



Tradition SEF, Inc.

Participant Notice 14-01 – Tradition SEF, Inc.

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

Notice of Pending Certification – Amendments to Tradition SEF, Inc. Rulebook

January 3, 2014

The Tradition SEF, Inc. rulebook has been updated throughout as of January 3, 2014 (to be effective on January 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 January 18, 2014.

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 term in the Tradition SEF rulebook, which is also available at: <http://www.traditionsef.com/news/>.

1) The definition of “emergency” has been revised in accordance with the CFTC’s November 15 Guidance.¹ The modified definition complies with Core Principle 8 (Emergency Authority) and Rule 37.800, which requires a SEF to adopt rules to provide for the exercise of emergency authority. Tradition’s rules provide for the exercise of emergency authority; the modified definition helps make clear when such authority may be exercised.

Text of amended definition of “emergency”:

“Emergency” means the occurrences or circumstances which, in the reasonable opinion of the Board, require immediate action, and which threaten, or may threaten, the fair and orderly trading in, or the settlement or integrity of, any Swap, including, without limitation, the following:

- (a) any circumstance that may materially affect the performance of a Swap, including failure of the clearing system;
- (b) any action taken by any United States or foreign regulatory, self-regulatory, judicial, arbitral, or governmental (whether national, state or municipal) or quasi-governmental authority, or any agency, department, instrumentality, or sub-division thereof; or other Person exercising, or entitled to exercise any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power; or any other registered entity, board of trade, market or facility;
- (c) any actual, attempted or threatened manipulative activity or undue concentration of positions in a Swap;
- (d) any circumstance that may have a severe, adverse effect upon the functions or facilities of Tradition SEF, including, but not limited to, acts of God, fire, flood or other natural disasters, bomb threats, acts of terrorism or war, severely inclement weather, or failure or malfunction of



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all or a portion of the Platform, or other system breakdowns or interruptions such as power, computer, communication or transportation systems or the Internet;

- (e) the bankruptcy or insolvency of any Clearing Firm or the imposition of any injunction or other restraint by any government agency, Clearing House, court or arbitrator upon a Clearing Firm which may affect the ability of a Clearing Firm to trade in or perform on a Swap;
- (f) any circumstance in which it appears to the Board that a Clearing Firm or any other Person:
 - (1) has failed to perform on a Swap;
 - (2) is insolvent; or
 - (3) is in a financial or operational condition or is conducting business in a manner such that the if the Clearing Firm or Person were permitted to continue to conduct business it may jeopardize the safety of Customer funds, Participants, other Clearing Firms, Tradition SEF or the Clearing House; or
- (g) any other unusual, unforeseeable or adverse circumstance that may have a severe, adverse effect upon the functioning of Tradition SEF, as determined by Tradition SEF.

Marked Version of definition of “emergency”:

“**Emergency**” means the occurrences or circumstances which, in the reasonable opinion of the Board, require immediate action, and which threaten, or may threaten, the fair and orderly trading in, or the settlement or integrity of, any Swap, including, without limitation, the following:

- (a) any circumstance that may materially affect the performance of a Swap, including failure of the clearing system;
- (b) any action taken by any United States or foreign regulatory, self-regulatory, judicial, arbitral, or governmental (whether national, state or municipal) or quasi-governmental authority, or any agency, department, instrumentality, or sub-division thereof; or other Person exercising, or entitled to exercise any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power; or any other registered entity, board of trade, market or facility;
- (c) any actual, attempted or threatened manipulative activity or undue concentration of positions in a Swap;
- (d) any circumstance that may have a severe, adverse effect upon the functions or facilities of Tradition SEF, including, but not limited to, acts of God, fire, flood or other natural disasters, bomb threats, acts of terrorism or war, severely inclement weather, or failure or malfunction of all or a portion of the Platform, or other system breakdowns or interruptions such as power, computer, communication or transportation systems or the Internet;
- (e) the bankruptcy or insolvency of any Clearing Firm or the imposition of any injunction or other restraint by any government agency, Clearing House, court or arbitrator upon a Clearing Firm which may affect the ability of a Clearing Firm to trade in or perform on a Swap;
- (f) any circumstance in which it appears to the Board that a Clearing Firm or any other Person:
 - (1) has failed to perform on a Swap;
 - (2) is insolvent; or
 - (3) is in a financial or operational condition or is conducting business in a manner such that the if the Clearing Firm or Person were permitted to continue to conduct business it may jeopardize the safety of Customer funds, Participants, other Clearing Firms, Tradition SEF or the Clearing House; or
- (g) any other unusual, unforeseeable or adverse circumstance that may have a severe, adverse effect upon the functioning of Tradition SEF, as determined by Tradition



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2) **Rule 302(c), Participant Criteria**, has been deleted because the particular type of Participant on-boarding process that this rule was intended to address has concluded; therefore, the rule is no longer necessary. The rule amendment complies with the Core Principles and, in particular, with the Access Requirements described in Rule 37.202.

Text of amended Rule 302:

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).
- (c) If a General Participant enters into Cleared Swaps for its Proprietary Account, it must be a Clearing Firm eligible to clear such Cleared Swaps or have a clearing arrangement with a Clearing Firm eligible to clear such Cleared Swaps.

Marked version of Rule 302:

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;



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- (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).

~~[(c) To the extent a Participant is a participant on a Platform that is or was an Exempt Board of Trade subject to the CFTC's jurisdiction and meets the Participant criteria set forth in Rule 302(a), then such Participant may be deemed a Participant on Tradition SEF in the sole discretion of Tradition SEF.]~~

(c) If a General Participant enters into Cleared Swaps for its Proprietary Account, it must be a Clearing Firm eligible to clear such Cleared Swaps or have a clearing arrangement with a Clearing Firm eligible to clear such Cleared Swaps.

3) Rule 306, Limitations on Access to a Platform, has been modified to replace "sole discretion" with language acceptable to the CFTC in accordance with the CFTC's November 14 Guidance.² The rule amendment complies with Core Principle 2 (Compliance with Rules) and Rule 37.202(c), which requires a SEF to establish and impartially enforce rules governing limitations on access.

TEXT OF AMENDED RULE 306:

RULE 306 Limitations on Access to a Platform

- (a) Tradition SEF may at any time revoke, suspend, limit, condition, restrict or qualify a Participant's Trading Privileges or a Customer's ability to access a Platform through the Trading Privileges of a Participant,
 - (1) if such Participant or Customer has failed to:
 - (i) comply with the Rules or Applicable Law;
 - (ii) demonstrate to the satisfaction of Tradition SEF its ability or willingness to comply with the Rules or Applicable Law; or
 - (iii) remain in compliance with any of the criteria set forth in Rule 302(a) and Rule 304, as applicable; or



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- (2) for any such other circumstances as Tradition SEF may reasonably determine to be necessary or appropriate.
- (b) Notwithstanding the foregoing, Tradition SEF will establish and impartially enforce rules governing any decision to revoke, suspend, limit, condition, restrict, qualify or permanently bar a Participant or Customer's access to any or all SEF Platforms, including when such decisions are made as a result of a disciplinary action taken by Tradition SEF or during an Emergency.
- (c) A Clearing Firm may at any time revoke the authorization of any Non-Clearing Firm guaranteed by it with or without prior notice to such Non-Clearing Firm. For purposes of the relationship between the relevant Clearing Firm and Tradition SEF, and the obligations of such Clearing Firm to Tradition SEF, any such revocation shall become effective upon the receipt by Tradition SEF of written notice thereof from the Clearing Firm. Upon such receipt, the Trading Privileges of the Non-Clearing Firm subject thereto shall be automatically terminated, and such Non-Clearing Firm must obtain a guarantee from another Clearing Firm if it does not already have one before its Trading Privileges will be reinstated.

Marked version of Rule 306:

RULE 306 Limitations on Access to a Platform

(a) Tradition SEF may at any time revoke, suspend, limit, condition, restrict or qualify ~~the~~ a Participant's Trading Privileges ~~and~~ for a Customer's ability to access a Platform through the Trading Privileges of a Participant,

~~(1) if [in the sole discretion of Tradition SEF, such action is in the best interests of Tradition SEF.]~~ such Participant or Customer has failed to:

(i) comply with the Rules or Applicable Law;

(ii) demonstrate to the satisfaction of Tradition SEF its ability or willingness to comply with the Rules or Applicable Law; or

(iii) remain in compliance with any of the criteria set forth in Rule 302(a) and Rule 304, as applicable; or

(2) for any such other circumstances as Tradition SEF may reasonably determine to be necessary or appropriate.

(b) Notwithstanding the foregoing, Tradition SEF will establish and impartially enforce rules governing any decision to revoke, suspend, limit, condition, restrict, qualify or permanently bar a Participant or Customer's access to any or all SEF Platforms, including when such decisions are made as a result of a disciplinary action taken by Tradition SEF or during an Emergency.

(c) A Clearing Firm may at any time revoke the authorization of any Non-Clearing Firm guaranteed by it with or without prior notice to such Non-Clearing Firm. For purposes of the relationship between the relevant Clearing Firm and Tradition SEF, and the obligations of such Clearing Firm to Tradition SEF, any such revocation shall become effective upon the receipt by Tradition SEF of written notice thereof from the Clearing Firm. Upon such receipt, the Trading Privileges of the Non-Clearing Firm subject thereto shall be automatically terminated, and such Non-Clearing Firm must obtain a guarantee from another Clearing Firm if it does not already have one before its Trading Privileges will be reinstated.

4) Rule 312, Application of Rules and Jurisdiction, has been amended to note that Clearing Firms are subject to Tradition's jurisdiction, in accordance with the CFTC's November 15 Guidance.³ As the Division of Market Oversight noted in the November 15 Guidance, the consent to jurisdiction requirement is in conformity with Core Principle 7 (Financial Integrity of Transactions) and, specifically, Rule 37.700, which requires a SEF to establish and enforce rules and procedures for ensuring the financial integrity of swaps,



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including the clearance and settlement of the swaps.

Text of amended Rule 312:

RULE 312 Application of Rules and Jurisdiction

- (a) By becoming a Participant, Customer, Authorized Trader, or Authorized Broker, or by directly or indirectly accessing a Platform, or initiating, executing or authorizing the execution of any Order or RFQ on or subject to the Rules of Tradition SEF, or by acting as a Clearing Firm with respect to transactions executed on or subject to the Rules of Tradition SEF, a Person agrees, relating to SEF Activity:
- (1) to be bound by, and comply with, the Rules and Applicable Law, in each case to the extent applicable to it,
 - (2) to the extent any provision in the Rules is inconsistent with a provision of any User Agreement, the provision of the Rules shall govern with respect to any Swap,
 - (3) to become subject to the jurisdiction of Tradition SEF with respect to any and all matters arising from, related to, or in connection with, the status, actions or omissions of such Person, and
 - (4) to assist Tradition SEF in complying with its legal and regulatory obligations, cooperate with Tradition SEF and the CFTC in any inquiry, investigation, audit, examination or proceeding, and authorize Tradition SEF to provide information regarding it to the Regulatory Services Provider, the CFTC or any Self-Regulatory Organization.
- (b) Any Participant whose Trading Privileges, and any Customer, Authorized Trader, or Authorized Broker whose ability to access the Platform, are suspended, revoked or terminated shall remain bound by the Rules and Applicable Law, in each case to the extent applicable to it, and subject to the jurisdiction of Tradition SEF and the Clearing House with respect to any and all matters arising from, related to, or in connection with, the status, actions or omissions of such Participant, Customer, Authorized Trader, or Authorized Broker prior to such suspension, revocation or termination.

Marked version of Rule 312:

RULE 312 Application of Rules and Jurisdiction

(a) By becoming a Participant, Customer, Authorized Trader, or Authorized Broker, or by directly or indirectly accessing a Platform, or initiating, executing or authorizing the execution of any Order or RFQ on or subject to the Rules of Tradition SEF ~~[-, and without any need for any further action, undertaking or agreement], or by acting as a Clearing Firm with respect to transactions executed on or subject to the Rules of Tradition SEF,~~ a Person agrees, relating to SEF Activity:

- (1) to be bound by, and comply with, the Rules and Applicable Law, in each case to the extent applicable to it,
- (2) to the extent any provision in the Rules is inconsistent with a provision of any User Agreement, the provision of the Rules shall govern with respect to any Swap,
- (3) to become subject to the jurisdiction of Tradition SEF with respect to any and all matters arising from, related to, or in connection with, the status, actions or omissions of such Person, and
- (4) to assist Tradition SEF in complying with its legal and regulatory obligations, cooperate with Tradition SEF and the CFTC in any inquiry, investigation, audit, examination or proceeding, and authorize Tradition SEF to provide information regarding it to the Regulatory Services Provider, the CFTC or any Self-Regulatory



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(b) Any Participant whose Trading Privileges, and any Customer, Authorized Trader, or Authorized Broker whose ability to access the Platform, are suspended, revoked or terminated shall remain bound by the Rules and Applicable Law, in each case to the extent applicable to it, and subject to the jurisdiction of Tradition SEF and the Clearing House with respect to any and all matters arising from, related to, or in connection with, the status, actions or omissions of such Participant, Customer, Authorized Trader, or Authorized Broker prior to such suspension, revocation or termination.

5) Rule 314(a), Withdrawal of a Participant, has been amended to specify the procedures (an email from the Authorized Representative to Tradition's CCO) to which a Participant must adhere to withdraw its status as a Participant. Such amendment is in compliance with the Core Principles, including Core Principle 2 (Compliance with Rules) and specifically the access requirements in Rule 37.202.

Text of amended Rule 314:

RULE 314 Withdrawal of Participant

- (a) To withdraw from Tradition SEF, an Authorized Representative of the withdrawing Participant must electronically notify Tradition SEF's CCO of the Participant's intention to withdraw.
- (b) Upon receipt by Tradition SEF of such Participant's notification of withdrawal as a Participant, Tradition SEF shall immediately suspend all rights and privileges of the Participant (including, without limitation, the Trading Privileges and ability to access the Platform) and the Participant will have no liability for any Orders entered into by, or purported to be entered into by, or other act or omission of (or purported to be of), the Participant or any Customer in respect of whom such notification has been made, where such Orders are entered into or such acts or omissions occur after the date and time of receipt of such notification of withdrawal and the Participant shall not be required to complete, or novate to any clearing house, such Order(s).
- (c) Upon receipt by Tradition SEF of notification of the withdrawal of a Participant, all rights and privileges of such Participant terminate (including, without limitation, the Trading Privileges and ability to access the Platform). The withdrawal of a Participant shall not affect the rights of Tradition SEF under the Rules or relieve the former Participant of its Obligations under the Rules, to perform all contracts involving any Swaps entered into by such, or to pay any SEF fees, costs, or charges incurred, before the withdrawal. Notwithstanding the withdrawal of a Participant, the withdrawn Participant remains subject to the Rules, the Obligations and the jurisdiction of Tradition SEF for acts done and omissions made while a Participant, and must cooperate in any SEF Proceeding under Chapter 6 and other proceedings under Chapter 8 as if the withdrawn Participant were still a Participant.

Marked version of Rule 314:

RULE 314 Withdrawal of Participant

(a) To withdraw from Tradition SEF, ~~[a]~~[an Authorized Representative of the withdrawing Participant must electronically notify Tradition SEF's CCO of the Participant's intention to withdraw.](#) ~~following the procedures established by Tradition SEF.]~~

(b) Upon receipt by Tradition SEF of such Participant's notification of withdrawal as a Participant, Tradition SEF shall immediately suspend all rights and privileges of the Participant (including, without limitation, the Trading Privileges and ability to access the Platform) and the Participant will have no liability for any Orders entered into by, or



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purported to be entered into by, or other act or omission of (or purported to be of), the Participant or any Customer in respect of whom such notification has been made, where such Orders are entered into or such acts or omissions occur after the date and time of receipt of such notification of withdrawal and the Participant shall not be required to complete, or novate to any clearing house, such Order(s).

6) Rule 411, Confirmations, has been amended to delete paragraph (e), which referenced No-Action Letter 13-58, as such relief has expired. The rule amendment conforms to Core Principle 1 (Compliance with Core Principles) and Core Principle 2 (Compliance with Rules).

Text of amended Rule 411:

RULE 411 Confirmations

- (a) The economic terms specific to a Swap agreed by the Participants on Tradition SEF with respect to an Uncleared Swap shall be reflected by Tradition SEF in a written communication (the "Trade Communication") sent to the applicable Participants. The Trade Communication, together with the documents and agreements (including, without limitation, ISDA Master Agreements, other master agreements, terms supplements, master confirmation agreements, and incorporated industry definitions) governing such Swap existing at the time of such commitment to which the Participants are party (the "Terms Incorporated by Reference") shall, taken together, for purposes of Commission Regulation 37.6(b) comprise all of the terms of such Swap and serve as a confirmation of such Swap (the Trade Communication and Terms Incorporated by Reference, together, the "SEF Confirmation").
- (b) In satisfaction of the obligations imposed on Tradition SEF under Commission Regulation 37.6(b), (i) each Trade Communication is deemed to incorporate the Terms Incorporated by Reference set forth in this Rule 411, and (ii) the Participants hereby agree that the provisions of Rule 411(c) shall govern any conflicting terms.
- (c) In the event of any conflict between (x) the Trade Communication and (y) the Terms Incorporated by Reference, the Trade Communication shall prevail to the extent of any inconsistency.
- (d) Tradition SEF shall transmit a Trade Communication for a Swap that is executed as a block trade in accordance with Rule 509 after such block trade is reported to Tradition SEF.

Marked version of Rule 411:

RULE 411 Confirmations

(a) The economic terms specific to a Swap agreed by the Participants on Tradition SEF with respect to an Uncleared Swap shall be reflected by Tradition SEF in a written communication (the "Trade Communication") sent to the applicable Participants. The Trade Communication, together with the documents and agreements (including, without limitation, ISDA Master Agreements, other master agreements, terms supplements, master confirmation agreements, and incorporated industry definitions) governing such Swap existing at the time of such commitment to which the Participants are party (the "Terms Incorporated by Reference") shall, taken together, for purposes of Commission Regulation 37.6(b) comprise all of the terms of such Swap¹ and serve as a confirmation of such Swap (the Trade Communication and Terms Incorporated by



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Reference, together, the “SEF Confirmation”).

(b) In satisfaction of the obligations imposed on Tradition SEF under Commission Regulation 37.6(b), (i) each Trade Communication is deemed to incorporate the Terms Incorporated by Reference set forth in this Rule 411, and (ii) the Participants hereby agree that the provisions of Rule 411(c) shall govern any conflicting terms.

(c) In the event of any conflict between (x) the Trade Communication and (y) the Terms Incorporated by Reference, the Trade Communication shall prevail to the extent of any inconsistency.

(d) Tradition SEF shall transmit a Trade Communication for a Swap that is executed as a block trade in accordance with Rule 509 after such block trade is reported to Tradition SEF.

~~[(e) For purposes of CFTC No-Action Letter Number 13-58, in respect of a Swap in the equity, commodity or FX asset class, that is not intended to be submitted for clearing, to the extent that Tradition SEF is unable to provide a Trade Communication to each counterparty as required by Rule §37.6(b) of the CFTC Regulations, Tradition SEF will provide notice to each counterparty to the Swap that the Swap has not been confirmed by Tradition SEF. By executing Swaps on or subject to these Rules, for purposes of CFTC No-Action Letter Number 13-58 counterparties to Swaps in the equity, commodity and FX asset classes agree to provide Tradition SEF, prior to or promptly after the execution of each Swap, with transaction confirmations containing such information as is necessary to allow Tradition SEF to comply with its reporting and recordkeeping obligations under parts 43 and 45 of the CFTC Regulations. Specifically, such confirmations will contain all required confirmation data and primary economic terms data that together make up Required Swap Creation Data, in accordance with Part 43 of the CFTC Regulations, as well as all required real-time reporting data in accordance with part 43 of the CFTC Regulations.]~~

7) Rule 515, Supervision, has been amended to more clearly describe the responsibilities of Participants and Customers who supervise controlled persons. This rule amendment, which serves to add greater clarity around Tradition’s rule enforcement regime and disciplinary procedures, is in compliance with Core Principle 2 (Compliance with Rules) and related rules.

Text of amended Rule 515:

RULE 515 Supervision

- (a) Each Participant shall establish, maintain and administer reasonable supervisory procedures to monitor the compliance of its Authorized Traders, Authorized Brokers and Supervised Persons with the Rules and any applicable provisions of the Act or CFTC and such Participant may be held accountable for the actions of such Authorized Traders, Authorized Brokers or Supervised Persons.
- (b) Each Customer shall establish, maintain and administer reasonable supervisory procedures to monitor the compliance of any representatives or agents under the control of such Customer with the Rules and any applicable provisions of the Act or CFTC, and such Customer may be held accountable for the actions of such representatives or agents.

Marked version of Rule 515:

RULE 515 Supervision

(a) Each Participant ~~and Customer~~ shall establish, maintain and administer reasonable supervisory procedures to monitor the compliance of ~~their respective~~ its Authorized Traders, Authorized Brokers and Supervised Persons with the Rules and any applicable



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provisions of the Act or CFTC and such Participant~~[-or Customer]~~ may be held accountable for the actions of such Authorized Traders, Authorized Brokers or Supervised Persons.

(b) Each Customer shall establish, maintain and administer reasonable supervisory procedures to monitor the compliance of any representatives or agents under the control of such Customer with the Rules and any applicable provisions of the Act or CFTC, and such Customer may be held accountable for the actions of such representatives or agents.

8) Rule 601(e)(2), General Disciplinary Rules, has been amended to describe that a Customer is liable for the acts and omissions of its agents or representatives that such Customer controls. The rule amendment adheres to the requirements of Core Principle 2 (Compliance with Rules) and Rule 37.206.

Text of amended Rule 601:

RULE 601 General

- (a) All Participants, Customers, Authorized Traders, Authorized Brokers, Supervised Persons and other Persons within Tradition SEF's jurisdiction are subject to this Chapter 6 if they are alleged to have violated, to have aided and abetted a violation, to be violating, or to be about to violate, any Rule of Tradition SEF or any provision of Applicable Law for which Tradition SEF possesses disciplinary jurisdiction.
- (b) Tradition SEF, through the Market Regulation Department and the Disciplinary Panel, will conduct inquiries, investigations, disciplinary proceedings and appeals from disciplinary proceedings, summary impositions of fines, summary suspensions or other summary actions in accordance with this Chapter 6.
- (c) No SEF Official, Director, or Officer will interfere with or attempt to influence the process or resolution of any inquiry, investigation, disciplinary proceeding, appeal from a disciplinary proceeding, summary imposition of fines, summary suspension or other summary action (collectively "Disciplinary Action"), except to the extent provided under the Rules with respect to a proceeding in which the Director is a member of the relevant Appeal Panel.
- (d) Any respondent may be represented by counsel during any Disciplinary Action pursuant to this Chapter 6.
- (e) Participant Liability – Individual and Joint Liability/Controlling Person Liability
 - (1) Tradition SEF may hold a Participant liable for, and impose sanctions against such Participant, for such Participant's own acts and omissions that constitute a violation as well as for the acts and omissions of each (A) Authorized Trader or Supervised Person of such Participant, (B) Customer of such Participant, and such Customer's Authorized Traders, (C) other Person using a User ID of such Participant, (D) in the case of a Participant that is a Broker Firm Participant, the Authorized Brokers of such Broker Firm Participant and its Customers and their Authorized Traders, or (E) other agent or representative of such Participant, in each case, that constitute a violation as if such violation were that of the Participant.
 - (2) Tradition SEF may hold a Customer liable for, and impose sanctions against such Customer, for such Customer's own acts and omissions that constitute a violation as well as for the acts and omissions of each (A) Authorized Trader of such Customer, (B) other



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Person using a User ID of such Customer, or (C) other agent or representative of such Customer that is controlled by such Customer, in each case, that constitute a violation as if such violation were that of the Customer.

- (f) Ex Parte Communications.
 - (1) A Person subject to a disciplinary proceeding or an appeal from a disciplinary proceeding (and any counsel or representative of such Person) and the Market Regulation Department (and any counsel or representative of the Market Regulation Department) shall not knowingly make or cause to be made an *ex parte* communication relevant to the merits of a disciplinary proceeding or an appeal from a disciplinary proceeding to any member of the Disciplinary Panel or the Appeal Panel hearing such proceeding.
 - (2) Members of a Disciplinary Panel or Appeal Panel shall not knowingly make or cause to be made an *ex parte* communication relevant to the merits of a disciplinary proceeding or an appeal from a disciplinary proceeding to any Person subject to such proceeding (and any counsel or representative of such Person) and the Market Regulation Department (and any counsel or representative of the Market Regulation Department).
 - (3) Any Person who receives, makes or learns of any communication that is prohibited by this rule shall promptly give notice of such communication and any response thereto to the Market Regulation Department and all parties to the proceeding to which the communication relates.
 - (4) A Person shall not be deemed to have violated this rule if the Person refuses an attempted communication concerning the merits of a proceeding as soon as it becomes apparent the communication concerns the merits.

Marked version of Rule 601:

RULE 601 General

- (a) All Participants, Customers, Authorized Traders, Authorized Brokers, Supervised Persons and other Persons within Tradition SEF's jurisdiction are subject to this Chapter 6 if they are alleged to have violated, to have aided and abetted a violation, to be violating, or to be about to violate, any Rule of Tradition SEF or any provision of Applicable Law for which Tradition SEF possesses disciplinary jurisdiction.
- (b) Tradition SEF, through the Market Regulation Department and the Disciplinary Panel, will conduct inquiries, investigations, disciplinary proceedings and appeals from disciplinary proceedings, summary impositions of fines, summary suspensions or other summary actions in accordance with this Chapter 6.
- (c) No SEF Official, Director, or Officer will interfere with or attempt to influence the process or resolution of any inquiry, investigation, disciplinary proceeding, appeal from a disciplinary proceeding, summary imposition of fines, summary suspension or other summary action (collectively "Disciplinary Action"), except to the extent provided under the Rules with respect to a proceeding in which the Director is a member of the relevant Appeal Panel.
- (d) Any respondent may be represented by counsel during any Disciplinary Action pursuant to this Chapter 6.
- (e) Participant Liability – Individual and Joint Liability/Controlling Person Liability
 - (1) Tradition SEF may hold a Participant liable for, and impose sanctions against such Participant, for such Participant's own acts and omissions that constitute a violation as well as for the acts and omissions of each (A) Authorized Trader or Supervised Person of such Participant, (B) Customer of such Participant, and such Customer's Authorized Traders, (C) other Person using a User ID of such Participant, (D) in the case of a Participant that is a Broker Firm Participant, the Authorized Brokers of such Broker Firm Participant and its Customers and their



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Authorized Traders, or (E) other agent or representative of such Participant, in each case, that constitute a violation as if such violation were that of the Participant.

(2) Tradition SEF may hold a Customer liable for, and impose sanctions against such Customer, for such Customer's own acts and omissions that constitute a violation as well as for the acts and omissions of each (A) Authorized Trader of such Customer, (B) ~~[Broker Firm Participant of such Customer, and such Broker Firm Participant's Authorized Brokers, (C)]~~ other Person using a User ID of such Customer, or ([D]C) other agent or representative of such Customer that is controlled by such Customer, in each case, that constitute a violation as if such violation were that of the Customer.

9) Rule 703(c), Cleared Swaps Not Accepted for Clearing, has been deleted to remove the requirement of an Early Termination Amount. This rule change makes clear the responsibilities of Participants in accordance with Core Principle 2 (Compliance with Rules) and Core Principle 7 (Financial Integrity of Swaps).

Text of amended Rule 703:

RULE 703 Cleared Swaps Not Accepted for Clearing

- (a) If a Cleared Swap is submitted to, but Tradition SEF, a Clearing Firm, or a Participant receives a rejection notice from: (1) a Clearing Firm because the Participant or Customer breached its credit limit at the Clearing Firm, or; (2) a Derivatives Clearing Organization because a Clearing Firm breached its credit limit at such Derivatives Clearing Organization, then it shall be void ab initio and Tradition SEF shall notify the relevant Swap Data Repository that the Cleared Swap was rejected by the Clearing Firm or Derivatives Clearing Organization, as applicable
- (b) If a Cleared Swap is rejected by a Derivatives Clearing Organization because of a clerical or operational error or omission resulting in a mismatch of the terms of the trade, then the Swap shall be void ab initio. In such case a new Cleared Swap, with terms and conditions that match the terms of the original Swap, other than any such error and 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 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 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 30 minutes 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 Regulation 23.609 and the CFTC



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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 Regulation 1.74, 23.610, 39.12(b)(7) and the CFTC Staff Guidance;
 - (8) Tradition SEF reports the Swap transaction data to the relevant SDR as soon as technologically practicable after the original 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 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 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.

Marked version of Rule 703:

RULE 703 Cleared Swaps Not Accepted for Clearing

(a) If a Cleared Swap is submitted to, but Tradition SEF, a Clearing Firm, or a Participant receives a rejection notice from: (1) a Clearing Firm because the Participant or Customer breached its credit limit at the Clearing Firm, or; (2) a Derivatives Clearing Organization because a Clearing Firm breached its credit limit at such Derivatives Clearing Organization, then it shall be void ab initio and Tradition SEF shall notify the relevant Swap Data Repository that the Cleared Swap was rejected by the Clearing Firm or Derivatives Clearing Organization, as applicable

(b) If a Cleared Swap is rejected by a Derivatives Clearing Organization because of a clerical or operational error or omission resulting in a mismatch of the terms of the trade, then the Swap shall be void ab initio. In such case a new Cleared Swap, with terms and conditions that match the terms of the original Swap, other than any such error and 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 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 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 30 minutes 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 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



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with the time frames set forth in CFTC Regulation 1.74, 23.610, 39.12(b)(7) and the CFTC Staff Guidance;

(8) Tradition SEF reports the Swap transaction data to the relevant SDR as soon as technologically practicable after the original 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 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) A party whose interest in a Cleared Swap fails to be accepted for clearing shall be responsible to its counterparty for losses resulting from such failure. To the extent permitted under Applicable Law, the amount of any such loss shall, unless otherwise agreed to in a bilateral agreement by the parties, be equal to the "Early Termination Amount" as determined pursuant to the terms of Section 6(e) of a deemed 2002 ISDA Master Agreement between the parties on the following basis: (i) the date the Cleared Swap was rejected for clearing shall be the "Early Termination Date"; (ii) such "Early Termination Date" shall be deemed to have arisen from an "Additional Termination Event" in respect of which such Cleared Swap is the sole "Affected Transaction"; (iii) the "material terms" (for the purposes of clause (a) of the definition of "Close-out Amount" in such deemed 2002 ISDA Master Agreement) of such Cleared Swap shall, for the avoidance of doubt, include the fact that such Cleared Swap was to be cleared by the relevant Derivatives Clearing Organization; (iv) the "Termination Currency" shall be U.S. dollars; (v) the "Governing Law" shall be New York law; and (vi) the party whose side of the Cleared Swap fails to clear shall be the sole "Affected Party" and the other party shall determine the Early Termination Amount.]~~

(c) For the avoidance of doubt, a 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.

10) Rule 802(c), Market Data, has been amended to apply Tradition's information sharing rules to Customers. The rule amendment conforms to Core Principle 1 (Compliance with Core Principles) and Core Principle 2 (Compliance with Rules).

Text of amended Rule 802:

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



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- (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

Marked version of Rule 802:

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

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