



Tradition SEF, Inc.

Participant Notice 14-15

July 18, 2014

To : Tradition SEF Authorized Representatives
From : Tradition SEF Operations and Compliance

Notice of Pending Certification Under CFTC Regulation 40.6(a): Amendments to Tradition SEF, Inc. Rulebook and Platform Supplements

Please be advised that Tradition SEF has filed a Certification under part 40.6(a) of a Rule Amendment, File No. 14-19, with the U.S. Commodity Futures Trading Commission (the "CFTC") which revised the Tradition SEF Rulebook and Trad-X Platform Supplement and Volbroker Product Supplement (the "Platform Supplements").

The Trad-X Platform Supplement has been amended to reflect the addition of a new "Disregard Tape" Order type, as well as adding a credit matrix risk based limit management function. The Volbroker Product Supplement was amended to clarify its provisions relating to currency options. Tradition SEF has requested confidential treatment of the Product Supplements with the CFTC. Please note that the Platform Supplements are considered confidential and only for use by Tradition SEF participants. They are not intended for dissemination outside of a participant's organization. The effective date of the Platform Supplements amendments is August 4, 2014.

The Tradition SEF, Inc. Rulebook has been updated throughout as of July 18, 2014, to reflect conforming changes to various defined terms and other changes that help to clarify the rules. These changes have been submitted to the CFTC under Regulation 40.6, and are pending certification with an effective date of August 4, 2014.

Copies of redline and clean versions of the Tradition SEF Rulebook have been posted to <http://www.traditionsef.com/>.

Revisions include housekeeping revisions to correct minor grammatical errors or for purposes of consistent use of defined terms.

A description of each Rule change and an explanation and analysis of the operation, purpose and effect of the proposed changes and its compliance with applicable Core Principles and CFTC regulations is attached as Exhibit A.

The text of the amended rules and a marked version showing the amendments to the rules are copied below. All defined terms used herein have the meaning ascribed to such terms in the Tradition SEF Rulebook.



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Rule: 101 - Definitions:

Addition of new defined terms:

“Regulatory Data” means trade data and related information or other market or proprietary data that a Participant submits to Tradition SEF for the purpose of fulfilling regulatory obligations.

Redline:

Rule 302 Participant Criteria

- (a) To be eligible for admission as a Participant, an applicant must demonstrate to the satisfaction of Tradition SEF that it:
 - (1) is an Eligible Contract Participant;
 - (2) meets the criteria for a Participant set forth in the Rulebook and Platform Supplement for the specific Platforms it seeks to access;
 - (3) is of good reputation and business integrity;
 - (4) is validly organized, in good standing, and authorized by its governing body and, if relevant, documents of organization, to trade Swaps;
 - (5) is not subject to an Insolvency Event;
 - (6) is not prohibited from using the services of Tradition SEF for any reason whatsoever;
 - (7) has and maintains all necessary regulatory approvals and/or licenses to operate as a Participant in relation to Swap Activity under Applicable Law and not be subject to any trading ban, prohibition or suspension issued by the CFTC or the NFA, or statutory disqualification under Section 8a(2) of the Act;
 - (8) It is not subject to any economic or trade sanctions programs administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury (“OFAC”) or other relevant U.S. or non-U.S. authority, and is not listed on OFAC’s List of Specially Designated Nationals and Blocked Persons.
 - (9) satisfies any other criteria that Tradition SEF may require from a Participant from time to time;
 - (10) has successfully completed the Participant application process to the satisfaction of Tradition SEF.
- (b) Once admitted, the Participant shall continue to comply with all applicable eligibility criteria in Rule 302(a).



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- (c) If a General Participant enters into Cleared Swaps for its Proprietary Account, it must: (i) be a Clearing Firm eligible to clear such Cleared Swaps; or (ii) have a clearing arrangement with a Clearing Firm eligible to clear such Cleared Swaps; and (iii) with respect to Package transactions where one or more components of the Package are not Swaps have such additional arrangement as may be specified in the applicable Platform Supplement.

Clean:

Rule 302 Participant Criteria

- (a) To be eligible for admission as a Participant, an applicant must demonstrate to the satisfaction of Tradition SEF that it:
- (1) is an Eligible Contract Participant;
 - (2) meets the criteria for a Participant set forth in the Rulebook and Platform Supplement for the specific Platforms it seeks to access;
 - (3) is of good reputation and business integrity;
 - (4) is validly organized, in good standing, and authorized by its governing body and, if relevant, documents of organization, to trade Swaps;
 - (5) is not subject to an Insolvency Event;
 - (6) is not prohibited from using the services of Tradition SEF for any reason whatsoever;
 - (7) has and maintains all necessary regulatory approvals and/or licenses to operate as a Participant in relation to Swap Activity under Applicable Law and not be subject to any trading ban, prohibition or suspension issued by the CFTC or the NFA, or statutory disqualification under Section 8a(2) of the Act;
 - (8) It is not subject to any economic or trade sanctions programs administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury (“OFAC”) or other relevant U.S. or non-U.S. authority, and is not listed on OFAC’s List of Specially Designated Nationals and Blocked Persons.
 - (9) satisfies any other criteria that Tradition SEF may require from a Participant from time to time;
 - (10) has successfully completed the Participant application process to the satisfaction of Tradition SEF.
- (b) Once admitted, the Participant shall continue to comply with all applicable eligibility criteria in Rule 302(a).



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- (c) If a General Participant enters into Cleared Swaps for its Proprietary Account, it must: (i) be a Clearing Firm eligible to clear such Cleared Swaps; or (ii) have a clearing arrangement with a Clearing Firm eligible to clear such Cleared Swaps; and (iii) with respect to Package transactions where one or more components of the Package are not Swaps have such additional arrangement as may be specified in the applicable Platform Supplement.

Redline:

Rule 304 Additional Criteria for Participants[~~Trading For Customers~~]

- (a) Each Participant that will enter into Swaps for or on behalf of Customers, or otherwise permit Customers to access the Platform, must satisfy the following criteria, in addition to those set forth in Rule 302.
 - (1) The Participant must, if acting in an agency capacity on behalf of a Customer, be registered with the CFTC as (A) an FCM or Introducing Broker, or (B) a Commodity Pool Operator or Commodity Trading Advisor and in such CPO or CTA capacity submits Orders on behalf of pools it operates or Customer accounts for which it has discretionary authority, respectively, or be exempt from such registration.
 - (2) The Participant must obtain representations and/or ensure that each of its Customers is an Eligible Contract Participant at all relevant times.
 - (3) It must obtain representations and/or ensure that each Customer that enters into Cleared Swaps, (i) is a Clearing Firm eligible to clear such Cleared Swaps; or (ii) has a guaranteed clearing arrangement with a Clearing Firm eligible to clear such Cleared Swaps; and (iii) with respect to Package transactions where one or more of the components of the Package are not Swaps have such additional arrangement as may be specified in the applicable Platform Supplement.
 - (4) It must obtain representations and/or ensure that the Customer has and maintains all necessary regulatory approvals and/or licenses to access a Platform and enter into Swaps under Applicable Law and is not subject to any trading ban, prohibition or suspension issued by the CFTC or the NFA, or statutory disqualification under Section 8a(2) of the Act.
 - (5) If it is subject to the U.S. Bank Secrecy Act, the USA PATRIOT Act and the regulations thereunder, or similar legislation in any jurisdiction, it has implemented a written anti-money laundering program that has been approved in writing by its senior management and is reasonably designed to promote and monitor its compliance with the applicable requirements of such laws.



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- (6) It will screen Customers for compliance with economic or trade sanctions programs administered by OFAC or other relevant U.S. or non-U.S. authority, including screening Customer names against OFAC's List of Specially Designated Nationals and Blocked Persons.
- (7) It must identify all of its Customers to Tradition SEF in the manner, at the times and in such detail as is specified by Tradition SEF.
- (8) It must obtain representations and/or ensure that each Customer is trading on Tradition SEF or subject to the Rules only for its own account (or the account of a Person managed by the Customer).
- (9) If its Customer is a "special entity" as defined in the Act or is otherwise subject to law or regulation affecting the Customer's ability to enter into Swaps or the liabilities or responsibilities of other Persons with respect thereto, the Participant must ensure that the Customer's use of Tradition SEF in accordance with the Rules is in compliance with such law or regulation and any related requirements of its constituent or other documents. Upon request by Tradition SEF, such Customer must provide a representation regarding its compliance with such law or regulation.
- (10) It must obtain appropriate representations and/or ensure that each Customer is organized and located in an Authorized Jurisdiction if it permits the Customer to have direct access to Tradition SEF through the Trading Privileges of the Participant.
- (11) It satisfies such other criteria as Tradition SEF may specify from time to time, subject to Rule 302 and Applicable Law.

(b) If a Participant enters into or facilitates a Swap that is subject to the mandatory clearing requirement of Section 2(h) of the Act, the Participant shall be responsible for compliance with the mandatory trading requirement under Section 2(h)(8) of the Act.

Clean:

Rule 304 Additional Criteria for Participants

- (a) Each Participant that will enter into Swaps for or on behalf of Customers, or otherwise permit Customers to access the Platform, must satisfy the following criteria, in addition to those set forth in Rule 302.
 - (1) The Participant must, if acting in an agency capacity on behalf of a Customer, be registered with the CFTC as (A) an FCM or Introducing Broker, or (B) a Commodity Pool Operator or Commodity Trading Advisor and in such CPO or CTA capacity submits Orders on behalf of pools it operates or Customer accounts



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for which it has discretionary authority, respectively, or be exempt from such registration.

- (2) The Participant must obtain representations and/or ensure that each of its Customers is an Eligible Contract Participant at all relevant times.
- (3) It must obtain representations and/or ensure that each Customer that enters into Cleared Swaps, (i) is a Clearing Firm eligible to clear such Cleared Swaps; or (ii) has a guaranteed clearing arrangement with a Clearing Firm eligible to clear such Cleared Swaps; and (iii) with respect to Package transactions where one or more of the components of the Package are not Swaps have such additional arrangement as may be specified in the applicable Platform Supplement.
- (4) It must obtain representations and/or ensure that the Customer has and maintains all necessary regulatory approvals and/or licenses to access a Platform and enter into Swaps under Applicable Law and is not subject to any trading ban, prohibition or suspension issued by the CFTC or the NFA, or statutory disqualification under Section 8a(2) of the Act.
- (5) If it is subject to the U.S. Bank Secrecy Act, the USA PATRIOT Act and the regulations thereunder, or similar legislation in any jurisdiction, it has implemented a written anti-money laundering program that has been approved in writing by its senior management and is reasonably designed to promote and monitor its compliance with the applicable requirements of such laws.
- (6) It will screen Customers for compliance with economic or trade sanctions programs administered by OFAC or other relevant U.S. or non-U.S. authority, including screening Customer names against OFAC's List of Specially Designated Nationals and Blocked Persons.
- (7) It must identify all of its Customers to Tradition SEF in the manner, at the times and in such detail as is specified by Tradition SEF.
- (8) It must obtain representations and/or ensure that each Customer is trading on Tradition SEF or subject to the Rules only for its own account (or the account of a Person managed by the Customer).
- (9) If its Customer is a "special entity" as defined in the Act or is otherwise subject to law or regulation affecting the Customer's ability to enter into Swaps or the liabilities or responsibilities of other Persons with respect thereto, the Participant must ensure that the Customer's use of Tradition SEF in accordance with the Rules is in compliance with such law or regulation and any related requirements of its constituent or other documents. Upon request by Tradition SEF, such Customer must provide a representation regarding its compliance with such law or regulation.



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- (10) It must obtain appropriate representations and/or ensure that each Customer is organized and located in an Authorized Jurisdiction if it permits the Customer to have direct access to Tradition SEF through the Trading Privileges of the Participant.
- (11) It satisfies such other criteria as Tradition SEF may specify from time to time, subject to Rule 302 and Applicable Law.
- (b) If a Participant enters into or facilitates a Swap that is subject to the mandatory clearing requirement of Section 2(h) of the Act, the Participant shall be responsible for compliance with the mandatory trading requirement under Section 2(h)(8) of the Act.

Redline:

Rule 402 Duties and Responsibilities of Participants

- (a) In connection with its SEF Activity each Participant shall, and, to the extent applicable, shall cause its employees who are Authorized Traders or Authorized Brokers~~[-, and its Customers and their Authorized Traders]~~ to:
 - (1) use each Platform only to conduct SEF Activity;
 - (2) conduct all SEF Activity in a manner consistent with the Rules and Obligations;
 - (3) comply with all Rules and Obligations and act in a manner consistent with each Rule of Tradition SEF and Obligation;
 - (4) comply with all NFA Rules, if and to the extent applicable to it, and act in a manner consistent with the NFA Rules, if and to the extent applicable ;
 - (5) not knowingly mislead or conceal any material fact or matter in any dealings or filings with Tradition SEF or in response to any disciplinary or arbitration proceeding;
 - (6) cooperate promptly and fully with Tradition SEF in any investigation, inquiry, audit, examination or proceeding regarding compliance with the Rules or any disciplinary or arbitration proceeding;
 - (7) keep~~-the~~ any User IDs, account numbers and passwords related to the Platform confidential;
 - (8) at all times have adequate systems and controls intended to minimize the risk of error in relation to offers or bids submitted to the Platform and to ensure that its conduct on the Platform complies with these Rules;
 - (9) subject to any applicable error trade policy, be fully liable for: all trading losses, all Orders, all transactions in Swaps effected by Participant or [~~Customer~~]its employees who are Authorized Traders or Authorized Brokers, all



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- (10) transactions effected on Tradition SEF and for any use of the Platform made by Participant or [~~Customer or their respective~~ its employees who are Authorized Traders~~;~~] or [~~their~~] Authorized Brokers, and all trades even if the Orders received via the Platform: (1) were entered as a result of a failure in the security controls and/or credit controls, other than due to the gross negligence of Tradition SEF, or (2) were entered by an unknown or unauthorized user;
- (11) employ practices to monitor and enforce compliance with risk limits;
- (12) be responsible for promptly informing Tradition SEF of any material changes to the information provided to Tradition SEF by the Participant pursuant to Rule [~~302, by a Customer pursuant to Rule 304 or an Authorized Trader or Authorized Broker pursuant to Rule 308~~]302; and,
- (13) keep, or cause to be kept, complete and accurate books and records, including, without limitation, all books and records required to be maintained pursuant to the Act, the CFTC Regulations or the Rules and make such books and records available for inspection by a representative of Tradition SEF, the CFTC or the United States Department of Justice.

Clean:

Rule 402 Duties and Responsibilities of Participants

In connection with its SEF Activity each Participant shall, and, to the extent applicable, shall cause its employees who are Authorized Traders or Authorized Brokers to:

- (1) use each Platform only to conduct SEF Activity;
- (2) conduct all SEF Activity in a manner consistent with the Rules and Obligations;
- (3) comply with all Rules and Obligations and act in a manner consistent with each Rule of Tradition SEF and Obligation;
- (4) comply with all NFA Rules, if and to the extent applicable to it, and act in a manner consistent with the NFA Rules, if and to the extent applicable;
- (5) not knowingly mislead or conceal any material fact or matter in any dealings or filings with Tradition SEF or in response to any disciplinary or arbitration proceeding;
- (6) cooperate promptly and fully with Tradition SEF in any investigation, inquiry, audit, examination or proceeding regarding compliance with the Rules or any disciplinary or arbitration proceeding;
- (7) keep any User IDs, account numbers and passwords related to the Platform confidential;



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- (8) at all times have adequate systems and controls intended to minimize the risk of error in relation to offers or bids submitted to the Platform and to ensure that its conduct on the Platform complies with these Rules;
- (9) subject to any applicable error trade policy, be fully liable for: all trading losses, all Orders, all transactions in Swaps effected by Participant or its employees who are Authorized Traders or Authorized Brokers, all transactions effected on Tradition SEF and for any use of the Platform made by Participant or its employees who are Authorized Traders or Authorized Brokers, and all trades even if the Orders received via the Platform: (1) were entered as a result of a failure in the security controls and/or credit controls, other than due to the gross negligence of Tradition SEF, or (2) were entered by an unknown or unauthorized user;
- (10) employ practices to monitor and enforce compliance with risk limits;
- (11) be responsible for promptly informing Tradition SEF of any material changes to the information provided to Tradition SEF by the Participant pursuant to Rule 302; and,
- (12) keep, or cause to be kept, complete and accurate books and records, including, without limitation, all books and records required to be maintained pursuant to the Act, the CFTC Regulations or the Rules and make such books and records available for inspection by a representative of Tradition SEF, the CFTC or the United States Department of Justice.

New rule:

Rule 403 A Participant Duties and Responsibilities of Participants that Provide Customers with Access to a Platform

- (a) **A Participant may provide Customers with Intermediated Access or Direct Customer Access connectivity to a Tradition SEF Platform subject to the following:**
 - (1) **All Swaps effected through Intermediated Access or Direct Customer Access connectivity to a Tradition SEF Platform, including Intermediated Access or Direct Customer Access connectivity of non-Clearing Firm Participants or non-Participant Customers, must be guaranteed by a Clearing Firm that assumes financial responsibility for all Swaps effected through such connection to a Tradition SEF Platform.**
 - (2) **With respect to a Swap given up to another Clearing Firm, such guarantee of financial responsibility is effective only until such time that the other**



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Clearing Firm accepts the Swap and assumes financial responsibility for such Swap.

- (3) Participant shall assist Tradition SEF in any investigation into potential violations of the Rules or the Act which occur through or with respect to an Intermediated Access or Direct Customer Access connection provided by the

Participant to any non-Participant Customer. Such assistance must be timely and may include, but not be limited to, requiring any non-Participant Customer to produce documents, to answer questions from Tradition SEF, and/or to appear before Tradition SEF in connection with an investigation.

- (4) Participant shall facilitate the suspension or termination of a Customer's Intermediated Access or Direct Customer Access provided by Participant if Tradition SEF determines that the actions of the Customer threaten the integrity or liquidity of any contract or violate any Tradition SEF Rule or the Act, or if the Customer fails to cooperate in an investigation.

- (5) If a Participant has actual or constructive notice of a violation of Tradition SEF Rules in connection with the use of Intermediated Access or Direct Customer Access by a Customer for which it has provided Intermediated Access or Direct Customer Access and the Participant fails to take appropriate action, the Participant may be found to have committed an act detrimental to the interest or welfare of Tradition SEF.

- (b) Participants that are FCMs or Clearing Firms shall comply with Applicable Laws regarding the treatment of Customer funds and Customer Orders.

New Order Type:

Rule 506(l)

Disregard Tape (DRT) – Absent any restrictions, a DRT (Not-Held Order) means any Order giving a Person complete discretion over price and time in execution of an Order, including discretion to execute all, some or none of this Order.

Redline:

Rule 510 Recordkeeping Requirements for Entering Orders into the Platform

(a) General Requirements.

- (1) Each Authorized Trader entering Orders into the Platform shall input for each Order:



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- (i) the User ID assigned him by Tradition SEF,
 - (ii) the price or yield, quantity, product, maturity or expiration month or date, customer type indicator code and account number (except as provided in Section (d)), and, for Options, put or call and strike price.
 - (iii) The Authorized Trader's User ID must be present on each Order entered.
- (2) With respect to Orders received by an Authorized Trader that are capable of being immediately entered into the Platform, no record other than that set forth above need be made. However, if an Authorized Trader receives an Order that cannot be immediately entered into the Platform, the Authorized Trader must prepare a written Order and include the account designation, date, an electronic timestamp reflecting the time of receipt and other information required pursuant to section (a) above. The Order must be entered into the Platform when it becomes executable.

(b) Audit Trail Requirements.

Participants that directly connect to, or that provide connectivity to, any Platform are responsible for maintaining, or causing to be maintained, [a]n Order routing/front-end audit trail ("Audit Trail") for all electronic Orders, including Order entry, modification, cancellation and responses to such messages, entered into the Platform through any gateway to the Platform. The Audit Trail must contain all Order receipt, Order entry, Order modification, and response/receipt times to the highest level of precision achievable by the operating system, in accordance with CFTC requirements for electronic Orders and no more than one second for non-electronic Orders. The times captured must not be able to be modified by the Person entering the Order. The data must also contain all Fix Tag information and fields which should include, but is not limited to the following: A record of all fields relating to Order entry, including transaction date, product, SEF code, expiration month, quantity, Order Type, Order Qualifier, price, buy/sell indicator, stop/trigger price, Order number, unique transaction number, account number, session ID, operator ID, host Order number, trader Order number, Clearing Firm, type of action, action status code, customer type indicator, origin, and timestamps. For executed Orders, the Audit Trail must record the execution time of the Swap along with all fill information.

- (1) Participants must maintain Audit Trail information as required by Applicable Law and must have the ability to produce this data in a standard format upon request of the Market Regulation Department.
- (2) A Participant whose Customer is itself a Participant may agree with such Customer that it is the Customer's obligation to maintain the Audit Trail for such



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Customer's Orders. Any such agreement shall be in writing, and a copy of such agreement shall be provided to Tradition SEF.

(c) In addition to the requirements set forth in paragraphs (a) and (b), each Participant, Customer, Authorized Trader and Authorized Broker that submits an Order to buy or sell a Swap shall include with each such Order the following information (to the extent such information is not provided by the Platform):

- (1) the legal entity identifier of the Participant or Customer placing the Order;
- (2) a yes/no indication of whether the Participant or Customer is a Swap Dealer with respect to the Swap for which the Order is placed;
- (3) a yes/no indication of whether the Participant or Customer is a Major Swap Participant with respect to the Swap for which the Order is placed;
- (4) a yes/no indication of whether the Participant or Customer is a financial entity;
- (5) a yes/no indication of whether the Participant or Customer is a U.S. person; and
- (6) if the Swap will be allocated:
 - (i) an indication that the Swap will be allocated; and
 - (ii) the legal entity identifier of the agent;
 - (iii) an indication of whether the Swap is a post-allocation swap; and
 - (iv) if the Swap is a post-allocation swap, the unique swap identifier of the original transaction between the reporting counterparty and the agent.

Post-allocation Swaps shall be respectively effected and reported in accordance with the rules of the Clearing House and Swap Data Repository rule and in accordance with CFTC Regulations.

(d) Customer Type Indicator (CTI) Codes. Each Participant must identify each transaction executed on the Platform on the record of transactions submitted to Tradition SEF with the correct CTI code. The CTI codes are as follows:

- (1) CTI 2- Swaps executed for the Proprietary Account of a Clearing Firm or a Participant that is not an individual.
- (2) CTI 4- Any transaction not meeting the definition of CTI 2.

(e) Each Participant or Customer must create and maintain records of their SEF Activity, which records shall include, at a minimum, the index or instrument used as a reference price, the underlying commodity, and related derivatives markets. Each Participant or Customer shall make such records available, upon request, to the SEF or, if applicable, to its regulatory service provider, and to the Commission.

Clean:



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Rule 510 Recordkeeping Requirements for Entering Orders into the Platform

(a) General Requirements.

- (1) Each Authorized Trader entering Orders into the Platform shall input for each Order:
 - (i) the User ID assigned him by Tradition SEF,
 - (ii) the price or yield, quantity, product, maturity or expiration month or date, customer type indicator code and account number (except as provided in Section (d)), and, for Options, put or call and strike price.
 - (iii) The Authorized Trader's User ID must be present on each Order entered.
- (2) With respect to Orders received by an Authorized Trader that are capable of being immediately entered into the Platform, no record other than that set forth above need be made. However, if an Authorized Trader receives an Order that cannot be immediately entered into the Platform, the Authorized Trader must prepare a written Order and include the account designation, date, an electronic timestamp reflecting the time of receipt and other information required pursuant to section (a) above. The Order must be entered into the Platform when it becomes executable.

(b) Audit Trail Requirements.

Participants that directly connect to, or that provide connectivity to, any Platform are responsible for maintaining, or causing to be maintained, an Order routing/front-end audit trail ("Audit Trail") for all electronic Orders, including Order entry, modification, cancellation and responses to such messages, entered into the Platform through any gateway to the Platform. The Audit Trail must contain all Order receipt, Order entry, Order modification, and response/receipt times to the highest level of precision achievable by the operating system, in accordance with CFTC requirements for electronic Orders and no more than one second for non-electronic Orders. The times captured must not be able to be modified by the Person entering the Order. The data must also contain all Fix Tag information and fields which should include, but is not limited to the following: A record of all fields relating to Order entry, including transaction date, product, SEF code, expiration month, quantity, Order Type, Order Qualifier, price, buy/sell indicator, stop/trigger price, Order number, unique transaction number, account number, session ID, operator ID, host Order number, trader Order number, Clearing Firm, type of action, action status code, customer type indicator, origin, and timestamps. For executed Orders, the Audit Trail must record the execution time of the Swap along with all fill information.



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- (1) Participants must maintain Audit Trail information as required by Applicable Law and must have the ability to produce this data in a standard format upon request of the Market Regulation Department.
- (2) A Participant whose Customer is itself a Participant may agree with such Customer that it is the Customer's obligation to maintain the Audit Trail for such Customer's Orders. Any such agreement shall be in writing, and a copy of such agreement shall be provided to Tradition SEF.
- (c) In addition to the requirements set forth in paragraphs (a) and (b), each Participant, Customer, Authorized Trader and Authorized Broker that submits an Order to buy or sell a Swap shall include with each such Order the following information (to the extent such information is not provided by the Platform):
 - (1) the legal entity identifier of the Participant or Customer placing the Order;
 - (2) a yes/no indication of whether the Participant or Customer is a Swap Dealer with respect to the Swap for which the Order is placed;
 - (3) a yes/no indication of whether the Participant or Customer is a Major Swap Participant with respect to the Swap for which the Order is placed;
 - (4) a yes/no indication of whether the Participant or Customer is a financial entity;
 - (5) a yes/no indication of whether the Participant or Customer is a U.S. person; and
 - (6) if the Swap will be allocated:
 - (i) an indication that the Swap will be allocated; and
 - (ii) the legal entity identifier of the agent;
 - (iii) an indication of whether the Swap is a post-allocation swap; and
 - (iv) if the Swap is a post-allocation swap, the unique swap identifier of the original transaction between the reporting counterparty and the agent.

Post-allocation Swaps shall be respectively effected and reported in accordance with the rules of the Clearing House and Swap Data Repository rule and in accordance with CFTC Regulations.
- (d) Customer Type Indicator (CTI) Codes. Each Participant must identify each transaction executed on the Platform on the record of transactions submitted to Tradition SEF with the correct CTI code. The CTI codes are as follows:
 - (1) CTI 2- Swaps executed for the Proprietary Account of a Clearing Firm or a Participant that is not an individual.
 - (2) CTI 4- Any transaction not meeting the definition of CTI 2.



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- (e) Each Participant or Customer must create and maintain records of their SEF Activity, which records shall include, at a minimum, the index or instrument used as a reference price, the underlying commodity, and related derivatives markets. Each Participant or Customer shall make such records available, upon request, to the SEF or, if applicable, to its regulatory service provider, and to the Commission.

Redline:

Rule 613 Conducting Hearings of Disciplinary Proceedings

- (a) At a hearing conducted in connection with any disciplinary proceedings, the Market Regulation Department will present its case supporting the allegations and proposed sanctions in the notice of charges to the Hearing Panel. If a respondent has timely filed an answer to the notice of charges in accordance with Rule 607, the respondent is entitled to attend and participate in the hearing.
- (b) At a hearing conducted in connection with any disciplinary proceedings, the Hearing Panel or the Market Regulation Department and each respondent may:
 - (1) present evidence and facts determined relevant and admissible by the chair of the Hearing Panel;
 - (2) call and examine witnesses; and
 - (3) cross-examine witnesses called by other parties.
- (c) If the respondent fails to file an answer, has filed a general denial, or if any or all of the allegations in the notice of charges are not expressly denied in the respondent's answer, the chair of the Hearing Panel may limit evidence concerning any allegations not expressly denied in determining the sanctions to impose. If a respondent fails to file an answer but appears at the hearing, the respondent may not participate in the hearing (by calling or cross-examining witnesses, testifying in defense, presenting evidence concerning the notice of charges, or otherwise) unless the Hearing Panel determines that the respondent had a compelling reason for failing to timely file an answer. If the Hearing Panel determines that the respondent had a compelling reason for failing to timely file an answer, the Hearing Panel will adjourn the hearing and direct the respondent to promptly file a written answer in accordance with Rule 607.
- (d) Any Person entitled, or required or called upon, to attend a hearing before a Hearing Panel pursuant to paragraph (b)(2) above will be given reasonable notice, confirmed in writing, specifying the date, time and place of the hearing, and the caption of the disciplinary proceedings. All Participants (that are individuals), Authorized Traders and other Supervised Persons that are called as witnesses are required to appear at the hearing and, where applicable, produce evidence. Tradition SEF will make reasonable efforts to secure the presence of all other Persons called as witnesses whose testimony would be relevant.



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- (e) If during any disciplinary proceedings the Hearing Panel determines that a reasonable basis exists to believe that the respondent violated or is about to violate a Rule of Tradition SEF or a provision of Applicable Law other than the violations alleged in the notice of charges, the Hearing Panel may consider those apparent violations after providing the respondent with an opportunity to answer the additional allegations in accordance with Rule 607. In connection with considering apparent violations pursuant to this paragraph (e), the Hearing Panel may request that the Market Regulation Department provide the Hearing Panel with any additional information related to the violations at issue.
- (f) The Hearing Panel may summarily impose sanctions on any Participant, Authorized Trader or other Supervised Person that impedes or delays the progress of a hearing.
- (g) Tradition SEF will arrange for any hearing conducted in connection with disciplinary proceedings to be recorded verbatim, or substantially verbatim, in a manner capable of accurate transcription. If the respondent requests a copy of all or portions of the recording of a hearing, the chair of the Hearing Panel may within his or her sole discretion require the respondent to pay the costs for transcribing the recording of the hearing.
- (h) No interlocutory appeals of rulings of any Hearing Panel or chair of the Hearing Panel are permitted.
- (i) **If the respondent has requested a hearing, a copy of the hearing shall be made, at the respondent's expense, and shall become a part of the record of the proceeding. The record shall not be required to be transcribed unless:**
 - (1) **The transcript is requested by Commission staff or the respondent;**
 - (2) **The decision is appealed pursuant to the rules of Tradition SEF; or**
 - (3) **The decision is reviewed by the Commission pursuant to Section 8c of the Act or part 9 of the CFTC Regulation.**

Clean:

Rule 613 Conducting Hearings of Disciplinary Proceedings

- (a) At a hearing conducted in connection with any disciplinary proceedings, the Market Regulation Department will present its case supporting the allegations and proposed sanctions in the notice of charges to the Hearing Panel. If a respondent has timely filed an answer to the notice of charges in accordance with Rule 607, the respondent is entitled to attend and participate in the hearing.
- (b) At a hearing conducted in connection with any disciplinary proceedings, the Hearing Panel or the Market Regulation Department and each respondent may:



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- (1) present evidence and facts determined relevant and admissible by the chair of the Hearing Panel;
 - (2) call and examine witnesses; and
 - (3) cross-examine witnesses called by other parties.
- (c) If the respondent fails to file an answer, has filed a general denial, or if any or all of the allegations in the notice of charges are not expressly denied in the respondent's answer, the chair of the Hearing Panel may limit evidence concerning any allegations not expressly denied in determining the sanctions to impose. If a respondent fails to file an answer but appears at the hearing, the respondent may not participate in the hearing (by calling or cross-examining witnesses, testifying in defense, presenting evidence concerning the notice of charges, or otherwise) unless the Hearing Panel determines that the respondent had a compelling reason for failing to timely file an answer. If the Hearing Panel determines that the respondent had a compelling reason for failing to timely file an answer, the Hearing Panel will adjourn the hearing and direct the respondent to promptly file a written answer in accordance with Rule 607.
- (d) Any Person entitled, or required or called upon, to attend a hearing before a Hearing Panel pursuant to paragraph (b)(2) above will be given reasonable notice, confirmed in writing, specifying the date, time and place of the hearing, and the caption of the disciplinary proceedings. All Participants (that are individuals), Authorized Traders and other Supervised Persons that are called as witnesses are required to appear at the hearing and, where applicable, produce evidence. Tradition SEF will make reasonable efforts to secure the presence of all other Persons called as witnesses whose testimony would be relevant.
- (e) If during any disciplinary proceedings the Hearing Panel determines that a reasonable basis exists to believe that the respondent violated or is about to violate a Rule of Tradition SEF or a provision of Applicable Law other than the violations alleged in the notice of charges, the Hearing Panel may consider those apparent violations after providing the respondent with an opportunity to answer the additional allegations in accordance with Rule 607. In connection with considering apparent violations pursuant to this paragraph (e), the Hearing Panel may request that the Market Regulation Department provide the Hearing Panel with any additional information related to the violations at issue.
- (f) The Hearing Panel may summarily impose sanctions on any Participant, Authorized Trader or other Supervised Person that impedes or delays the progress of a hearing.
- (g) Tradition SEF will arrange for any hearing conducted in connection with disciplinary proceedings to be recorded verbatim, or substantially verbatim, in a manner capable of accurate transcription. If the respondent requests a copy of all or portions of the recording of a hearing, the chair of the Hearing Panel may within his or her sole



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discretion require the respondent to pay the costs for transcribing the recording of the hearing.

- (h) No interlocutory appeals of rulings of any Hearing Panel or chair of the Hearing Panel are permitted.
- (i) **If the respondent has requested a hearing, a copy of the hearing shall be made, at the respondent's expense, and shall become a part of the record of the proceeding. The record shall not be required to be transcribed unless:**
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 - (2) **The decision is appealed pursuant to the rules of Tradition SEF; or**
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Clean:

Rule 613 Conducting Hearings of Disciplinary Proceedings

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 - (1) present evidence and facts determined relevant and admissible by the chair of the Hearing Panel;
 - (2) call and examine witnesses; and
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- (d) Any Person entitled, or required or called upon, to attend a hearing before a Hearing Panel pursuant to paragraph (b)(2) above will be given reasonable notice, confirmed in writing, specifying the date, time and place of the hearing, and the caption of the disciplinary proceedings. All Participants (that are individuals), Authorized Traders and other Supervised Persons that are called as witnesses are required to appear at the hearing and, where applicable, produce evidence. Tradition SEF will make reasonable efforts to secure the presence of all other Persons called as witnesses whose testimony would be relevant.
- (e) If during any disciplinary proceedings the Hearing Panel determines that a reasonable basis exists to believe that the respondent violated or is about to violate a Rule of Tradition SEF or a provision of Applicable Law other than the violations alleged in the notice of charges, the Hearing Panel may consider those apparent violations after providing the respondent with an opportunity to answer the additional allegations in accordance with Rule 607. In connection with considering apparent violations pursuant to this paragraph (e), the Hearing Panel may request that the Market Regulation Department provide the Hearing Panel with any additional information related to the violations at issue.
- (f) The Hearing Panel may summarily impose sanctions on any Participant, Authorized Trader or other Supervised Person that impedes or delays the progress of a hearing.
- (g) Tradition SEF will arrange for any hearing conducted in connection with disciplinary proceedings to be recorded verbatim, or substantially verbatim, in a manner capable of accurate transcription. If the respondent requests a copy of all or portions of the recording of a hearing, the chair of the Hearing Panel may within his or her sole discretion require the respondent to pay the costs for transcribing the recording of the hearing.
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- (i) If the respondent has requested a hearing, a copy of the hearing shall be made, at the respondent's expense, and shall become a part of the record of the proceeding. The record shall not be required to be transcribed unless:
 - (1) The transcript is requested by Commission staff or the respondent;
 - (2) The decision is appealed pursuant to the rules of Tradition SEF; or
 - (3) The decision is reviewed by the Commission pursuant to Section 8c of the Act or part 9 of the CFTC Regulation.

Redline:



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Rule 701 Cleared Swaps

Subject to Rule 703, a Participant or Customer shall be eligible to trade Cleared Swaps on the SEF only if the Participant or Customer (or their respective Affiliate) is a Clearing Firm of the appropriate Derivatives Clearing Organization where the Cleared Swap is designated for clearing or has a clearing account with a Clearing Firm who has undertaken to provide a guarantee to the Derivatives Clearing Organization to clear such Cleared Swap at the Derivatives Clearing Organization, following the Clearing Firm's acceptance of such Cleared Swap for clearing, within the limits set by the Clearing Firm, in each case executed on a Platform or pursuant to the Rules. A Clearing Firm may not refuse to accept a Cleared Swap for clearing that does not violate the limits set by the Clearing Firm. Participants and Customers are prohibited from requiring a Breakage Agreement from any other Participant or Customer as a condition of trading with that other Participant or Customer, [including with respect to Package transactions](#).

Clean:

Rule 701 Cleared Swaps

Subject to Rule 703, a Participant or Customer shall be eligible to trade Cleared Swaps on the SEF only if the Participant or Customer (or their respective Affiliate) is a Clearing Firm of the appropriate Derivatives Clearing Organization where the Cleared Swap is designated for clearing or has a clearing account with a Clearing Firm who has undertaken to provide a guarantee to the Derivatives Clearing Organization to clear such Cleared Swap at the Derivatives Clearing Organization, following the Clearing Firm's acceptance of such Cleared Swap for clearing, within the limits set by the Clearing Firm, in each case executed on a Platform or pursuant to the Rules. A Clearing Firm may not refuse to accept a Cleared Swap for clearing that does not violate the limits set by the Clearing Firm. Participants and Customers are prohibited from requiring a Breakage Agreement from any other Participant or Customer as a condition of trading with that other Participant or Customer, including with respect to Package transactions.

Redline:

Rule 703 Cleared Swaps Not Accepted for Clearing

- (a) If Tradition SEF receives a rejection notice from a Derivatives Clearing Organization because a Clearing Firm breached its credit limit at such Derivatives Clearing Organization [\(including the rejection of a Cleared Swap that is a component of a Package transaction\)](#), then the Cleared Swap shall be void ab initio and Tradition SEF shall notify the relevant Swap Data Repository that the Cleared Swap was canceled.



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- (b) Additionally, and only with respect to a Cleared Swap that is a component of a Package transaction, if such Cleared Swap is rejected by a Derivatives Clearing Organization because of the sequencing of submissions to the Derivatives Clearing Organization of the components of the Package, then the rejected Cleared Swap component of the Package shall be void ab initio. In such case a new Cleared Swap component of the Package, with terms and conditions that match the terms of the original Cleared Swap, other than the time of execution, may be submitted for clearing without being executed in the Order Book, by RFQ or as a Block Trade provided:
- (1) this procedure may not be used for Cleared Swaps rejected pursuant to clause (a) above;
 - (2) both Clearing Firms agree to submit the new Cleared Swap;
 - (3) each Clearing Firm obtains the consent of its Customer, if any[.] to submit the new Cleared Swap, and such consent must be sought on a case-by-case basis after the rejection of the original Cleared Swap;
 - (4) neither Clearing Firm may require a Customer to agree in advance to consent to the submission of a new Cleared Swap;
 - (5) The new Cleared Swap must be submitted for clearing as quickly as technologically practicable after receipt by Tradition SEF or the Clearing Firm of a notice of rejection from clearing, but in any event, no later than [~~60 minutes~~]30 minutes (or 60 minutes in the case of the rejection of a Cleared Swap that is a component of a Package and such Cleared Swap was rejected because of the sequencing of submissions to the Derivatives Clearing Organization) from the issuance of the notice of rejection by the Derivatives Clearing Organization to the Clearing Firms or Tradition SEF;
 - (6) Both the original Swap and the new Cleared Swap are subject to pre-execution credit checks that comply with CFTC Regulation 1.73 and/or CFTC Regulation 23.609 and the CFTC Staff Guidance on Swaps Straight-Through Processing issued on September 26, 2013 (the “CFTC Staff Guidance”);
 - (7) both the original swap and the new Cleared Swap are processed in accordance with the time frames set forth in CFTC Regulations 1.74, 23.610, 39.12(b)(7) and the CFTC Staff Guidance;
 - (8) Tradition SEF reports the Cleared Swap transaction data to the relevant SDR as soon as technologically practicable after the original Cleared Swap is rejected by the Derivatives Clearing Organization, and the parties to the Cleared Swap provide Tradition SEF with all of the information necessary for it to report the new Cleared Swap data and the cancellation of the original Cleared Swap; and



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- (9) If the new Swap is also rejected for clearing, it is void ab initio and the parties may not submit another new Cleared Swap again without executing such Cleared Swap in the Order Book, by RFQ or as a Block Trade.
- (c) For the avoidance of doubt, a Cleared Swap that is submitted for clearing and is the subject of a rejection notice from the applicable Derivatives Clearing Organization or Clearing Firm pursuant to this Rule will nonetheless otherwise be within the meaning of SEF Activity for purposes of the Rules.
- (d) If one or more Cleared Swap components of a Package transaction is rejected for clearing pursuant to clauses (a) or (b) above and is void ab initio, then the non-Swap component(s) of such Package shall also be deemed void ab initio.

Clean:

Rule 703 Cleared Swaps Not Accepted for Clearing

- (a) If Tradition SEF receives a rejection notice from a Derivatives Clearing Organization because a Clearing Firm breached its credit limit at such Derivatives Clearing Organization (including the rejection of a Cleared Swap that is a component of a Package transaction), then the Cleared Swap shall be void ab initio and Tradition SEF shall notify the relevant Swap Data Repository that the Cleared Swap was canceled.
- (b) Additionally, and only with respect to a Cleared Swap that is a component of a Package transaction, if such Cleared Swap is rejected by a Derivatives Clearing Organization because of the sequencing of submissions to the Derivatives Clearing Organization of the components of the Package, then the rejected Cleared Swap component of the Package shall be void ab initio. In such case a new Cleared Swap component of the Package, with terms and conditions that match the terms of the original Cleared Swap, other than the time of execution, may be submitted for clearing without being executed in the Order Book, by RFQ or as a Block Trade provided:
 - (1) this procedure may not be used for Cleared Swaps rejected pursuant to clause (a) above;
 - (2) both Clearing Firms agree to submit the new Cleared Swap;
 - (3) each Clearing Firm obtains the consent of its Customer, if any to submit the new Cleared Swap, and such consent must be sought on a case-by-case basis after the rejection of the original Cleared Swap;
 - (4) neither Clearing Firm may require a Customer to agree in advance to consent to the submission of a new Cleared Swap;



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- (5) The new Cleared Swap must be submitted for clearing as quickly as technologically practicable after receipt by Tradition SEF or the Clearing Firm of a notice of rejection from clearing, but in any event, no later than 30 minutes (or 60 minutes in the case of the rejection of a Cleared Swap that is a component of a Package and such Cleared Swap was rejected because of the sequencing of submissions to the Derivatives Clearing Organization) from the issuance of the notice of rejection by the Derivatives Clearing Organization to the Clearing Firms or Tradition SEF;
 - (6) Both the original Swap and the new Cleared Swap are subject to pre-execution credit checks that comply with CFTC Regulation 1.73 and/or CFTC Regulation 23.609 and the CFTC Staff Guidance on Swaps Straight-Through Processing issued on September 26, 2013 (the "CFTC Staff Guidance");
 - (7) both the original swap and the new Cleared Swap are processed in accordance with the time frames set forth in CFTC Regulations 1.74, 23.610, 39.12(b)(7) and the CFTC Staff Guidance;
 - (8) Tradition SEF reports the Cleared Swap transaction data to the relevant SDR as soon as technologically practicable after the original Cleared Swap is rejected by the Derivatives Clearing Organization, and the parties to the Cleared Swap provide Tradition SEF with all of the information necessary for it to report the new Cleared Swap data and the cancellation of the original Cleared Swap; and
 - (9) If the new Swap is also rejected for clearing, it is void ab initio and the parties may not submit another new Cleared Swap again without executing such Cleared Swap in the Order Book, by RFQ or as a Block Trade.
- (c) For the avoidance of doubt, a Cleared Swap that is submitted for clearing and is the subject of a rejection notice from the applicable Derivatives Clearing Organization or Clearing Firm pursuant to this Rule will nonetheless otherwise be within the meaning of SEF Activity for purposes of the Rules.
 - (d) If one or more Cleared Swap components of a Package transaction is rejected for clearing pursuant to clauses (a) or (b) above and is void ab initio, then the non-Swap component(s) of such Package shall also be deemed void ab initio.

New Rule:



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Rule 705 Cleared Swap Margin Requirements

For Cleared Swaps, Participants shall comply with all margin requirements established by each relevant Clearing House and by each relevant Clearing Firm, if applicable, as well as any margin requirements set forth by the Commission or other Applicable Law.

Redline:

Rule 802 Market Data

- (a) All Participants, ISVs, Customers, Authorized Brokers, Authorized Traders and all employees, agents, vendors, and other Persons affiliated with the foregoing understand and acknowledge that Tradition SEF has a proprietary interest in:
- (1) the price and quantity data from each and every Swap executed on a Platform, including the time at which the Swap was executed by, or submitted to, such Platform;
 - (2) the price and quantity data for each and every bid and offer submitted for entry into a Platform, including the time at which the bid and offer was entered into such Platform;
 - (3) the yield curves prepared by Tradition SEF;
 - (4) any data and information derived from (1), (2) and (3) and the format and presentation thereof; and
 - (5) the transmissions and dissemination of the data and information to Participants, any publisher of the data or information with which Tradition SEF has a written agreement, and any other Persons.
- (b) No Participant, ISV, Customer, Authorized Broker, Authorized Trader or any of their Affiliates may distribute, sell or retransmit information displayed on any Platform to any third party unless such Participant, ISV, Customer, Authorized Broker, Authorized Trader or Affiliate have executed an agreement with Tradition SEF, governing their use of such data. Such agreement may impose restrictions on the dissemination of Tradition SEF's proprietary data as may be necessary to safeguard the security or operations of the Platforms or to preserve market integrity, fair and orderly trading, or if otherwise in the public interest, and may establish data fees for access to and dissemination of such data.

Nothing in the Rules shall be deemed to restrict a Participant's or a Customer's right to use and distribute information regarding its Orders and trades, respectively, on Tradition SEF (including price, quantity, and time of execution data), or any other information a Participant or a Customer provides to Tradition SEF.

- (c) Regulatory Data may be used by Tradition SEF for business or marketing purposes, unless a Participant has refused to consent to such use by providing written notice to the Chief Compliance Officer at the official Tradition SEF address, as published on the Tradition SEF web site from time to time.



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Regulatory Data shall not be disclosed publicly other than on an aggregated or anonymous basis, or in a manner that does not directly or indirectly identify any Participant who has submitted such data. Tradition SEF shall not condition access to a Platform upon a Participant's consent to the use of Regulatory Data for business or marketing purposes. Nothing in this Rule shall preclude Tradition SEF from disclosing Regulatory Data as required by Applicable Law or permitted by CFTC Regulations.

Clean:

Rule 802 Market Data

- (a) All Participants, ISVs, Customers, Authorized Brokers, Authorized Traders and all employees, agents, vendors, and other Persons affiliated with the foregoing understand and acknowledge that Tradition SEF has a proprietary interest in:
- (1) the price and quantity data from each and every Swap executed on a Platform, including the time at which the Swap was executed by, or submitted to, such Platform;
 - (2) the price and quantity data for each and every bid and offer submitted for entry into a Platform, including the time at which the bid and offer was entered into such Platform;
 - (3) the yield curves prepared by Tradition SEF;
 - (4) any data and information derived from (1), (2) and (3) and the format and presentation thereof; and
 - (5) the transmissions and dissemination of the data and information to Participants, any publisher of the data or information with which Tradition SEF has a written agreement, and any other Persons.
- (b) No Participant, ISV, Customer, Authorized Broker, Authorized Trader or any of their Affiliates may distribute, sell or retransmit information displayed on any Platform to any third party unless such Participant, ISV, Customer, Authorized Broker, Authorized Trader or Affiliate have executed an agreement with Tradition SEF, governing their use of such data. Such agreement may impose restrictions on the dissemination of Tradition SEF's proprietary data as may be necessary to safeguard the security or operations of the Platforms or to preserve market integrity, fair and orderly trading, or if otherwise in the public interest, and may establish data fees for access to and dissemination of such data.
- (c) Nothing in the Rules shall be deemed to restrict a Participant's or a Customer's right to use and distribute information regarding its Orders and trades, respectively, on Tradition SEF (including price, quantity, and time of execution data), or any other information a Participant or a Customer provides to Tradition SEF.



Tradition SEF, Inc.

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Should you have any questions or require further information regarding the Rulebook or Platform Supplements, please contact one of the representatives listed below.

For SEF administrative or compliance questions please contact:

Eric Earnhardt, CCO: (212) 791 3497 or eric.earnhardt@tradition-na.com

Jeff Mehan, CAO: (212) 943 4567 or jeff.mehan@tradition.com

Questions regarding the rule submission may be addressed to:

Scot Halvorsen, Sr. Regulatory Counsel: (212) 377 2337 or scot.halvorsen@tradition.com