciplinary action against, the Applicant by the CFTC or any other regulatory authority to which it is subject; and
- (f) the Applicant makes any material change to the eligibility criteria for Ontario Users.

### **Semi-Annual Reporting**

13. The Applicant will maintain the following updated information and submit such information in a manner and form acceptable to the Commission on a semi-annual basis (by July 31 for the first half of the calendar year and by January 31 of the following year for the second half), and at any time promptly upon the request of staff of the Commission:
- (a) a current list of all Ontario Users and whether the Ontario User is registered under Ontario securities laws or is exempt from or not subject to registration, and, to the extent known by the Applicant, other persons or companies located in Ontario trading as customers of participants (**Other Ontario Participants**);
  - (b) the legal entity identifier assigned to each Ontario User, and, to the extent known by the Applicant, to Other Ontario Participants in accordance with the standards set by the Global Legal Entity Identifier System;
  - (c) a list of all Ontario Users against whom disciplinary action has been taken since the previous report by the Applicant or its regulation services provider (**RSP**) acting on its behalf, or, to the best of the Applicant's knowledge, by the CFTC with respect to such Ontario Users' activities on the Applicant and the aggregate number of disciplinary actions taken against all participants since the previous report by the Applicant or its RSP acting on its behalf;
  - (d) a list of all active investigations since the previous report by the Applicant or its RSP acting on its behalf relating to Ontario Users and the aggregate number of active investigations since the previous report relating to all participants undertaken by the Applicant;
  - (e) a list of all Ontario applicants for status as a participant who were denied such status or access to the Applicant since the previous report, together with the reasons for each such denial; and
  - (f) for each product,
    - (i) the total trading volume and value originating from Ontario Users, and, to the extent known by the Applicant, from Other Ontario Participants, presented on a per Ontario User or per Other Ontario Participant basis; and
    - (ii) the proportion of worldwide trading volume and value on the Applicant conducted by Ontario Users, and, to the extent known by the Applicant, by Other Ontario Participants, presented in the aggregate for such Ontario Users and Other Ontario Participants;

provided in the required format.

### **Information Sharing**

14. The Applicant will provide and, if applicable, cause its RSP to provide such information as may be requested from time to time by, and otherwise cooperate with, the Commission or its staff, subject to any applicable privacy or other laws (including solicitor-client privilege) governing the sharing of information and the protection of personal information.

**APPENDIX 1 TO SCHEDULE “A”:  
CRITERIA FOR EXEMPTION OF  
A FOREIGN EXCHANGE TRADING OTC DERIVATIVES FROM  
RECOGNITION AS AN EXCHANGE**

**PART 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**).

**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.

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**2.1. Governance**

The governance structure and governance arrangements of the exchange ensure:

- (a) effective oversight of the exchange,
- (b) that business and regulatory decisions are in keeping with its public interest mandate,
- (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
  - (ii) a proper balance among the interests of the different persons or companies using the services and facilities of the exchange,
- (d) the exchange has policies and procedures to appropriately identify and manage conflicts of interest for all officers, directors and employees, and
- (e) there are appropriate qualifications, remuneration, limitation of liability and indemnity provisions for directors, officers and employees of the exchange.

**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.

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**3.1. Review and Approval of Products**

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**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.

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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.



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**4.1. Fair Access**

- (a) The exchange has established appropriate written standards for access to its services including requirements to ensure
  - (i) participants are appropriately registered as applicable under Ontario securities laws, or exempted from these requirements,
  - (ii) competence, integrity and authority of systems users, and
  - (iii) systems users are adequately supervised.
- (b) The access standards and the process for obtaining, limiting and denying access are fair, transparent and applied reasonably.
- (c) The exchange does not unreasonably prohibit, condition or limit access by a person or company to services offered by it.
- (d) The exchange does not
  - (i) permit unreasonable discrimination among participants, or
  - (ii) impose any burden on competition that is not reasonably necessary and appropriate.
- (e) The exchange keeps records of each grant and each denial or limitation of access, including reasons for granting, denying or limiting access.

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- (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.
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  - (i) ensure compliance with applicable legislation,
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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:

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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 of Clearing House**

The exchange does not offer products which are intended to be cleared.

## **PART 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, and
- (h) financial reporting.

### **9.2. System Capability/Scalability**

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

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

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

### **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.

## **PART 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.

## **PART 11 TRADING PRACTICES**

### **11.1. Trading Practices**

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

### **11.2. Orders**

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

### **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.

## **PART 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.

### **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.

### **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.

## **PART 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.

## **PART 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.

**PART 15 FEES**

**15.1. Fees**

- (a) All fees imposed by the exchange are reasonable and equitably allocated and do not have the effect of creating an unreasonable condition or limit on access by participants to the services offered by the exchange.
- (b) The process for setting fees is fair and appropriate, and the fee model is transparent.

**PART 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 co-operate with the Commission, self-regulatory organizations, other exchanges, and other appropriate regulatory bodies.

**16.2. Oversight Arrangements**

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

**PART 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).

**ANNEX I: DRAFT ORDER**

**IN THE MATTER OF  
THE SECURITIES ACT,  
R.S.O. 1990, CHAPTER S. 5, AS AMENDED  
(THE ACT)**

**AND**

**IN THE MATTER OF  
RTX FINTECH & RESEARCH LLC**

**ORDER  
(Section 147 of the Act)**

**WHEREAS** RTX FINTECH & RESEARCH LLC (**Applicant**) has filed an application dated May 17, 2023 (**Application**) with the Ontario Securities Commission (**Commission**) requesting the following relief (collectively, the **Requested Relief**):

1. exempting the Applicant from the requirement to be recognized as an exchange under subsection 21(1) of the Act pursuant to section 147 of the Act; and
2. exempting the Applicant from the requirements in National Instrument 21-101 Marketplace Operation (NI 21-101) pursuant to section 15.1 of NI 21-101, the requirements of National Instrument 23-101 Trading Rules (NI 23-101) pursuant to section 12.1 of NI 23-101 and the requirements of National Instrument 23-103 Electronic Trading and Direct Electronic Access to Marketplaces (NI 23-103) pursuant to section 10 of NI 23-103.

**AND WHEREAS** the United States Commodity Futures Trading Commission (**CFTC**) granted the Applicant permanent registration as a swap execution facility (**SEF**) on April 21, 2023;

**AND WHEREAS** the Applicant has represented to the Commission that:

- The Applicant is a limited liability company organized under the laws of Delaware. The ultimate parent company of the Applicant is RTX Holdings, Inc, a Delaware company that is not publicly traded, but is privately owned. No less than two of the five voting members of the Applicant's Board of Directors must be Public Directors (which have no ownership interest in the Applicant and no "material relationship" with the Applicant, its parent, or any affiliate of the Applicant);
- The Applicant is a marketplace for trading derivatives that are regulated as swaps by the CFTC. The Applicant's SEF supports order book functionality, as required under CFTC regulations;
- In the United States, the Applicant will operate under the jurisdiction of the CFTC and obtained registration with the CFTC to operate a SEF on April 21, 2023;
- The Applicant is obliged under CFTC regulations to have requirements governing the conduct of participants, to monitor compliance with those requirements, and to discipline participants, including by means other than exclusion from the marketplace;
- The Applicant has not chosen to contract with a regulatory service provider (RSP) for the provision of services to assist in complying with its regulatory obligations as permitted but not required by the CFTC;
- Because the Applicant regulates the conduct of its participants, it is considered by the Commission to be an exchange;
- Because the Applicant has participants located in Ontario—including (a) participants with their headquarters or legal address in Ontario (e.g., as indicated by a participant's Legal Entity Identifier (LEI)) and all traders conducting transactions on behalf of such participants, regardless of the traders' physical location (inclusive of non-Ontario branches of Ontario legal entities), and (b) traders physically located in Ontario who conduct transactions on behalf of any other entity—it is considered by the Commission to be carrying on business as an exchange in Ontario and is required to be recognized as such or exempted from recognition pursuant to section 21 of the Act;
- The Applicant does not offer access to retail clients;
- The Applicant has no physical presence in Ontario and does not otherwise carry on business in Ontario except as described above; and

- The Applicant satisfies all the SEF Criteria as described in Appendix 1 to Schedule “A”.

**AND WHEREAS** the products traded on the Applicant’s SEF are not commodity futures contracts as defined in the *Commodity Futures Act* (Ontario) and the Applicant is not considered to be carrying on business as a commodity futures exchange in Ontario;

**AND WHEREAS** the Applicant has acknowledged to the Commission that the scope of the Requested Relief and the terms and conditions imposed by the Commission attached hereto as Schedule “A” to this order, or the determination whether it is appropriate that the Applicant continue to be exempted from the requirement to be recognized as an exchange, may change as a result of the Commission’s monitoring of developments in international and domestic capital markets or the Applicant’s activities, or as a result of any changes to the laws in Ontario affecting trading in derivatives or securities;

**AND WHEREAS** based on the Application, together with the representations made by and acknowledgements of the Applicant to the Commission, the Commission has determined that Applicant satisfies the criteria set out in Appendix 1 to Schedule “A” and that the granting of the Requested Relief would not be prejudicial to the public interest;

**IT IS HEREBY ORDERED** by the Commission that, (i) pursuant to section 147 of the Act, the Applicant is exempt from recognition as an exchange under subsection 21(1) of the Act, and (ii) pursuant to sections 15.1(1) of NI 21-101, 12.1 of NI 23-101, and 10 of NI 23-103, the Applicant is exempt from the requirements in NI 21-101, NI 23-101, and NI 23-103.

**PROVIDED THAT** the Applicant complies with the terms and conditions contained in Schedule “A.”

DATED \_\_\_\_\_, 2023.

\_\_\_\_\_  
\_\_\_\_\_

## SCHEDULE "A": TERMS AND CONDITIONS

### Meeting Criteria for Exemption

1. The Applicant will continue to meet the criteria for exemption included in Appendix 1 to this Schedule.

### Regulation and Oversight of the Applicant

2. The Applicant will maintain its registration as a swap execution facility (**SEF**) with the Commodity Futures Trading Commission (**CFTC**) and will continue to be subject to the regulatory oversight of the CFTC.
3. The Applicant will continue to comply with the ongoing requirements applicable to it as a SEF registered with the CFTC.
4. The Applicant must do everything within its control, which includes cooperating with the Commission as needed, to carry out its activities as an exchange exempted from recognition under subsection 21(1) of the Act in compliance with Ontario securities law.

### Access

5. The Applicant will not provide direct access to a participant in Ontario including a participant with its headquarters or legal address in Ontario (e.g., as indicated by a participant's Legal Entity Identifier (LEI)) and all traders conducting transactions on its behalf, regardless of the traders' physical location (inclusive of non-Ontario branches of Ontario legal entities), as well as any trader physically located in Ontario who conducts transactions on behalf of any other entity (**Ontario User**) unless the Ontario User is appropriately registered as applicable under Ontario securities laws or is exempt from or not subject to those requirements, and qualifies as an "eligible contract participant" under the United States Commodity Exchange Act, as amended (**CEA**).
6. For each Ontario User provided direct access to its SEF, the Applicant will require, as part of its application documentation or continued access to the SEF, the Ontario User to represent that it is appropriately registered as applicable under Ontario securities laws or is exempt from or not subject to those requirements.
7. The Applicant may reasonably rely on a written representation from the Ontario User that specifies either that it is appropriately registered as applicable under Ontario securities laws or is exempt from or not subject to those requirements, provided the Applicant notifies such Ontario User that this representation is deemed to be repeated each time it enters an order, request for quote or response to a request for quote on the Applicant.
8. The Applicant will require Ontario Users to notify the Applicant if their registration as applicable under Ontario securities laws has been revoked, suspended, or amended by the Commission or if they are no longer exempt from or become subject to those requirements and, following notice from the Ontario User and subject to applicable laws, the Applicant will promptly restrict the Ontario User's access to the Applicant if the Ontario User is no longer appropriately registered or exempt from those requirements.

### Trading by Ontario Users

9. The Applicant will not provide access to an Ontario User to trading in products other than swaps, as defined in section 1a(47) of the CEA (and for greater certainty, excluding security-based swaps), without prior Commission approval.

### Submission to Jurisdiction and Agent for Service

10. With respect to a proceeding brought by the Commission arising out of, related to, concerning or in any other manner connected with the Commission's regulation and oversight of the activities of the Applicant in Ontario, the Applicant will submit to the non-exclusive jurisdiction of (i) the courts and administrative tribunals of Ontario and (ii) an administrative proceeding in Ontario.
11. The Applicant will submit to the Commission a valid and binding appointment of an agent for service in Ontario upon whom the Commission may serve a notice, pleading, subpoena, summons or other process in any action, investigation or administrative, criminal, quasi-criminal, penal or other proceeding arising out of, related to, concerning or in any other manner connected with the Commission's regulation and oversight of the Applicant's activities in Ontario.

### Prompt Reporting

12. The Applicant will notify staff of the Commission promptly of:
  - (a) any authorization to carry on business granted by the CFTC is revoked or suspended or made subject to terms or conditions on the Applicant's operations;

- (b) the Applicant institutes a petition for a judgment of bankruptcy or insolvency or similar relief, or to wind up or liquidate the Applicant or has a proceeding for any such petition instituted against it;
- (c) a receiver is appointed for the Applicant or the Applicant makes any voluntary arrangement with creditors;
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### **10.1. Financial Viability**

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

## **PART 11 TRADING PRACTICES**

### **11.1. Trading Practices**

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

### **11.2. Orders**

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

### **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.

## **PART 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.

### **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.

### **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.

## **PART 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.

## **PART 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.

**PART 15 FEES**

**15.1. Fees**

- (a) All fees imposed by the exchange are reasonable and equitably allocated and do not have the effect of creating an unreasonable condition or limit on access by participants to the services offered by the exchange.
- (b) The process for setting fees is fair and appropriate, and the fee model is transparent.

**PART 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 co-operate with the Commission, self-regulatory organizations, other exchanges, and other appropriate regulatory bodies.

**16.2. Oversight Arrangements**

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

**PART 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).