



wematch.live

## **Wematch.live LLC**

### **Security Based Swap Execution Facility Rulebook**

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# Chapter 1. Definitions

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## 101. Defined Terms

Unless otherwise specifically provided in the Rules, or the context otherwise required, the terms defined in this Chapter have the meanings specified herein for all purposes of the Rules.

**Advisory Committee** shall have the meaning specified in Rule 203(2).

**Affiliate** means with respect to any Person, any Person who, directly or indirectly, controls, is controlled by or is under common control with, such other Person.

**Appeal Panel** means the panel appointed in accordance with Rule 801(8) to hear appeals of decisions of a Disciplinary Panel.

**Applicable Law** means, with respect to any Person, any statute, law, regulation, rule or ordinance of any Governmental Authority applicable to such a Person, including, but not limited to, the SEA and Commission Regulations.

**As Soon as Technologically Practicable** means as soon as possible, taking into consideration the prevalence, implementation and use of technology by comparable market participants.

**Authorized Person** means a Person who is employed by, or is an agent of, a Participant, Sponsored Access Participant, or Intermediary and who has been authorized to access the Trading System on behalf of such Participant, Sponsored Access Participant, or Intermediary pursuant to Rule 306.

**Authorized Representative** means a natural person who is employed by, or is an agent of, a Trading Privilege Holder and who has been authorized to represent the Trading Privilege Holder pursuant to Rule 307.

**Bid** means an Order to buy a SBS.

**Board** means the Board of Directors of the SBSEF.

**Broker** means a Person that is registered as a broker-dealer under the Securities Exchange Act of 1934, or is exempt from registration, and is authorized by a Participant or Sponsored Access Participant to (i) enter Bids, Offers, or Orders in the Trading System on behalf of a Participant or (ii) assist in the execution of Intermediated Transactions.

**Brokered Transaction** means a transaction arranged off the Trading System by a Broker that is a SBSEF Intermediary between two parties, each of which is a SBSEF Participant, to be executed under the Rules of the SBSEF pursuant to Rule 509.

**Business Day** means any day on which the SBSEF is open for trading.

**Business Hours** means the consecutive hours of one or more consecutive business days.

**Chief Compliance Officer** or **CCO** means the Chief Compliance Officer of the SBSEF.

**Chief Executive Officer** or **CEO** means the Chief Executive Officer of the SBSEF.

**Cleared SBS** means a SBS that is submitted to a clearing agency for clearing either on a mandatory basis pursuant to Section 3C(a)(1) of the SEA or on a voluntary basis.

**Commission** or **SEC** means the U.S. Securities Exchange Commission or any successor regulatory body.

**Commission Regulation** means any rule, regulation, order, directive and any interpretation thereof promulgated by the Commission, as amended.

**Compliance Department** means all officers, Employees and agents of the SBSEF (including the Regulatory Services Provider, if any) that assist the SBSEF in the implementation, surveillance and enforcement of the Rules and compliance with any other requirements imposed by the SBSEF.

**Confirmation** shall have the same meaning as in Commission Regulations 242.812(b).

**Contract Specifications** means, with respect to any SBS, the rules or other trading protocols containing specifications for such SBS, as adopted, amended, supplemented or otherwise modified from time to time by the SBSEF.

**Counterparty** means a Participant or Sponsored Access Participant that is party to either side of a Transaction.

**Credit** means an authorized line of bilateral credit between two counterparties.

**Customer** means any Person that transacts on the SBSEF through a Participant or Sponsored Access Participant acting as an Intermediary, or through a Broker granted the right to access the SBSEF as an Intermediary.

**Customer Type Indicator Codes** or **CTI** shall have the meaning set forth in Rule 506.

**Director** means a member of the Board of the SBSEF as described in Rule 202.

**Disciplinary Panel** means the panel appointed pursuant to Rule 809 to conduct hearings in connection with Disciplinary Proceedings (other than summary impositions of fines pursuant to Rule 817) to make findings, render decisions and impose sanctions pursuant to Chapter 8 of the Rules. The term Disciplinary Committee shall have the same meaning as the term Disciplinary Panel.

**Disciplinary Proceeding** means any inquiry, investigation, Disciplinary Proceeding, appeal from a Disciplinary Proceeding, summary imposition of fines, summary suspension or other summary action.

**Eligible Contract Participant** or **ECP** shall have the meaning given that term in section 3(a)(65) of the SEA.

**Emergency** means those occurrences or events enumerated in Rule 209 or any other occurrence or circumstance that the SBSEF determines in its sole discretion requires immediate action and threatens or may threaten the fair and orderly trading of SBS on the SBSEF.

**Employee** means a Person that is either (1) employed by Wematch.live LLC, or (2) employed by an Affiliate of Wematch.live LLC and has executed a secondment agreement authorizing that Person to assume Wematch.live LLC responsibilities and perform Wematch.live LLC duties.

**Execution Method** means trading functionality by which trades may be consummated on the SBSEF.

**FINRA** means the Financial Industry Regulatory Authority.

**Force Majeure Event** means a change of law or regulation which the SBSEF determines in its sole discretion would render participation in the SBSEF or a service rendered by the SBSEF, illegal or impractical, a delay or failure that is the result of an act of God, lightning, earthquake, fire, epidemic, landslide, drought, hurricane, tornado, storm, explosion, flood, nuclear radiation, an act of a public enemy or blockade, insurrection, riot or civil disturbance, strike or labor



disturbance or any other cause beyond the SBSEF's reasonable control (whether or not similar to any of the foregoing).

**Governmental Authority** means any domestic or foreign government (or political subdivision), governmental or regulatory authority, agency, court, commission or other governmental or regulatory entity (including any self-regulatory association).

**Independent Software Vendor** or **ISV** means a Person that makes available to Trading Privilege Holders a system or platform offering smart order routing, front-end trading applications, an aggregator platform or a combination of the foregoing but that does not provide Trading Privilege Holders the ability to effect transactions on the Trading System.

**Indicative Order** means a quote that is subject to negotiation, modification and approval by an Authorized Person in order to become a tradeable firm Order; an Indicative Order is not automatically executable by the Trading System or other trading functionality. Indicative Orders may feature size and/or price details, or include no details on price and reflect a default size that is established in the Trading System by the SBSEF Market Operations Group.

**Intermediary** means a Trading Privilege Holder that is authorized to enter Bids/Offers, Indicative Orders or Voice Trades into the SBSEF solely on behalf of Participants, Sponsored Access Participants or Customers.

**Intermediated Transaction** means any transaction on the SBSEF conducted through an Intermediary.

**Wematch.live SBS** means any SBS listed for trading by Wematch.live LLC.

**Legal Entity Identifier** or **LEI** shall have the meaning set forth in Commission Regulations.

**Major SBS Participant** shall have the meaning set forth in the SEA and Commission Regulations.

**Market Data** means all data and other information submitted for entry into the Trading System or relating in any way to a SBS, any data or other information contained in, derived from or relating to any of the foregoing, including the formation, compilation and presentation thereof, and any data or information transmitted, published or disseminated by the SBSEF to any Person. Any Market Data disseminated by the SBSEF, or any third-party service provider designated by it, shall be aggregated and disseminated in an anonymous fashion and shall not disclose the identity of any Person.

**Market Operations Group** means the Persons designated by the SBSEF as responsible for supporting the SBSEF's market operations, including managing Trading Privilege Holder access and customer support.

**NFA** means the National Futures Association.

**Nomination Committee** shall have the meaning set forth in Rule 206.

**Notice to Trading Privilege Holders** or **Notice** means a communication sent by or on behalf of the SBSEF to all Participants as described in Rule 311.

**Offer** means an Order to sell a SBS.

**Order** means any Bid or Offer placed into the Trading System for purposes of buying or selling a SBS on or subject to the rules of the SBSEF.

**Participant** means a Trading Privilege Holder that has been granted under these Rules the right to directly or indirectly effect transactions on the SBSEF via (1) Trading Privileges to trade for their own account on the SBSEF, (2) the right to authorize Sponsored Access Participants access

to the SBSEF, and (3) the right to authorize Intermediaries to act on their behalf on the SBSEF.

**Participation Committee** shall have the meaning set forth in Rule 204.

**Participant Data** means any and all data and other information submitted to the SBSEF by a Trading Privilege Holder regarding any and all transactions entered into by or on behalf of a Participant or Sponsored Access Participant.

**Participant Documentation** means such agreements, addenda or amendments (and any schedules thereto) as required from time to time by the SBSEF to be executed by a Trading Privilege Holder or Authorized Person for such Trading Privilege Holder or Authorized Person to obtain or maintain Trading Privileges on the SBSEF.

**Permitted Transaction** means any Transaction that is not a Required Transaction.

**Person** means an individual, corporation, limited liability company, partnership, trust or other legal entity.

**Position Limit** means the maximum position, either net long or net short, in any SBS or type of SBS that may be held or controlled by one Person, or subject to aggregation with such Person's position, as prescribed by the SBSEF and/or Commission.

**Public Director** means an individual having the qualifications set forth in Rule 202(3).

**Quote** means a Bid or an Offer, or a Bid and an Offer.

**Regulatory Oversight Committee** shall have the meaning set forth in Rule 205.

**Regulatory Services Provider** means a third party, if any, that provides regulatory services to the SBSEF.

**Required Transaction** means any transaction involving a SBS that is subject to the trade execution requirement in section 3C(h) of the Act.

**Responsible Person** shall have the meaning set forth in Rule 408(1).

**Review Panel** shall mean the panel described in Rule 804.

**Rule** or **Rules** means the rules, resolutions, interpretations, statements of policy, decisions, directives and orders of the SBSEF.

**SEA** means the Securities Exchange Act of 1934, as amended from time to time.

**SBSEF** means Security Based Swap Execution Facility as that term is defined in SEA 3(a)(77), and is used in this Rulebook to refer to Wematch.live LLC. A SBSEF is a self-regulatory organization as established in SEA and SEC Regulations.

**SBSEF Intellectual Property** has the meaning given to it in Rule 1003.

**Security-Based Swap or SBS** shall have the meaning set forth in Section 3(a)(68) of the SEA and in Commission Regulations.

**Self-Regulatory Organization (SRO)** means any self-regulatory organization including, but not limited to, any registered entity, as that term is defined in section 1a(40) and 1.3(ee) of the CEA, the NFA, FINRA and any non-U.S. market or authority performing similar functions.

**Settlement Price** means the official daily closing price for a SBS calculated each Business Day.

**Source Agency** means the agency that publishes, calculates or otherwise defines the Settlement Price for any SBS.

**Sponsored Access Participant** means a Trading Privilege Holder (other than an individual or an ISV) that is authorized by a Participant to access the SBSEF pursuant to Rule 307. Sponsored Access takes multiple forms including, but not limited to: (1) direct market access, where the Sponsored Access Participant's orders pass through the sponsoring Participant's systems prior to reaching the Trading System, (2) sponsored access, where the Sponsored Access Participant enters orders directly into the Trading System or via a dedicated port provided by the sponsoring Participant, and (3) direct access where a service bureau or other third party provides Sponsored Access Participants with technology to access the Trading System under the auspices of and via an arrangement with the sponsoring Participant. Sponsored Access can also include the practice of permitting a Sponsored Access Participant to trade on the SBSEF through Voice Trading. (Not active.)

**Standing Committee** shall mean each of the Nomination Committee and the Regulatory Oversight Committee.

**Statutory Disqualification** shall have the meaning set forth under Rule 242.819(i)(1)(v) of the SEA or other Applicable Law.

**SBS Dealer** shall have the meaning set forth in the SEA and Commission Regulations.

**System Protocol** means the terms from time to time in force upon which a Trading Privilege Holder may access the Trading System, including any supplemental written guidelines provided by the SBSEF to the Trading Privilege Holder, as amended from time to time.

**Technology Services Provider** means a third party or affiliate that provides various technology services to the SBSEF.

**Trader ID** means a unique identifier code assigned by the Market Operations Group to each Authorized Person that trades on behalf of a Trading Privilege Holder.

**Trader Information** shall have the meaning set forth in Rule 408(2).

**Trading Hours** means, for any Business Day, the hours during which the Trading System is scheduled to operate.

**Trading Privilege Holder** means any Person that (1) directly or indirectly effects transactions on the SBSEF, and (2) has been granted the right to access the SBSEF as a member in the role of Participant, Sponsored Access Participant, or Intermediary pursuant to the Rules.

**Trading Privileges** means the right granted to a Participant, Sponsored Access Participant, Intermediary, or Authorized Persons of a Participant, Sponsored Access Participant, or Intermediary to submit Bids/Offer, Indicative Orders and Voice Trades into the SBSEF. No Person may exercise Trading Privileges during any suspension of such Person's Trading Privileges ordered by the SBSEF.

**Trading Session** means a specified period of time during which a particular trade Execution Method is available to Participants.

**Trading System** means the SBSEF's electronic system for execution of SBS transactions.

**Transaction** means any purchase or sale of any SBS made on or subject to the Rules of the SBSEF.

**Uncleared SBS** means a SBS other than a Cleared SBS.

**Voice Specialist** means an Employee or agent of the SBSEF that acts on behalf of one or more

Participants using any means of interstate commerce: (1) to assist Trading Privilege Holders in the entry, modification and cancellation of Orders, Indicative Orders and execute Transactions; and (2) to facilitate Voice Trading. Voice Specialists may function as members of the Market Operations Group.

**Voice Trading** means the actions taken by a Voice Specialist to inform Trading Privilege Holders about the existence of trading interest in a SBS, facilitate the communication of information among Trading Privilege Holders, and assist in orderly trading on the SBSEF. (Not active.)

## **102. Compliance with SEA**

The SBSEF shall comply with:

- (1) The core principles described in section 5D of the Act; and
- (2) Any requirement that the Commission may impose by rule or regulation pursuant to section 23(a)(1) of the Act.

## **103. Rule Amendments and Certification**

- (1) The SBSEF may adopt new Rules and may amend or repeal existing Rules at its discretion in accordance with the SEC and SEA regulations. All such new Rules, amendments or repeals shall become effective on the date specified by the SBSEF or its designee (subject to any required filing with, or approval thereof by, the SEC).
- (2) Changes to dues, assessments and fees pursuant to Rule 314 constitute a Rule change and are subject to Rule certification pursuant to this Rule 103.
- (3) Pursuant to Rule 311, the SBSEF must issue a "Notice to Trading Privilege Holders" with respect to each new, amended and repealed Rule (except where such Rule amendment is being adopted in connection with an Emergency).

## Chapter 2. Governance

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### 201. Wematch.live LLC

Wematch.live LLC (“the SBSEF”) is a limited liability company organized under the laws of the state of Delaware. The operating agreement of the SBSEF governs the management and operation of the SBSEF.

### 202. Board

- (1) The SBSEF will be managed by or subject to the direction of the Board and such officers (“Officers”) as are appointed by the Board, in each case in accordance with its operating agreement (the “Operating Agreement”). Without limiting the rights, powers, privileges and obligations of the Board as set forth in the Operating Agreement, the Board has the power to review, and to approve, modify, suspend or overrule, any and all decisions of committees of the SBSEF and any Officers, subject to Applicable Law. Qualifications for managers will be as set forth in the Operating Agreement and hereunder. No Director may be subject to Statutory Disqualification.
- (2) At all times following the appropriate compliance date of the SEC Regulations applicable to the SBSEF’s governance as a SBSEF, the members of the Board shall include no fewer than the minimum number or percentage of Public Directors required by such SEC Regulations. Each Director shall serve until his or her successor is duly appointed, or until his earlier resignation, removal for cause or dismissal pursuant to the Operating Agreement.
- (3) To qualify as a Public Director, an individual must be found, by action of the Board, to have no material relationship with the SBSEF. The Board shall make such finding upon the nomination or appointment of the Director and as often as necessary in light of all circumstances relevant to such Director, but in no case less frequently than annually. For these purposes, a “material relationship” is one that could reasonably be expected to affect the independent judgment or decision-making of the Director. A Director shall be considered to have a “material relationship” with the SBSEF if any of the following circumstances exist or have existed within the past year:
  - (a) Such Director is or was an Officer or an Employee of the SBSEF; or
  - (b) Such Director is or was a Participant or Sponsored Access Firm, or a director, officer or Employee of a Participant or Sponsored Access Firm.
  - (c) Any of the relationships set forth in paragraphs (a) and (b) apply to the “immediate family” (i.e., the spouse, parents, children, and siblings, in each case, whether by blood, marriage, or adoption) of such Director, or any person residing in the home of the Director or that of his or her “immediate family.”
- (4) The compensation of the Public Directors and other non-executive members of the Board shall not be linked to the business performance of the SBSEF, and in no way shall be contingent, conditioned, or revocable.
- (5) Board standards and procedures are in accordance with Section 1.64 ensuring at least 20 percent of the SBSEF Board will be persons who:
  - (a) Whether voting or non-voting Directors, must be knowledgeable of security-based swap trading or financial regulation, or otherwise capable of contributing to governing board deliberations;
  - (b) Are not members of the SBSEF;

- (c) Are not currently salaried employees of the SBSEF;
  - (d) Are not primarily performing services for the SBSEF in a capacity other than as board member;
  - (e) Are not officers, principals or employees of a firm which holds a membership at the SBSEF either in its own name or through an employee on behalf of the firm.
- (6) The Board's membership shall include various membership interests such as financial professionals, brokers, traders, consumers in various markets including commodities, equities, FX and other professionals, thereby demonstrating diversity and fairness.

### **203. Committees**

- (1) The SBSEF shall establish two standing committees of the Board ("Standing Committees"): the "Regulatory Oversight Committee" and the "Nomination Committee". The Board may from time to time constitute and appoint committees as it deems necessary or advisable.
- (2) The SBSEF may from time to time establish one or more advisory committees ("Advisory Committees") as it may deem necessary or advisable. Each Advisory Committee may consist of Managers, Officers, representatives of Trading Privilege Holders and their Customers and other market participants, as determined by the SBSEF. Advisory Committees may make recommendations to the Board or SBSEF Officers, but will not be authorized to make decisions or act on behalf of the SBSEF.
- (3) The SBSEF, in accordance with Commission Regulation 242.819(i), deems ineligible to serve on its boards, committees and/or panels any person who:
  - (a) Was found within the prior three years by a final decision of a security-based swap execution facility, a self-regulatory organization, an administrative law judge, a court of competent jurisdiction, or the Commission to have committed a disciplinary offense;
  - (b) Entered into a settlement agreement with a security-based swap execution facility, a court of competent jurisdiction, or the Commission within the prior three years in which any of the findings or, in the absence of such findings, any of the acts charged included a disciplinary offense;
  - (c) Currently is suspended from trading on any security-based swap execution facility, is suspended or expelled from membership with a self-regulatory organization, is serving any sentence of probation, or owes any portion of a fine imposed pursuant to:
    - (i) A finding by a final decision of a security-based swap execution facility, a self-regulatory organization, an administrative law judge, a court of competent jurisdiction, or the Commission that such person committed a disciplinary offense; or
    - (ii) A settlement agreement with a security-based swap execution facility, a court of competent jurisdiction, or the Commission in which any of the findings or, in the absence of such findings, any of the acts charged included a disciplinary offense;
  - (d) Currently is subject to an agreement with the Commission, a security-based swap execution facility, or a self-regulatory organization not to apply for registration with the Commission or membership in any self-regulatory organization;
  - (e) Currently is subject to or has had imposed on him or her within the prior three years a Commission registration revocation or suspension in any capacity for any reason, or has been convicted within the prior three years of any felony; or

- (f) Currently is subject to a denial, suspension, or disqualification from serving on a disciplinary committee, arbitration panel, or governing board of any security-based swap execution facility or self-regulatory organization.

#### **204. Regulatory Oversight Committee**

- (1) The Regulatory Oversight Committee (“ROC”) is a Standing Committee of the Board.
- (2) The ROC shall be composed of those directors designated by the Board from time to time. In the event of an even number of directors on the ROC, the ROC Chairman shall have the tiebreaker vote.
- (3) The ROC shall oversee the regulatory program of the SBSEF on behalf of the Board. The Board shall delegate sufficient authority, dedicate sufficient resources and allow sufficient time for the ROC to fulfill its mandate.
- (4) The ROC shall:
  - (a) Oversee all facets of the SBSEF’s regulatory program, including trade practice and market surveillance, audits, examinations, and other regulatory responsibilities with respect to Participants (including ensuring compliance with applicable financial integrity, financial reporting, sales practice, recordkeeping and other requirements), and the conduct of investigations, including any such actions taken by a Regulatory Services Provider;
  - (b) Supervise the quality and effectiveness of the Regulatory Service Provider, hold regular meetings to discuss matters of regulatory concern and conduct periodic reviews of the services provided on the SBSEF’s behalf, which reviews shall be adequately documented and made available to the SEC on request;
  - (c) Review the size and allocation of the regulatory budget and resources, and the number, hiring, termination and compensation of regulatory personnel;
  - (d) Monitor the regulatory program of the SBSEF for sufficiency, effectiveness and independence;
  - (e) Review the performance of the Chief Compliance Officer and make recommendations with respect to such performance to the Board;
  - (f) Recommend changes that would ensure fair, vigorous and effective regulation; and
  - (g) Review compliance proposals and advise the Board as to whether and how such changes may impact regulation or compliance, as applicable.

#### **205. Nomination Committee**

- (1) At such time as determined at the discretion of the directors (or at such other time as may otherwise be required by Applicable Law), the directors shall establish a Nomination Committee. The Nomination Committee shall be a standing committee of the Board. Each member of the Nomination Committee shall serve until the due appointment of his or her successor, or until his or her earlier resignation or removal, with or without cause, as a member of the Nomination Committee. A member of the Nomination Committee may serve for multiple terms.
- (2) The Nomination Committee shall: (a) identify individuals qualified to serve as directors, consistent with criteria specified by the directors and any composition requirements that Applicable Law requires and (b) nominate individuals for designation as directors, whose

appointment will be carried out in accordance with the Operating Agreement.

- (3) Any action that may be taken by the Nomination Committee may be taken by the Board if no Nomination Committee has been established.

## **206. Chief Compliance Officer**

- (1) The Board shall designate an individual to serve as the Chief Compliance Officer (“CCO”) of the SBSEF. The CCO shall report to, and shall be supervised by, the Chief Executive Officer.
- (2) The CCO shall have the background and skills appropriate for fulfilling the responsibilities of the position.
- (3) The CCO shall have the authority and resources to develop and enforce policies and procedures necessary to perform his or her duties hereunder and under the SEA and SEC regulations. The CCO shall have authority over all staff acting at his or her direction.
- (4) The CCO shall be responsible for performing the following duties and functions:
  - (a) Overseeing and reviewing compliance of the security-based swap execution facility with section 3D of the Act and the Commission rules thereunder;
  - (b) Taking reasonable steps, in consultation with the governing board or the senior officer of the security-based swap execution facility, to resolve any material conflicts of interest that may arise, including, but not limited to: (i) Conflicts between business considerations and compliance requirements; (ii) Conflicts between business considerations and the requirement that the security-based swap execution facility provide fair, open, and impartial access as set forth in § 242.819(c); and (iii) Conflicts between a security-based swap execution facility’s management and members of the governing board;
  - (c) Establishing and administering written policies and procedures reasonably designed to prevent violations of the SEA and the rules of the SEC;
  - (d) Taking reasonable steps to ensure compliance with the SEA and the rules of the SEC;
  - (e) Establishing procedures reasonably designed to handle, respond, remediate, retest, and resolve noncompliance issues identified by the chief compliance officer through any means, including any compliance office review, look-back, internal or external audit finding, self-reported error, or validated complaint;
  - (f) Establishing and administering a compliance manual designed to promote compliance with the applicable laws, rules, and regulations and a written code of ethics for the security-based swap execution facility designed to prevent ethical violations and to promote honesty and ethical conduct by personnel of the security-based swap execution facility;
  - (g) Supervising the regulatory program of the security-based swap execution facility with respect to trade practice surveillance; market surveillance; real-time market monitoring; compliance with audit trail requirements; enforcement and disciplinary proceedings; audits, examinations, and other regulatory responsibilities (including taking reasonable steps to ensure compliance with, if applicable, financial integrity, financial reporting, sales practice, recordkeeping, and other requirements); and
  - (h) Supervising the effectiveness and sufficiency of any regulatory services provided to the security-based swap execution facility by a regulatory service provider in



accordance with § 242.819(e).

## 207. Conflicts of Interest

- (1) Named Party in Interest Conflict.
  - (a) Prohibition. No member of the Board, the Regulatory Oversight Committee, or any other regulatory committee and/or panel will knowingly participate in such body's deliberations or voting in any matter involving a named party in interest where such member (i) is a named party in interest, (ii) is an employer, employee or fellow employee of a named party in interest, (iii) has any other significant, ongoing business relationship with a named party in interest (not including relationships limited to executing security-based swaps opposite of each other or to clearing security-based swaps through the same clearing member), or (iv) has a family relationship with a named party in interest. For purposes of this clause (1), a "family relationship" exists between a named party in interest and a member if such party is the member's spouse, former spouse, parent, stepparent, child, sibling, stepbrother, stepsister, grandparent, grandchild, uncle, aunt, nephew, niece or in-law.
  - (b) Disclosure. Prior to consideration of any matter involving a named party in interest, each member of the deliberating body participating in deliberation and/or voting must disclose to the CCO whether such member has one of the relationships listed in clause (a), above, with a named party in interest even if the respective member abstains from deliberation and/or voting.
  - (c) Procedure and Determination. The CCO will determine whether any member of the relevant deliberating body who does not choose to abstain from deliberations and voting is subject to a conflicts restriction under paragraph (a), above. Such determination will be based upon a review of the following information provided by such member pursuant to clause (b) above and, where deemed by the CCO, other information that is known to the SBSEF.
- (2) Financial Interest in a Significant Action Conflict.
  - (a) Prohibition. No member of the Board, any Review Panel, Disciplinary Panel, Appeal Panel or committee will participate in such body's deliberations and voting on any Significant Action, as defined in 242.834(a), if such member has a direct and substantial financial interest in the result of the vote, as determined pursuant to clause (c), below.
  - (b) Disclosure. Prior to consideration of any significant action, each member of the deliberating body who does not choose to abstain from deliberations and voting will disclose to the CCO any information that may be relevant to a determination of whether such member has a direct and substantial financial interest in the result of the vote. Such determination must include a review of any positions, whether maintained at the SBSEF or elsewhere, held in the member's personal accounts or the proprietary accounts of the member's affiliated firm that the SBSEF reasonably expects could be affected by the Significant Action.
  - (c) Procedure and Determination. The CCO will determine whether any member of the relevant deliberating body who does not choose to abstain from deliberations and voting is subject to a conflicts restriction under paragraph (a), above. Such determination will be based upon a review of the following information:
    - (i) Information provided by the member pursuant to paragraph (b), above, and

- (ii) Any other source of information that is maintained by and reasonably available to the SBSEF.
- (d) SBSEF Employees are prohibited:
- (i) Trading, directly or indirectly, any covered interest as defined in Commission Regulations 242.834(h);
  - (ii) Disclosing to any other person any material, non-public information which such employee obtains as a result of their employment at the SBSEF, where such employee has or should have a reasonable expectation that the information disclosed may assist another person in trading any covered interest; provided, however, that it does not prohibit disclosures made in the course of an employee's duties, or disclosures made to another SBSEF, court of competent jurisdiction, or representative of any agency or department of the Federal or State government acting in their official capacity.
- (e) Exemption: Exemptions from rule 207(2)(d) are permitted in the following circumstances:
- (i) Participation by an employee in a pooled investment vehicle (as defined in Commission Regulations 242.819(h)) where the employee has no direct or indirect control with respect to transactions executed for or on behalf of such vehicle;
  - (ii) Trading by an employee in a derivative based on a pooled investment vehicle that falls within paragraph 202(2)(e)(i) of this section;
  - (iii) Trading by an employee in a derivative based on an index in which no covered interest constitutes more than 10 percent of the index; and
  - (iv) Trading by an employee if the trade is first approved by the CCO of the SBSEF and the employee affirms that the trade is not contrary to applicable law, the public interest, or just and equitable principles of trade.
- (f) SBSEF employees, governing board members, committee members, or consultants are prohibited from:
- (i) Trading for such person's own account, or for or on behalf of any other account, in any covered interest on the basis of any material, non-public information obtained through special access related to the performance of such person's official duties as an employee, governing board member, committee member, or consultant;
  - (ii) Disclosing for any purpose inconsistent with the performance of such person's official duties as an employee, governing board member, committee member, or consultant any material, non-public information obtained through special access related to the performance of such duties.

## 208. Emergency Actions

- (1) Emergency means any occurrence or circumstance that, in the opinion of the SBSEF requires immediate action and threatens or may threaten such things as the fair and orderly trading in, or the liquidation of or delivery pursuant to, any SBS, including: any manipulative or attempted manipulative activity; any actual, attempted, or threatened corner, squeeze, congestion, or undue concentration of positions; any circumstances which may materially affect the performance of SBS, including failure of the payment system or the bankruptcy or insolvency of any market participant; any action taken by any governmental body, or any other SBSEF, market, or facility which may have a direct impact on trading or clearing and settlement; and any other circumstance which may have a severe, adverse effect upon the functioning of the SBSEF.
- (2) During an Emergency, the governing board may take temporary emergency action and/or implement temporary emergency procedures and rules ("Emergency Actions"), subject to Applicable Law and in consultation or cooperation with the SEC and other applicable regulatory authorities. In the event that the SBSEF is unable to convene a meeting of the Board reasonably promptly, the Chief Executive Officer or an officer of the SBSEF designated thereby may take Emergency Actions pursuant to this Rule ("Officer Emergency Action") and subject to Applicable Law and in consultation or cooperation with the SEC and other applicable regulatory authorities, provided that the SBSEF shall convene a meeting of the Board as soon as practicable thereafter to ratify, modify or rescind such Officer Emergency Action.
- (3) Emergency Action may require or authorize the SBSEF, the Board, any committee of the Board, the Chief Executive Officer, or the Chief Compliance Officer to take actions necessary or appropriate to respond to the Emergency including, but not limited to, the following actions:
  - (a) Liquidate or transfer open positions in any SBS or suspend or curtail trading in a SBS, in consultation or cooperation with the Commission, as is necessary and appropriate.
  - (b) Limit access to the Trading System by any Trading Privilege Holder, Customer, Authorized Person or ISV.
  - (c) Impose or modify position limits.
  - (d) Impose or modify price limits.
  - (e) Impose or modify intraday market restrictions.
  - (f) Impose special margin requirements.
  - (g) Order the liquidation or transfer of open positions in any contract.
  - (h) Order the fixing of a settlement price.
  - (i) Extend or shorten the expiration date or the trading hours.
  - (j) Suspend or curtail trading in any contract.
  - (k) Transfer customer contracts and the margin.
  - (l) Alter any contract's settlement terms or conditions.
  - (m) Take such other actions as may be directed by the SEC or other regulatory authority.

- (n) If applicable, provide for the carrying out of such actions through its agreements with any third party.
- (4) The SBSEF will promptly notify the SEC of any Emergency Action not later than twenty-four hours thereafter, explaining the decision-making process, the reasons for taking such action, and how conflicts of interest were minimized. Such documentation will be maintained in accordance with Applicable Law.
- (5) Upon taking any Emergency Action, the SBSEF will document the decision-making process related to such action and all reasons thereof. Such documentation will be kept for at least five years following the date on which the Emergency ceases to exist or to affect the SBSEF. All such documentation will be provided to the SEC upon request.

## **209. Maintenance of Books and Records by the SBSEF**

- (1) The SBSEF shall keep, or cause to be kept, all books and records including, but not limited to, complete audit trail for all activities relating to the business of the SBSEF, including but not limited to executions, and all applicable electronic communications required to be maintained pursuant to § 242.826 and section 3D(d) of the SEA and SEC Regulations for at least five (5) years, and shall make such books and records readily accessible for inspection by the SEC and the United States Department of Justice during the first two (2) years of such five-year period. Books and records will be maintained in a form and manner acceptable to the Commission.

## **210. Information-Sharing Agreements**

- (1) The SBSEF may enter into information-sharing arrangements as it determines necessary or advisable for any of the following reasons:
  - (a) To obtain any necessary information to perform any monitoring of trading or trade processing.
  - (b) To provide information to the SEC upon request and to carry out such international information-sharing agreements as the SEC may require.
  - (c) To share information with other regulatory organizations, data repositories and third-party data reporting services as required by the SEC.
  - (d) As otherwise necessary and appropriate to fulfill the SBSEF's self-regulatory and reporting responsibilities. Such information shall be provided in a form and manner acceptable to the regulatory authority to which such information is being provided.
  - (e) Where the SBSEF determines that a governmental authority, trading facility or clearing organization exercises a legal or regulatory function under any Applicable Law or considers such arrangement to be in furtherance of the operation or duties of the SBSEF under Applicable Law.

## **211. Services Agreement with a Regulatory Services Provider**

- (1) The SBSEF may choose to contract with a Regulatory Services Provider for the provision of services to assist in complying with the core principles, as approved by the Commission. If the SBSEF chooses to contract with a Regulatory Services Provider, it will ensure that the Regulatory Services Provider has the capacity and resources necessary to provide timely and effective regulatory services, including adequate staff and automated surveillance systems.

- (2) If the SBSEF chooses to contract with a Regulatory Services Provider, the SBSEF will at all times remain responsible for the performance of any regulatory services received, for compliance with the SBSEF's obligations under the SEA and Commission regulations, and for the Regulatory Services Provider's performance on its behalf.
- (3) If the SBSEF chooses to contract with a Regulatory Services Provider, the SBSEF will retain exclusive authority in all substantive decisions made by its Regulatory Services Provider, including, but not limited to, decisions involving the cancellation of trades, the issuance of disciplinary charges against Trading Privilege Holders or market participants, and denials of access to the Trading System for disciplinary reasons. The SBSEF shall document any instances where its actions differ from those recommended by its Regulatory Services Provider.

## **212. Services Agreement with Technology Services Providers**

- (1) The SBSEF has entered into agreements with Technology Services Providers to provide technology services to the SBSEF. In accordance with a Service Level Agreement, a Technology Services Provider may perform certain functions under the SBSEF Rules and the SBSEF will provide information to the Technology Services Provider in connection with the performance by the Technology Services Provider of those functions.
- (2) The SBSEF shall retain ultimate decision-making authority with respect to any functions that are contracted to a Technology Services Provider.

## **213. Use of Data Collected From Trading Privilege Holders**

- (1) The SBSEF shall collect and evaluate data on Trading Privilege Holder market activity on an ongoing basis and shall have the right to collect non-routine data in order to detect and prevent manipulation, price distortions, and, where possible, disruptions of the physical delivery or cash-settlement process.
- (2) Where necessary for regulatory purposes, the SBSEF may share a Trading Privilege Holder's data with one or more security-based swap execution facilities or national securities exchanges registered with the Commission.
- (3) Subject to the provisions of Rule 214, as applicable, the SBSEF shall not use for business or marketing purposes any proprietary or confidential data such as trade secrets, market positions, and strategies that the SBSEF collects or receives from any Person for the purposes of fulfilling the SBSEF's regulatory obligations unless the Person from whom it collects or receives such data clearly consents to the SBSEF's use of such data in such manner. The SBSEF shall not condition access to the SBSEF or its services on a Person's consent to the SBSEF's use of such data for business or marketing purposes.

## **214. Dissemination of Market Data**

- (1) The SBSEF shall be entitled, in its sole discretion, to compile and disseminate Market Data to third parties (including through a market data feed) for business purposes without further consent of any Trading Privilege Holder or other Person, and the SBSEF shall be entitled to any and all revenue derived therefrom. Any Market Data disseminated by the SBSEF, or any third-party service provider designated by it, shall be aggregated and disseminated in an anonymous fashion and shall not disclose the identity of the Person. By its use of the SBSEF, each Person that interacts with the SBSEF in any manner consents to compilation and dissemination by the SBSEF.
- (2) Without limiting subsection (1), each Person that interacts with the SBSEF acknowledges and consents to the reporting of all Market Data or other data required to be reported under Applicable Law.

- (3) The SBSEF shall have a non-exclusive, perpetual, transferable, royalty-free, worldwide license to such Market Data and shall own all rights in all derivative works based upon such Market Data.

## **215. Restrictions on Use of Material Nonpublic Information**

No Manager, member of any committee or panel established by the Board, Officer of Wematch.live LLC, Employee of Wematch.live LLC or consultant to Wematch.live LLC shall:

- (1) trade for such person's own account, or for or on behalf of any other account, in any security interest traded on any SBSEF or cleared by any Clearing House if such person has access to material non-public information obtained through the performance of such person's official duties concerning such SBS or security interest;
- (2) use or disclose for any purpose other than the performance of his or her official duties any material, non-public information obtained as a result of such person's official duties, provided, however, that such person may disclose confidential information if required by law or a court order to be revealed to the United States Department of Justice or the SEC;
- (3) or trade, directly or indirectly, in any SBS traded on Wematch.live LLC or in any related security interest.

For the purposes of this Rule 210, the terms "material information" and "non-public information" shall each have the meaning set forth in SEC Regulation 10b-5.

## **Chapter 3. Trading Privilege Holders**

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### **301. Jurisdiction**

EACH TRADING PRIVILEGE HOLDER, AUTHORIZED PERSON, ASSOCIATED PERSON, CUSTOMER, ISV AND OTHER PERSON ACCESSING THE SBSEF PURSUANT TO THE RULES (I) IS BOUND BY, AND MUST COMPLY WITH, THE RULES AND APPLICABLE LAW, IN EACH CASE TO THE EXTENT APPLICABLE TO IT; (II) CONSENTS TO AND SHALL BE SUBJECT TO THE JURISDICTION OF THE SBSEF WITH RESPECT TO ALL MATTERS ARISING OUT OF OR RELATING TO SUCH STATUS OR ITS ACTIONS OR OMISSIONS WITH RESPECT TO SUCH STATUS AND USE OF OR ACCESS TO THE SBSEF; (III) AGREES TO ASSIST THE SBSEF IN COMPLYING WITH ITS LEGAL AND REGULATORY OBLIGATIONS, COOPERATE WITH THE SBSEF AND ANY GOVERNMENTAL AUTHORITY HAVING JURISDICTION OVER THE COMPANY OR THE SBSEF, AS APPLICABLE, IN ANY INQUIRY, INVESTIGATION, AUDIT, EXAMINATION OR PROCEEDING, AND AUTHORIZE THE COMPANY TO PROVIDE INFORMATION REGARDING THE SBSEF TO THE REGULATORY SERVICES PROVIDER OR ANY SELF REGULATORY ORGANIZATION; AND (IV) AUTHORIZES THE SBSEF (AND ITS REGULATORY SERVICES PROVIDER, AS APPLICABLE) TO PROVIDE INFORMATION WITH RESPECT TO IT TO THE REGULATORY SERVICES PROVIDER OR ANY GOVERNMENTAL, REGULATORY OR SELF-REGULATORY ORGANIZATION.

### **302. Impartial Access**

Consistent with Applicable Law, the SBSEF provides access to Trading Privilege Holders and ISVs on a fair, non-discriminatory and open basis. Trading Privilege Holder and ISV status, and access to, and usage of, the Trading System in such capacity is available to all market participants that meet the criteria set forth herein and validly engage in Transactions.

### **303. Eligibility Criteria**

- (1) In order to be admitted as a Trading Privilege Holder, or to be permitted to remain a Trading Privilege Holder, an applicant must satisfy the following criteria:
  - (a) Confirm that it: (i) is an Eligible Contract Participant; and/or (ii) is an Intermediary that will act solely on behalf of Persons that are Eligible Contract Participants.
  - (b) Demonstrate business integrity and sound reputation.
  - (c) Maintain adequate financial resources and credit.
  - (d) Be validly organized, in good standing, and authorized by its governing body and, if relevant, documents of organization, to trade SBS.
  - (e) Hold all registrations required under Applicable Law, if any, including any SBS Dealer, Major SBS Participant, Broker-Dealer, associated person registration.
  - (f) Not have filed for bankruptcy and not be insolvent.
  - (g) Not be prohibited from using the services of the SBSEF for any reason whatsoever.
  - (h) Not be subject to statutory disqualification pursuant to the criteria set forth in § 242.819(i) of the SEA.

- (i) Be in compliance with any financial responsibility, recordkeeping and reporting requirements set forth under Applicable Law and Rule 402.
- (j) Agree to abide by the Rules and consent to the SBSEF's jurisdiction.
- (2) The SBSEF may create different classes of Trading Privilege Holders that have different rights and obligations under the Rules pursuant to criteria that are impartial, transparent and applied in a fair and non-discriminatory manner.
- (3) Once admitted, the Trading Privilege Holder shall continue to comply with all applicable eligibility criteria in Rule 303(1).
- (4) The SBSEF reserves the right to require Participants to certify on an annual basis that they continue to be an Eligible Contract Participant.

### **304. Application Requirements**

- (1) Any Person who desires to become a Trading Privilege Holder must:
  - (a) [Reserved]
  - (b) If such Person is organized or located outside of the United States and enters into a written agreement appointing a third party as its U.S. agent for service of process under regulation 242.819(k) of the SEA, provide the SBSEF with a copy of the agreement.
  - (c) Agree to abide by the SBSEF Rules and Applicable Law.
  - (d) Consent to the jurisdiction of the SBSEF.
  - (e) Provide such information and documentation as may be requested by the SBSEF, and comply with the procedures established by the SBSEF for admission.
  - (f) Satisfy such other criteria that the SBSEF may require.

### **305. Application Review and Determination**

- (1) In determining whether to admit an applicant as a Trading Privilege Holder, the SBSEF will evaluate, among other things, the applicant's disciplinary history and financial and operational soundness.
- (2) If the SBSEF decides to admit an applicant as a Trading Privilege Holder, it shall promptly notify the applicant in writing and state in such notice the date on which the applicant shall become a Trading Privilege Holder. Notifications shall be sent to the address in the SBSEF application form or maintained in the SBSEF's records.
- (3) The SBSEF may deny an applicant the right to be a Trading Privilege Holder, or terminate an existing Trading Privilege Holder if such Person is unable to satisfactorily demonstrate a capacity to adhere to Applicable Law or the Rules or for such other cause as the SBSEF reasonably may determine. In such an event, the SBSEF shall promptly notify the applicant in writing of their rejection or termination within thirty (30) days of the rendering of a final decision and such decision will become effective at minimum fifteen (15) days after written notice has been delivered. Notifications shall be sent to the address in the SBSEF application form.
- (4) A Person whose application for Trading Privilege Holder status has been denied or granted conditionally pursuant to this Rule 305, and any Participant, or Intermediary of a



Participant, whose access to the Trading System is revoked, suspended or limited pursuant to this Rule 305, may appeal the SBSEF's decision in accordance with the provisions of Chapter 8. A determination of the SBSEF to revoke, suspend or limit a Person's access to the Trading System pursuant to this Rule 305 shall not take effect until the review procedures under Chapter 8 have been exhausted or the time for review has expired.

### **306. Authorized Persons**

- (1) In order to exercise Trading Privileges on the SBSEF, each Trading Privilege Holder must appoint one or more individuals to act as its Authorized Person or Authorized Persons, as applicable. Each Authorized Person shall be identified to the SBSEF, in the manner prescribed by the SBSEF, and shall be subject to the Rules.
- (2) The Authorized Person shall be empowered by the Trading Privilege Holder to exercise Trading Privileges on its behalf and the SBSEF shall be entitled to rely on the actions of the Authorized Person as binding on the Trading Privilege Holder.
- (3) By agreeing to act as an Authorized Person, an individual agrees to be bound by the duties and responsibilities of an Authorized Person and to be subject to, and comply with, the Rules.
- (4) To access the Trading System, each Authorized Person must have and use a unique Trader ID. It shall be the responsibility of an Authorized Person and its sponsoring entity to ensure that it is registered with the SBSEF, and that such registration is accurate at all times. In no event may a Person other than the Authorized Person to whom a Trader ID has been assigned exercise Trading Privileges or otherwise access the Trading System using such Trader ID.
- (5) Each Trading Privilege Holder must provide the SBSEF with current contact and other requested information for each of its Authorized Persons so that the SBSEF is able to immediately contact such Authorized Persons.
- (6) The SBSEF will promptly notify, in writing, the Trading Privilege Holder of its approval, or refusal to approve, the designation of an Authorized Person. The SBSEF may, in its sole discretion, revoke or suspend the designation of an individual as an Authorized Person, and shall promptly notify, in writing, the Trading Privilege Holder of such action.
- (7) A Trading Privilege Holder that seeks to terminate the designation of an individual as an Authorized Person shall notify the SBSEF in writing in accordance with procedures established by the SBSEF. The SBSEF shall act to terminate such Authorized Person's Trading Privileges or other use of and access to the Trading System in accordance with procedures established by the SBSEF.

### **307. Authorized Representatives**

Each Trading Privilege Holder must identify one or more Authorized Representatives for purposes of notices and correspondence and to act on the Trading Privilege Holder's behalf in matters pertaining to the SBSEF. The SBSEF shall be entitled to rely on the actions and communications of such Authorized Representative. An Authorized Representative may be an employee of the Trading Privilege Holder that is not an Authorized Person.

### **308. Intermediaries**

- (1) A Participant may appoint one or more Intermediaries to act on its behalf. Any such appointment must be in writing, and the SBSEF shall be entitled to rely on the actions of such Intermediary as binding on the Participant. In addition, subject to Rule 213, each Participant may grant the SBSEF permission to share the Participant's information with

Affiliate Intermediated Brokers for purposes of intermediating orders on the SBSEF and providing other services.

- (2) [Reserved]
- (3) Each Participant may provide a Broker trading for the account of the Participant with access to the SBSEF by permitting such Broker to become an Intermediary and by permitting one or more individuals associated with such Intermediary to become Authorized Persons to enter Bids/Offers and submit arranged transactions to the SBSEF for execution on behalf of the Participant.

### **309. Independent Software Vendors**

Each ISV that desires to access the SBSEF must have been granted access by the SBSEF in order to access data, execute SBS transactions and/or execute the agreements specified by the SBSEF and satisfy the following criteria:

- (1) If required to be registered in any capacity under Applicable Law, it has duly registered in such capacity and such registration is in effect and has not lapsed or been revoked, suspended or withdrawn.
- (2) It complies with the applicable technical access standards, security protocols and technical specifications for connection to the SBSEF's electronic system as may be specified by the SBSEF from time to time.
- (3) It does not adversely affect the SBSEF's ability to comply with the SEA and SEC Regulations.
- (4) It satisfies such other criteria as the SBSEF may specify from time to time, subject to Rule 302 and Applicable Law.

### **310. Credit Arrangements**

A Participant that is party to an Uncleared SBS traded pursuant to these Rules shall do so only with a Counterparty with which it has established satisfactory credit arrangements and agreements, such as the ISDA Master Agreement, that permits and governs the exchange of collateral in accordance with applicable law.

### **311. Notice to Trading Privilege Holders**

- (1) The SBSEF must issue a "Notice to Trading Privilege Holders," or "Notice" with respect to each addition to, modification of, or clarification of, the SBSEF Rules or of any action to implement any of the SBSEF Rules established pursuant to Rule 103.
- (2) Such notifications are made to enable each Trading Privilege Holder to become aware of and familiar with, and to implement any necessary preparatory measures to be taken by it with respect to, such addition or modification, prior to the effective date thereof (each, a "Notice to Trading Privilege Holders").
- (3) Notices will be published on the SBSEF's website and distributed via an electronic mail distribution a minimum of five business days in advance of the effective date, provided that the Rule amendment is not conducted as an emergency rule certification or under direction from the SEC.

### **312. Communications Between the SBSEF and Trading Privilege Holders**

All communications between the SBSEF and the Trading Privilege Holder (including its Authorized Persons) will be transmitted by telephone, email and/or posted on the SBSEF

website. Each Trading Privilege Holder (and its Authorized Persons) will be responsible for promptly reviewing and, if necessary, responding to all electronic communications from the SBSEF.

### **313. Recording of Communications**

Any Person may record conversations and retain copies of electronic communications between it and any other Person. Any such recordings made by the SBSEF may be retained by the SBSEF or the Regulatory Services Provider in such manner and for such periods of time as the SBSEF may deem necessary or appropriate. The SBSEF or Regulatory Services Provider will retain such recordings in compliance with SEC regulations.

### **314. Dues, Assessments and Fees**

- (1) The SBSEF shall have the authority to set the amounts and times of payment for any dues, assessments or fees to be paid by Trading Privilege Holders, Authorized Persons and ISVs. The SBSEF shall charge comparable fees to Persons that receive comparable access to the SBSEF.
- (2) The SBSEF shall communicate all dues, assessments and fees to each Trading Privilege Holder and ISV pursuant to Rules 103 and 311, and such dues, assessments and fees shall be effective no less than 10 Business Days after the date of such notification.
- (3) Each Trading Privilege Holder, Authorized Person and ISV agrees to pay such dues, assessments and fees with respect to its activity on the SBSEF (including any activity by or on behalf of its Customers and Authorized Persons).
- (4) If a Trading Privilege Holder, Authorized Person or ISV fails to pay such amounts when due, the SBSEF may suspend, revoke, limit, condition, restrict or qualify the Trading Privileges of the Trading Privilege Holder, Authorized Person or ISV and its ability to otherwise access the SBSEF.

### **315. Activities of Voice Specialists (Not Active)**

- (1) A Voice Specialist shall only be entitled to act on the SBSEF or subject to the Rules on behalf of a Participant (or its Authorized Person or Customer) where such Participant has so authorized the Voice Specialist and notified the SBSEF in the form and manner specified by the SBSEF from time to time.
- (2) If so authorized, a Voice Specialist may enter an Order, Indicative Order, Intermediated Transaction, or execute any Transaction otherwise permissible under the Rules on behalf of such Participant (or its Authorized Person or Customer).
- (3) In engaging in any such activity, a Voice Specialist shall comply with the Rules and be subject to the jurisdiction of the SBSEF.

### **316. Trading Privilege Holder Withdrawal**

- (1) To withdraw from the SBSEF, a Trading Privilege Holder may submit a written request to the SBSEF, specifying the effective date of the withdrawal. The effective date of the withdrawal shall not be less than 15 Business Days following the date of giving of such withdrawal notice or such other date as may be approved by the SBSEF.
- (2) Notwithstanding the 15 Business Day withdrawal request, a Trading Privilege Holder may voluntarily suspend its Trading Privileges immediately upon withdrawal notice and cessation of trading activities.
- (3) Effective on the date on which the SBSEF accepts the withdrawal of the Trading Privilege Holder, all rights and privileges of such Trading Privilege Holder shall terminate (including the Trading Privileges and ability to access the SBSEF).

- (4) The accepted withdrawal of a Trading Privilege Holder shall not affect the rights of the SBSEF under the Rules or relieve the former Trading Privilege Holder of its obligations to the SBSEF or any other Person (including any contractual obligations relating to any SBS entered into by such Trading Privilege Holder, or the payment of any the SBSEF fees, costs, or charges incurred prior to such withdrawal). Notwithstanding the accepted withdrawal of a Trading Privilege Holder, the withdrawn Trading Privilege Holder remains subject to the jurisdiction of the SBSEF for acts done and omissions made while a Trading Privilege Holder, and must cooperate in any Disciplinary Proceeding under Chapter 7 as if such withdrawal had not taken place.

## **Chapter 4. Trading Privilege Holder Obligations**

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### **401. Duties and Responsibilities of Trading Privilege Holders**

Each Trading Privilege Holder shall, and shall cause its Authorized Persons to:

- (1) Use the SBSEF in a responsible manner and not for any improper purpose.
- (2) Use the SBSEF only to conduct Wematch.live LLC activity.
- (3) Ensure that all activity conducted by the Trading Privilege Holder and their Authorized Persons, on the SBSEF or subject to the SBSEF Rules is performed in a manner consistent with the Rules.
- (4) Observe high standards of market conduct, fair dealing, and just and equitable principles of trade while conducting or seeking to conduct any business connected with or concerning the SBSEF.
- (5) Be fully liable for all Orders and Transactions effected by the Trading Privilege Holder and its Authorized Persons on the SBSEF or subject to the Rules, whether for its own account or for the account of its Customer.
- (6) [Reserved]
- (7) Keep all Trader IDs, account numbers and passwords related to the Trading System confidential.

### **402. Trading Privilege Holder Books and Records**

Each Trading Privilege Holder shall, and shall cause its Authorized Persons, to keep books and records of its trading on the SBSEF (including trading on behalf of any Customer), including records of its activity in the index or instrument used as a reference price, the underlying security and related derivatives markets, and make such records available, upon request, to the SBSEF (or its Regulatory Service Provider) and the SEC or other regulatory authority to the extent not prohibited by Applicable Law. Such records will be provided to the SEC in a form and manner that the Commission approves.

### **403. Required Disclosures**

Each Trading Privilege Holder or Authorized Person shall immediately notify the SBSEF upon becoming aware of any of the following events to the extent such events relate to its participation or conduct on the SBSEF:

- (1) Any material change to the contact information provided to the SBSEF including, but not limited to, anti-money laundering, billing, compliance, emergency, legal, operations, risk, and systems.
- (2) Any appointment or resignation of an Authorized Person appointed by the Trading Privilege Holder.
- (3) Any failure of Trading Privilege Holder or Authorized Person to timely perform its obligations under or in connection with any Transactions entered into by such Trading Privilege Holder on or subject to the rules of the SBSEF or other SBS.
- (4) Any material system failure, or damage or inadequacy of its systems, facilities or equipment used to effect Transactions on the SBSEF or subject to the Rules.

- (5) Trading Privilege Holder or Authorized Person becomes subject to Statutory Disqualification.
- (6) Trading Privilege Holder ceases to be an Eligible Contract Participant.
- (7) Any denial of admission to, or involuntary withdrawal of any application for membership in, any self-regulatory organization, designated contract market, trading facility, swap execution facility or clearing organization.
- (8) The commencement of any judicial or administrative proceeding or the imposition of any fine, cease and desist order, denial of Trading Privileges, censure or other sanction or remedy (whether through an adverse determination, voluntary settlement or otherwise) imposed by any governmental or regulatory authority.
- (9) Any denial or involuntary withdrawal of any application for any registration or license by or from any Governmental Authority, and any revocation, suspension or conditioning of any registration or license granted by any Governmental Authority.
- (10) Trading Privilege Holder becomes insolvent or the subject of a voluntary or involuntary bankruptcy or similar petition or proceeding, or the appointment of a receiver, conservator, trustee or administrator for the Trading Privilege Holder or all or a substantial portion of its assets, or the presenting of a petition or passing a resolution or commencement of a proceeding for the winding up or dissolution of Trading Privilege Holder.

#### **404. Right of Inspection**

The SBSEF (or its representative, including the Regulatory Services Provider) shall have the right to:

- (1) Inspect systems, equipment and software operated by a Trading Privilege Holder, Authorized Person or entity, wherever located, to the extent the foregoing relates to the Trading Privilege Holder's or Authorized Person's participation or conduct on or pursuant to the Rules of the SBSEF.
- (2) Access the systems, equipment, software, and the premises on which the systems, equipment, and software are located, and any data stored in such systems or equipment to the extent the foregoing relate to the Trading Privilege Holder's or Authorized Person's participation or conduct on or pursuant to the Rules of the SBSEF.
- (3) Copy and/or reproduce such data as may be necessary to monitor such Trading Privilege Holder or Authorized Person for compliance with the requirements of this Rule to the extent such data relates to the Trading Privilege Holder's or Authorized Person's participation or conduct on or pursuant to the Rules of the SBSEF.
- (4) Request evidence of the Trading Privilege Holder's financial condition at such times and in such manner as shall be prescribed by the SBSEF.
- (5) Request sufficient written evidence that the Trading Privilege Holder continues to qualify as Eligible Contract Participants as required by SEC Rule 242.823(d).

#### **405. Financial and Related Reporting Requirements**

- (1) Each Trading Privilege Holder that is registered with any Governmental Authority, including, but not limited to the SEC, the CFTC or a self-regulatory organization, shall comply with the provisions of Applicable Law including, but not limited to, the rules and regulation such Governmental Authority imposes on a Trading Privilege Holder relating to minimum financial and related reporting and recordkeeping requirements.

- (2) [Reserved]
- (3) Each Trading Privilege Holder shall (a) qualify as an Eligible Contract Participant, and (b) immediately notify the SBSEF of any material change to the Trading Privilege Holder's status as an Eligible Contract Participant.
- (4) Each Trading Privilege Holder must notify the SBSEF immediately upon becoming aware that it fails to satisfy the minimum financial requirements applicable to it under SEC regulation as well as the rules and regulations of any other applicable regulatory agency. A Trading Privilege Holder that is unable to demonstrate to the SBSEF that it is in compliance with the minimum financial requirements shall not engage in transactions subject to the Rules except for the purpose of closing open positions.

#### **406. Confidentiality of Financial and Other Information**

All information and data obtained or received by the SBSEF from inspections of accounting and other records, quarterly balance sheets and declarations or reports on financial condition will be treated as confidential by the SBSEF; however, this Rule does not supplant any other Rule or any other requirement of legal process or Applicable Law.

#### **407. Authority to Impose Restrictions**

Whenever a Trading Privilege Holder is subject to the early warning requirements set forth in SEC Rule 17a-11, the SBSEF may impose such conditions or restrictions on the business and operations of such Trading Privilege Holder as the SBSEF may deem necessary or appropriate for the protection of Customers, other Trading Privilege Holders, or the SBSEF.

#### **408. System Security**

- (1) Each Trading Privilege Holder granted access to the Trading System must at all times have at least one Employee or agent (the "Responsible Person") designated as its administrator with respect to the use of the Trading System by such Trading Privilege Holder. The SBSEF may prescribe such qualification standards for Responsible Persons as it may from time to time determine necessary or advisable. Among other things, each Responsible Person shall (i) control access to the Trading System by the Trading Privilege Holder, and (ii) be able to access, directly or through the SBSEF and, if required, modify and withdraw, any and all Orders placed, or purported to be placed, by such Trading Privilege Holder. The Responsible Person or Responsible Persons of any Trading Privilege Holder will also be solely responsible for any and all communications between the SBSEF and such Trading Privilege Holder and any and all notices or other communications sent to such Responsible Person or Responsible Persons by the SBSEF will be binding on such Trading Privilege Holder. Each Trading Privilege Holder must notify the SBSEF promptly of any change regarding any of its Responsible Persons.
- (2) Each Trading Privilege Holder shall be solely responsible for controlling and monitoring the use of all user identification codes and passwords to access the Trading System (collectively, "Trader Information") issued to its Authorized Person or Authorized Persons by the SBSEF, and must notify the SBSEF promptly upon becoming aware of any unauthorized disclosure or use of the Trader Information or access to the Trading System or of any other reason for deactivating Trader Information. Each Trading Privilege Holder shall be bound by any actions taken through the use of its Trader Information (other than any such actions resulting from the fault or negligence of the SBSEF), including the execution of transactions, whether or not such actions were authorized by such Trading Privilege Holder, or any of its directors, officers or Employees until they have notified the SBSEF to the contrary in writing and the SBSEF has had a reasonable opportunity to act upon such notice.
- (3) Each Trading Privilege Holder shall be responsible for ensuring that its Authorized



Persons do not grant access to the Trading System to any person located outside the United States except as otherwise expressly permitted by the SBSEF. To the extent necessary to ensure the operational integrity of the Trading System, the SBSEF may at any time restrict or limit the access of Responsible Persons to specified locations, and each Trading Privilege Holder must ensure prompt compliance with any such limitation.

#### **409. Books and Records of ISVs**

Each ISV shall keep and maintain for at least five years books and records of the access it provides to the SBSEF, including records of the Orders and Indicative Orders routed by it to the SBSEF and make such records available, upon request, to the SBSEF (or its Regulatory Service Provider) and the SEC or other Governmental Authority.

#### **410. Restrictions on Activity**

If the SBSEF determines that the financial or operational condition of a Trading Privilege Holder is such that to allow that Trading Privilege Holder to continue to have access to the SBSEF would adversely affect the SBSEF or the financial markets, the SBSEF may limit or restrict the number or type of SBS that may be traded by such Trading Privilege Holder on the SBSEF or terminate the Trading Privileges of such Trading Privilege Holder as well as the Trading Privileges of its Authorized Persons.

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

- (1) Each Trading Privilege Holder shall have written disaster recovery and business continuity policies and procedures in place to ensure it is able to operate in the event of a significant internal or external interruption to its operations. At a minimum, each Trading Privilege Holder must have procedures in place to allow it to continue to operate during periods of stress or to transfer accounts to another fully operational Trading Privilege Holder with minimal disruption to the SBSEF.
- (2) The SBSEF may prescribe additional and/or alternative requirements for a Trading Privilege Holder's compliance with this Rule.
- (3) Each Trading Privilege Holder is required to keep current and provide disaster recovery and business continuity policies and procedures and contact personnel information upon request by Wematch.live LLC.

#### **412. Information Regarding Orders**

- (1) The SBSEF will make information regarding a Participant's Orders (including prices bid or offered), Transactions and any other matters it may deem appropriate available to that Participant at such times and in such manner (whether through the Trading System, a ticker, financial information service or otherwise) as it may consider necessary or advisable from time to time.
- (2) Each Trading Privilege Holder receiving any such information through the Trading System may redistribute such information only to such extent and in such manner as may be permitted by the SBSEF from time to time.

#### **413. [Reserved]**

#### **414. Anti-Money Laundering Obligations**

Each Trading Privilege Holder will be deemed to have made the following representations, warranties and covenants to the SBSEF, on behalf of itself and its respective Authorized Persons and Customers, each time it makes use of the Trading System:

- (1) Such Trading Privilege Holder is in compliance with all laws, rules and regulations applicable to it pertaining to anti-money laundering and anti-terrorism, including those related to sanctions screening and customer identification and verification. Such Trading Privilege Holder shall provide to the SBSEF, upon request, so long as permitted by Applicable Law, including those pertaining to data privacy, any documents and other information reasonably requested by the SBSEF in order to satisfy any anti-money laundering, anti-terrorism, sanctions screening or other customer identification and verification laws, rules and regulations applicable to the SBSEF; and
- (2) To the extent that such Trading Privilege Holder or any of its respective Authorized Persons or Customers, is located within the United States, or is otherwise subject to the jurisdiction of the United States, such Trading Privilege Holder, Authorized Person, or Customer is a U.S. person as defined by applicable regulations administered and enforced by the Office of Foreign Assets Control (“OFAC”), is subject to such regulations, and has implemented a program reasonably designed to comply with such regulations. As part of its OFAC compliance program, such Trading Privilege Holder, Authorized Person, or Customer, as applicable, has screened and will continue periodically to screen against the most recent version of OFAC’s List of Blocked Persons, Specially Designated Nationals, Specially Designated Terrorists, Specially Designated Global Terrorists, Foreign Terrorist Organizations and Specially Designated Narcotics Traffickers, the name and address of any counterparty to a transaction it executed or that was executed on its behalf on the Trading System.

## **Chapter 5. Trading Practices**

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### **501. Scope**

This Chapter 5 applies to all transactions in SBS, except as otherwise specifically provided in these Rules.

### **502. Calendar and Hours of Operation**

The SBSEF shall from time to time determine the Business Days and Business Hours during any particular calendar year and the Trading Hours in respect of each SBS. Calendar and hours of operation shall be published on the SBSEF's website. Except as may be otherwise expressly provided in these Rules, all references to times in these Rules shall be to the local time prevailing in New York, New York.

### **503. SBS Traded on the SBSEF**

- (1) The SBSEF shall determine which SBS can be traded from time to time pursuant to these Rules, provided that any determination in respect of listing a SBS for trading pursuant to these Rules shall be submitted to the SEC as required by the SEA and SEC Regulations.
- (2) [Reserved]
- (3) For each SBS executed on the SBSEF, the SBSEF shall generate and assign a unique trade identifier (UTI) at, or as soon as technologically practicable following, the time of execution of the SBS. The SBSEF shall transmit the UTI electronically to each counterparty to the SBS, as soon as technologically practicable after execution of the SBS.

### **504. Procedures**

- (1) With respect to trading on or through the SBSEF, the SBSEF may adopt, without limitation, procedures relating to transactions in SBS on the SBSEF and trading on the Trading System, including procedures to:
  - (a) Disseminate the prices of Bids and Offers on, and information regarding Trades in, SBS.
  - (b) Record and account for SBS.
  - (c) Perform market surveillance and regulation on matters affecting SBS.
  - (d) Establish limits on the number and/or size of Orders that may be submitted by a Participant or Authorized Person through the Trading System.
  - (e) Establish limits on the number of SBS that may be traded by a Participant through the Trading System.

- (f) Establish limits on the maximum daily price fluctuations for SBS and provide for any related restriction or suspension of trading in such SBS.
  - (g) Establish limits on how frequently a Participant may refresh its Bid or Offer.
- (2) The SBSEF may, at its discretion and at any time, amend any procedures adopted pursuant to Rule 504(1). The SBSEF shall communicate all such amendments to each Trading Privilege Holder and ISV pursuant to Rules 103 and 311.
  - (3) Each Participant is responsible for the accuracy of the information and prices it inputs or instructs others to input into the Trading System.
  - (4) Each Participant is obligated to settle all Transactions executed pursuant to the Rules.
  - (5) SBS that are transacted on the SBSEF are not cleared.
  - (6) The SBSEF does not establish or maintain any funded client accounts.

### **505. Order Entry**

- (1) As applicable by SBS transaction type (Permitted Transactions only) and Execution Method, Orders may be entered electronically.
- (2) Each Trading Privilege Holder and Authorized Person that submits an Order into the Trading System must provide the following details to the SBSEF prior to entering the Order or with the Order, as applicable:
  - (a) Trader ID.
  - (b) Trading Privilege Holder ID.
  - (c) Price or yield, quantity, maturity or expiration date.
  - (d) Price and quantity of the SBS.
  - (e) Order Side.
  - (f) CTI code.
  - (g) Legal Entity Identifier of the Participant.
  - (h) Yes/no indication of whether the Participant is a SBS Dealer for the SBS the Order pertains to.
  - (i) Yes/no indication of whether the Participant is a Major SBS Participant for the SBS the Order pertains to.
  - (j) Yes/no indication of whether the Participant is a U.S. Person.
  - (k) [Reserved]
  - (l) [Reserved]

### **506. Customer Type Indicator (CTI) Codes**

As required in Rule 505(2)(f), each Trading Privilege Holder and Authorized Person must include the correct CTI code with each Transaction executed or submitted for execution on the SBSEF to

the extent that the CTI code is not already included by the Trading System. For purposes of this Rule 506, the CTI codes are as follows:

- CTI 1 – Bid/Offer for the proprietary account of a Person that is a natural person.
- CTI 2 – Bid/Offer for the proprietary account of a Person that is not a natural person.
- CTI 3 – Bid/Offer which a Person executes for the proprietary account of another Person or for an account which the other Person controls or has an ownership or financial interest in.
- CTI 4 – Any Bid/Offer not meeting the definition of CTI 1, 2 or 3, including those entered on behalf of Customers.

**507. [Reserved]**

**508. Permitted Transactions**

- (1) The SBSEF may offer execution services in Permitted Transactions, as that term is defined by SEC Regulations.
- (2) A Permitted Transaction can be executed using any method agreed by the parties. A Permitted Transaction will be deemed executed when the SBSEF provides a written record of the terms of the executed Transaction to each Counterparty as provided herein.
- (3) [Reserved]
- (4) Each Trading Privilege Holder that is party to, or Intermediary in, a Permitted Transaction executed pursuant to section (2) of this Rule 508 must record the following details of the Transaction: the SBS (including the Delivery Month) to which such Transaction relates; the number of SBS traded; the price of execution or premium; the identity of the Counterparty; and, if applicable, details regarding the Customer for which the Transaction was executed, as well as, if applicable, the underlying interest. Upon request by the SBSEF, such Trading Privilege Holder must produce satisfactory evidence that the Transaction meets the requirements set forth in this Rule.

**509. Intermediated Transactions / Brokers**

- (1) With respect to a Permitted Transaction, a Broker may arrange a Transaction off the Trading System between two parties, each of which is a Participant, to be executed under the Rules of the SBSEF (“Brokered Transactions”).

- (2) Subject to Rule 308, Trading Privilege Holders who are Intermediaries shall immediately enter into the SBSEF all Brokered Transactions arranged off of the SBSEF on behalf of their Customers.
- (3) [Reserved]
- (4) The SBSEF shall provide all Confirmations of Intermediated Transactions to the Participant and to the Intermediary.
- (5) Subject to Rule 518, a Broker will not disclose the identities of counterparties to a transaction intended to be cleared.

**510. [Reserved]**

**511. [Reserved]**

**512. Execution Methods**

The following Execution Methods are available on the Trading System. Execution Methods are enabled by SBS transaction type (Permitted Transactions only) at the discretion of the SBSEF.

- (1) Actively negotiated trading. The Trading System enables participants to match their trading interests by specifying parameters such as security name, buy/sell indication, trade size, and indicative pricing. When the system detects opposing interests for the same security, it notifies the parties, allowing them to negotiate and finalize the trade details.
- (2) [Reserved]
- (3) [Reserved]
- (4) [Reserved]
- (5) Intermediated Transaction. As per Rule 509, an execution method whereby a Broker that is a SBSEF Intermediary (i) arranges trades between two parties, each of which is a SBSEF Participant that has authorized the Broker to place orders and report trades to the SBSEF on their behalf, then (ii) submits those arranged trades to the SBSEF's Trading System for execution pursuant to the rules of the SBSEF. Intermediated Transaction is available only for Permitted Transactions, as that term is defined in Rule 508 and by SEC Regulations.

Note: Wematch.live LLC transacts permitted transactions only.

### **513. Error Handling**

- (1) If a Trading Privilege Holder believes that a Bid/Offer to transact in one or more SBS was incorrectly displayed, executed or reported, or if a Trading Privilege Holder believes that a Trade was incorrectly executed or reported, that Trading Privilege Holder shall submit corrected data to the SBSEF and request that the SBSEF review the Bid/Offer or Transaction.
- (2) A request for review that is made by a Trading Privilege Holder must be made as soon as practicable but in no event after the end of the Business Day in which such Transaction took place. Upon receipt of a request for review of a Bid/Offer, the SBSEF will review its records to determine if the Trading System correctly displayed and/or executed the Bid/Offer.
- (3) If the review described in this Rule reveals that the Trading System or Market Operations staff made a material mistake or that a mistake occurred as a result of a malfunction in the Trading System or by human error, the Transaction will be canceled or adjusted, as appropriate.
- (4) If the review described in this Rule reveals that neither the Trading System nor Market Operations staff made a mistake, the SBSEF will inform the Trading Privilege Holder who requested the review that the SBSEF has determined that the Bid/Offer was properly handled, the evidence supporting that determination, and that an adjustment will not be made.
- (5) The SBSEF will document in writing all requests for review of Bids/Offer received by the SBSEF, the time and manner in which SBSEF reviewed its electronic audit trail in response to the request, the outcome of that review, and the action or actions taken by the SBSEF in response to that review.

### **514. Cancellations**

- (1) SBSEF Authority.

The SBSEF may, at its sole discretion, cancel any Transaction that it believes allowing to stand as executed could have a material, adverse effect on the integrity of the market or is necessary to mitigate market disrupting events caused by the improper or erroneous use of the Trading System or by system defects. All decisions of the SBSEF to cancel a Transaction shall be final. The SBSEF shall not have no liability for losses resulting from Transaction cancellations under this Rule. The SBSEF retains exclusive authority over all decisions involving the cancellation of Transactions.

- (2) Decision to Review Transaction.
  - (a) The SBSEF may determine to review a Transaction based on its independent analysis of market activity or upon request for review by a Trading Privilege Holder or Authorized Person of the SBSEF. A request for review that is made by a Trading Privilege Holder must be made within 30 minutes of the execution of the Transaction. The SBSEF shall determine whether or not a Transaction will be subject to review at its sole discretion. Upon deciding to review a Transaction, the SBSEF will promptly issue an alert to involved Trading Privilege Holders via the Trading System or electronic mail indicating that the Transaction is under review.
  - (b) A decision by the SBSEF to review a Transaction will be made as soon as practicable, and the SBSEF shall notify Trading Privilege Holders of any such decision.
- (3) Transaction Review.

- (a) If the SBSEF decides to review a Transaction, the SBSEF shall complete such review within one Business Day after it accepts such request unless it notifies involved Trading Privilege Holders that it is unable to complete its review during this time period.
  - (b) In reviewing a Transaction, the SBSEF shall determine the fair value price for the SBS at the time the Transaction under review occurred. The SBSEF may consider any relevant information, including, but not limited to, the last transaction price of the SBS or a better Bid/Offer, a more recent price for a different maturity date, the volatility of the market, market conditions at the time of the Transaction, the prices of related instruments in other markets, any other factors that the SBSEF deems relevant.
- (4) Transaction Review, Price Adjustment and Cancellation Procedures.
  - (a) If the SBSEF determines that a Transaction has been executed at a price that is representative of the market for the SBS, the SBSEF will issue a notification to Trading Privilege Holders that the Transaction shall stand as executed.
  - (b) If the SBSEF determines that a Transaction has been executed at a price that is not representative of the market for the SBS, the SBSEF shall have the right, in its sole discretion, to cancel or adjust the price of such Transaction. Canceled Transactions shall be canceled in the SBSEF's official records; Transactions that have had their price adjusted shall be canceled in the SBSEF's official records and shall be inserted in the SBSEF's official records at the adjusted price.
- (5) Voluntary Adjustment by Counterparty Agreement.
  - (a) With the approval of the SBSEF, parties to a Transaction that is under review or that has had its price adjusted may instead mutually agree to cancel or to adjust the price of the Transaction.
  - (b) With the approval of the SBSEF, Counterparties to a Transaction that is canceled may instead mutually agree to adjust the price of such Transaction to a fair value price.
  - (c) Subject to clauses (5)(a) and (5)(b), Counterparties to a trade that is canceled or that has had its price adjusted may mutually agree to a cash adjustment.
  - (d) Any cancellation or adjustment made pursuant to this paragraph (5) must immediately be reported by the Counterparties to the SBSEF. The parties shall maintain a record of such cancellation or adjustment, including a record of their report of the same to the SBSEF.
- (6) SBSEF Recordkeeping.

In accordance with the provisions of Rule 901, all canceled and modified Transactions shall be captured and retained in the SBSEF's official records.

## **515. Confirmations**

The SBSEF shall provide each Counterparty to a SBS with a written record of all of the terms of the SBS that were agreed to on the Trading System.



- (1) Uncleared SBS
  - (a) The economic terms specific to the Transaction agreed by Participants with respect to an Uncleared SBS shall be reflected by the SBSEF in a written communication (the "Trade Communication") sent to the applicable Trading Privilege Holders that are party to such Uncleared SBS, provided that where a Trading Privilege Holder is a Customer in an Intermediated Transaction, the confirmation will be provided to the Intermediary in accordance with paragraph (3). 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 Uncleared SBS existing at the time of such commitment to which such Participants are party (the "Terms Incorporated by Reference") shall, taken together, for purposes of SEC Regulation 242.812(b) comprise all of the terms of such Transaction that were agreed to on the Trading System and serve as a Confirmation of such Transaction (the Trade Communication and Terms Incorporated by Reference, together, the "Confirmation").
  - (b) In satisfaction of the obligations imposed on the SBSEF under SEC Regulation 242.812(b), (i) each Trade Communication is deemed to incorporate the Terms Incorporated by Reference set forth in this Rule 515, and (ii) the Participants that are party to the Uncleared SBS referenced in such Trade Communication hereby agree that the provisions of paragraph (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 the inconsistency, and the SBSEF's Trade Communication shall state the same.
  - (d) For each Uncleared SBS matched on or pursuant to the Rules of the SBSEF, each previously-negotiated freestanding agreement of the Counterparties included in the Terms Incorporated by Reference must be available to the SBSEF and/or the SEC staff upon request within a reasonable period of time. Any such agreements provided to the SBSEF in connection with an SEC request will be furnished to the SEC as soon as they are available.
- (2) [Reserved]
- (3) Intermediated Transactions. Each Trading Privilege Holder authorizes the SBSEF to send copies of Confirmations of SBS that are effected through an Intermediary to such Intermediary.

## **516. Incentive Programs**

- (1) The SBSEF may establish programs for Trading Privilege Holders that provide financial incentives for meeting trading volume or revenue thresholds, as established by the SBSEF.
- (2) All Trading Privilege Holders are eligible for discounts, provided that they meet the terms of the relevant program.

## **517. Enforceability**

A transaction entered into on or pursuant to the rules of the SBSEF shall not be void, voidable, subject to rescission, otherwise invalidated, or rendered unenforceable as a result of:

- (1) A violation by the SBSEF of the provisions of section 3D of the Act or the Commission's rules thereunder;
- (2) [Reserved]
- (3) [Reserved]

## **518. Post Trade Anonymity**

- (1) Pursuant to the SEC rule 242.815(f), except as otherwise required under the Act or the Commission's rules thereunder, it is prohibited to disclose, directly or indirectly, including through a third-party service provider, the identity of a counterparty for SBS executed anonymously and intended to be cleared.
- (2) [Reserved]

**Chapter 6. [Reserved]**

## **Chapter 7. Business Conduct**

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### **701. Rule Violations**

It shall be a violation of these Rules for a Trading Privilege Holder or Authorized Person to violate any agreement made with the SBSEF.

### **702. Market Abuse Detection**

The SBSEF has systems and measures in place to monitor compliance with the Rules, including, but not limited to disorderly trading conditions and conduct that may involve market abuse. A Trading Privilege Holder or Authorized Person demonstrating improper trading activity or attempts to manipulate the market may be suspended or excluded from using the SBSEF.

### **703. Supervision**

Each Trading Privilege Holder shall be responsible for establishing, maintaining and administering supervisory procedures that are reasonably designed to ensure that its Authorized Persons and its associated persons, if any, comply with these Rules, and may be held accountable for the actions of such Authorized Persons and associated persons.

### **704. Just and Equitable Principles of Trade**

It shall be a violation of these Rules for a Trading Privilege Holder or Authorized Person to engage in conduct inconsistent with just and equitable principles of trade.

### **705. Misuse of the Platform**

Misuse of the Trading System is prohibited. It shall be deemed an act detrimental to the welfare of the SBSEF to engage in unauthorized use of the Trading System, to assist any Person in obtaining unauthorized access to the SBSEF Trading System, to alter the equipment associated with the Trading System, to interfere with the operation of the Trading System, to intercept or interfere with information provided thereby, or in any way to use the SBSEF in a manner contrary to the Rules.

### **706. Withholding Orders Prohibited**

Any Trading Privilege Holder or Authorized Person entering Orders on the SBSEF for a Customer shall not withhold or withdraw from the market any Order, or any part of an Order, for the benefit of any Person other than such Customer. A Trading Privilege Holder or Authorized Person must enter into the Trading System all Orders received from its Customers that are immediately executable as soon as practicable following receipt.

### **707. Prohibited Trading Conduct**

It is a violation of these Rules for a Trading Privilege Holder to engage in abusive and/or prohibited trading conduct including, but not limited to, trading ahead of customer orders, accommodation trading, and improper cross trading. Specific prohibited trading conduct includes, but is not limited to:

- (1) Fraudulent Acts. No Trading Privilege Holder or Authorized Person shall engage or attempt to engage in any fraudulent act, or engage or attempt to engage in any scheme to defraud, deceive, trick or mislead another Person in connection with or related to any Trade on or other activity related to the SBSEF.

- (2) Fictitious Transactions. No Trading Privilege Holder or Authorized Person shall engage in fictitious transactions, improper cross-trading, accommodation trading or execute any such Order with knowledge of its nature as any of the foregoing.
- (3) Market Disruption. Orders entered into the SBSEF for the purpose of upsetting the equilibrium of the market in any SBS or creating a condition in which prices do not or will not reflect fair market values are prohibited, and any Trading Privilege Holder or Authorized Person who makes or assists in entering any such Order with knowledge of the purpose thereof or who, with such knowledge, in any way assists in carrying out any plan or scheme for the entering of any such Order will be deemed to have engaged in an act detrimental to the SBSEF.
- (4) Market Manipulation. No Trading Privilege Holder or Authorized Person shall manipulate or attempt to manipulate the price in any SBS.
- (5) Disruptive Trading Practices. No Trading Privilege Holder or Authorized Person shall engage in any trading practice or conduct that constitutes a disruptive trading practice.
- (6) Misstatements of Material Fact. It shall be a violation of these Rules for a Trading Privilege Holder or Authorized Person to make any knowing misstatement of a material fact to the SBSEF or knowingly to omit to state a material fact necessary in order to make the statement made, in the light of the circumstances under which they were made, not misleading.
- (7) Disclosing Orders. Except as otherwise permitted by these Rules, no Trading Privilege Holder or Authorized Person shall disclose to any Person the terms of any Order prior to its entry into the SBSEF, except to (a) an employee or agent of the same Trading Privilege Holder for the sole purpose of executing or recording such Order, (b) a SBSEF official, or (c) any regulatory or self-regulatory organization with jurisdiction over the SBSEF or such Trading Privilege Holder.
- (8) Front-Running. No Trading Privilege Holder or Authorized Person shall enter an Order into the SBSEF for its own account when such Trading Privilege Holder or Authorized Person knows that he is in possession of an Order for the same instrument that has not been executed, canceled or expired.
- (9) Wash Sales. No Trading Privilege Holder or Authorized Person shall buy and sell a SBS, place or accept buy and sell Orders in the same Instrument, or knowingly execute or accommodate the execution of such Orders by direct or indirect means, if the Trading Privilege Holder or Authorized Person knows or reasonably should know that the purpose of the Transaction is to avoid taking a bona fide market position exposed to market risk. Buy and sell Orders for different Customers with common Beneficial Ownership that are entered with the intent to negate market risk or price competition shall also be deemed to violate this Rule.
- (10) "Money passing." Pre-Arranged, Pre-Negotiated and Noncompetitive Transactions. (a) No Trading Privilege Holder or Authorized Person may enter an Order for the purpose of entering into the position without a net change in either party's open positions but a resulting profit to one party and a loss to the other party, commonly known as a "money pass," and (b) no Trading Privilege Holder or Authorized Person shall pre-arrange or pre-negotiate any purchase or sale or noncompetitively execute any Required Transaction, or any Permitted Transaction that is executed in accordance with Rule 508.
- (11) Trading Against Customer Orders. No Trading Privilege Holder or Authorized Person in possession of a Customer Order shall knowingly take, directly or indirectly, the opposite

side of such Order for its own account, an account in which it has a direct or indirect financial interest, or an account over which it has discretionary trading authority.

- (12) Any other manipulative or disruptive trading practices prohibited by the Act or by the Commission pursuant to Commission regulation.

## **Chapter 8. Discipline and Enforcement**

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### **801. General**

- (1) Trading Privilege Holders and other Persons within the SBSEF's jurisdiction are subject to this Chapter 8 if they are alleged to have violated, to have aided and abetted a violation of, to be violating, or to be about to violate, any Rule of the SBSEF or any provision of Applicable Law for which the SBSEF possesses disciplinary jurisdiction.
- (2) Except when the Board reserves responsibility for an inquiry or investigation to itself or delegates its responsibility to a committee of the Board, the SBSEF 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 8.
- (3) The SBSEF may delegate any or all of its powers or responsibilities under this Chapter 8 to the Compliance Department, which may take any actions on behalf of the SBSEF that the SBSEF is permitted to take hereunder. In the event of any such delegation, references to the SBSEF in this Chapter 8 shall be construed to be references to the Compliance Department. The Compliance Department will prosecute violations in accordance with this Chapter 8. The enforcement staff may not include Persons that are associated with Trading Privilege Holders or with Persons whose interests conflict with their enforcement duties. Further, a member of the enforcement staff may not operate under the direction or control of any Person with Trading Privileges. Any reference to the Compliance Department in this Chapter 8 shall also be a reference to the enforcement staff.
- (4) Any member of the Compliance Department must promptly recuse himself or herself and notify the CCO of the recusal if such member has a relationship of a type listed in Rule 207(1)(a) with a potential respondent in an investigative report.
- (5) No member of the staff of the SBSEF will interfere with or attempt to influence the process or resolution of any inquiry, investigation, Disciplinary Proceeding, appeal from a Disciplinary Proceeding, summary imposition of fines, summary suspension or other summary action. No member of the Board will interfere with or attempt to influence the process or resolution of any inquiry, investigation, Disciplinary Proceeding, appeal from a Disciplinary Proceeding, summary imposition of fines, summary suspension or other summary action with respect to which the Board member is not a member of the relevant Review Panel, Disciplinary Panel or Appeal Panel.
- (6) Upon being served with a notice of charges, the respondent may be represented by counsel or any other representative of its choosing, at its own expense, in all succeeding stages of the disciplinary process pursuant to this Chapter 8.
- (7) Pursuant to this Chapter 8, the SBSEF may hold:
  - (a) A Participant liable, and impose sanctions against such Participant, for such Participant's own acts and omissions that constitute a violation of Applicable Law.
  - (b) [Reserved]
  - (c) [Reserved]
  - (d) [Reserved]
- (8) The Board shall appoint individuals at the recommendation of the CCO to serve for a term of one year subject to reappointment, removal or replacement by the Board, as potential participants on Review Panels, Disciplinary Panels and Appeal Panels. The

term of an individual selected as a member of a Review Panel, Disciplinary Panel or an Appeal Panel will not expire until the relevant Disciplinary Proceedings are complete. No member of the Compliance Department may be a participant on a Review Panel, Disciplinary Panel or Appeal Panel.

## **802. Inquiries and Investigation**

- (1) The Compliance Department will investigate any matter within the SBSEF's disciplinary jurisdiction that is brought to the attention of the Compliance Department. An investigation must be commenced upon the receipt of a request from the SEC staff or upon the discovery or receipt of information by the SBSEF that, in the judgment of the Compliance Department, indicates a reasonable basis for finding that a violation has occurred or will occur. The Compliance Department will determine the nature and scope of its inquiries and investigations within its sole discretion.
- (2) The Compliance Department has the authority to:
  - (a) Initiate and conduct inquiries and investigations;
  - (b) Prepare investigative reports and make recommendations concerning the initiation of Disciplinary Proceedings; and
  - (c) Prosecute alleged violations within the SBSEF's disciplinary jurisdiction; and
  - (d) Represent the SBSEF on appeal from any Disciplinary Proceeding, summary imposition of fines, summary suspension or other summary action.
- (3) Each Trading Privilege Holder or other Person subject to the SBSEF's jurisdiction:
  - (a) Is obligated to appear and testify and respond in writing to inquiries within the time period required by the Compliance Department in connection with (i) any Rule of the SBSEF; (ii) any inquiry or investigation; or (iii) any preparation by and presentation during a Disciplinary Proceeding or appeal from a decision in a Disciplinary Proceeding, summary imposition of fines, summary suspension or other summary action by the SBSEF;
  - (b) Is obligated to produce books, records, papers, documents or other tangible evidence in its, his or her possession, custody or control within the time period required by the Compliance Department in connection with (i) any Rule of the SBSEF; (ii) any inquiry or investigation; or (iii) any preparation by and presentation during a Disciplinary Proceeding or appeal from a decision in any Disciplinary Proceeding, summary imposition of fines, summary suspension or other summary action by the SBSEF; and
  - (c) May not impede or delay any inquiry, investigation, Disciplinary Proceeding, appeal from a Disciplinary Proceeding, summary imposition of fines, summary suspension or other summary action.

## **803. Reports of Investigations**

- (1) The Compliance Department will maintain a log of all investigations and their disposition. Any member of the Compliance Department must promptly recuse himself or herself and notify the CCO of the recusal if such member has a relationship of a type listed in Rule 207(1)(2) with a potential respondent named in an investigative report. The Compliance Department will prepare a written report of an investigation for the CCO when the evidence gathered during any inquiry or investigation forms a reasonable basis to believe that a violation within the SBSEF's jurisdiction has occurred or is about to occur. Any such written investigation report will include the following information:



- (a) The reason(s) for initiating the investigation;
  - (b) A summary of the complaint, if any;
  - (c) All relevant facts and evidence gathered;
  - (d) The Compliance Department's analysis and conclusions; and
  - (e) The recommendation of the Compliance Department as to whether disciplinary action should be pursued.
- (2) For each potential respondent, the Compliance Department will recommend any one of the following actions:
- (a) Closing the investigation without further action;
  - (b) Resolving the investigation through an informal disposition, including the issuance of a warning letter; or
  - (c) Initiating Disciplinary Proceedings.
- (3) If the Compliance Department determines that no reasonable basis exists for finding a violation, then the written investigation report will include the following information:
- (a) The reasons for initiating the investigation;
  - (b) A summary of the complaint, if any;
  - (c) All relevant facts and evidence gathered;
  - (d) The Compliance Department's analysis and conclusions; and
  - (e) A copy of any recommended warning letter as well as the Trading Privilege Holder's disciplinary history at the SBSEF.
- (4) After reviewing the Compliance Department's written investigation report, the CCO will either:
- (a) Determine to proceed with the Compliance Department's recommendation to close the investigation without further action, or to resolve the investigation through an informal disposition, if such a recommendation has been made;
  - (b) Forward the investigation report to a Review Panel to determine whether further action with respect to the matters discussed therein is warranted; or
  - (c) Determine to proceed with the Compliance Department's recommendation to initiate Disciplinary Proceedings, if such a recommendation has been made.
- (5) Each Compliance Department investigation must be completed in a timely manner. Absent mitigating factors, a timely manner is no later than 12 months after the date that an investigation is opened. Mitigating factors that may reasonably justify an investigation taking longer than 12 months to complete include the complexity of the investigation, the number of firms or individuals involved as potential wrongdoers, the number of potential violations to be investigated, and the volume of documents and data to be examined and

analyzed. The SBSEF shall maintain investigatory files and disciplinary files in a form and manner acceptable to the Commission, for a period of at least five years, in accordance with SEC Rule 242.826(i).

- (6) In addition to any of the actions permitted pursuant to this Rule 803, the Compliance Department may issue a warning letter to the potential respondent. Such warning letter, if issued, shall not be construed as a penalty or an indication that a finding of a violation has been made. No more than one warning letter for the same potential violation may be issued to the same potential respondent during any rolling 12-month period.

#### **804. Review Panel**

- (1) The CCO may, at his or her discretion, convene a Review Panel to review an investigation report submitted by the Compliance Department to determine whether (i) a reasonable basis exists to believe that a violation of the Rules has occurred, and (ii) commencing Disciplinary Proceedings in respect of such potential violation is warranted. The chairman of the Review Panel shall be appointed by the CCO.
- (2) The Review Panel will review the completed investigation report promptly after receipt thereof and, within 20 Business Days of such receipt, take one of the following actions:
  - (a) If the Review Panel determines that additional investigation or evidence is needed, the Review Panel shall promptly direct the Compliance Department to conduct such further investigation;
  - (b) If the Review Panel determines that no reasonable basis exists for finding a violation or that prosecution is otherwise unwarranted, the Review Panel may direct that no further action be taken. Such determination must be in writing, and must include a written statement setting forth the facts and analysis supporting the decision; or
  - (c) If the Review Panel determines that a reasonable basis exists for finding a violation and adjudication is warranted, it must direct that the person or entity alleged to have committed the violation be served with a notice of charges.
- (3) Any member of the Review Panel must promptly recuse himself or herself and notify the CCO of the recusal if such member has a relationship of a type listed in Rule 207(1)(2) with a potential respondent in an investigative report.
- (4) The Review Panel shall be composed of three individuals. In forming a Review Panel, the CCO shall draw panel members from the individuals appointed by the Board as potential members of Review Panels. No group or class of Trading Privilege Holders may dominate or exercise disproportionate influence on a Review Panel, and no member of the Review Panel may participate in deliberations or voting on any matter in which he or she has a financial, personal or other direct interest. A Review Panel may not include any person involved in adjudicating any other stage of the same proceeding. If a vacancy shall occur on a Review Panel after it has begun its proceedings, the remaining members shall complete consideration and disposition of the matter. Once a Review Panel has determined the matter for which it was appointed and has notified the CCO in writing of its decision, it shall be dissolved automatically. The Regulatory Oversight Committee may, at any time, remove any member of a Review Panel for cause.

#### **805. Notice of Charges**

- (1) If the CCO or Review Panel authorizes the initiation of Disciplinary Proceedings, the Compliance Department will prepare, and serve in accordance with Rule 807, a notice of charges.

- (2) A notice of charges must:
  - (a) Adequately state the acts, practices or conduct that the respondent is alleged to have engaged in;
  - (b) State the Rule(s) or provision(s) of Applicable Law alleged to have been violated or about to be violated;
  - (c) Advise the respondent of its right to a hearing;
  - (d) State the period of time within which the respondent can request a hearing on the notice of charges, which will not be less than 20 Business Days after service of the notice of charges;
  - (e) Advise the respondent that any failure to request a hearing within the period stated, except for good cause, will be deemed to constitute a waiver of the right to a hearing; and
  - (f) Advise the respondent that a failure to answer or to expressly deny a charge may be deemed to be an admission of such charge.
- (3) Upon being served with a notice of charges, the respondent has the right to be represented by legal counsel or any other representative of its choosing in all succeeding stages of the Disciplinary Proceedings, other than a Board member, Director, member of an applicable Disciplinary Panel, SBSEF Employee or other person substantially related to the underlying investigation.

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

- (1) If the respondent determines to answer a notice of charges, the respondent must file a written answer within 20 Business Days after being served with such notice, or within such later time period determined appropriate by the Chairman of the Disciplinary Panel.
- (2) To answer a notice of charges, the respondent must in writing:
  - (a) Specify the allegations that the respondent denies or admits;
  - (b) Specify the allegations that the respondent does not have sufficient information to either deny or admit;
  - (c) Specify any specific facts that contradict the notice of charges;
  - (d) Specify any affirmative defenses to the notice of charges; and
  - (e) Sign and serve the answer to the Disciplinary Panel.
- (3) Any failure by the respondent to timely serve a written answer to a notice of charges will be deemed to be an admission to the allegations in such notice. Any failure by the respondent to answer or expressly deny one or more allegations in a notice of charges will be deemed to be an admission of that allegation or those allegations. A general denial by the respondent, without more, will not satisfy the foregoing requirements.
- (4) If a respondent admits or fails to specifically deny any of the allegations in the notice of charges, the Disciplinary Panel shall find that the violations set forth in such allegations have been committed and shall impose a sanction for each such violation. The Disciplinary Panel shall promptly notify the respondent in writing of any sanction to be imposed pursuant to this Rule 806(4) and advise the respondent that it may request a hearing on such sanction within the time period specified in the notice. The failure to

request such a hearing within such a time period shall be deemed to constitute an acceptance of such sanction. Any hearing pursuant to this Rule 806(4) shall be concerned only with the sanction(s) imposed by the Disciplinary Panel pursuant to this Rule 806(4).

### **807. Service of Notice**

Any notice of charges or other documents contemplated to be served pursuant to this Chapter 8 may be served upon the respondent either personally or by leaving the same at the respondent's place of business during Business Hours or by deposit with the United States post office, postage prepaid via registered or certified mail, or by overnight delivery, addressed to the respondent at the respondent's last known place of business or residence.

### **808. Settlements**

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

### **809. Disciplinary Panel**

- (1) The CCO will appoint a Disciplinary Panel to conduct hearings in connection with any Disciplinary Proceedings authorized by the CCO or a Review Panel to make findings and impose sanctions pursuant to this Chapter 8.

- (2) The Disciplinary Panel shall be comprised of three individuals. The Disciplinary Committee and/or Panel must include persons representing different membership interests so as to ensure fairness and to prevent special treatment or preference for any person in the conduct of a committee's or the panel's responsibilities. In forming a Disciplinary Panel, the CCO shall draw panel members from the individuals appointed by the Board as potential members of Disciplinary Panels. The CCO is prohibited from appointing to the Disciplinary Panel any compliance staff or SBSEF Employees including seconded Employees. The chairman of the Disciplinary Panel shall be appointed by the CCO. No group or class of Trading Privilege Holders may dominate or exercise disproportionate influence on a Disciplinary Panel, and no member of the Disciplinary Panel may participate in deliberations or voting on any matter in which he or she has a financial, personal or other direct interest. A Disciplinary Panel may not include any person involved in adjudicating any other stage of the same proceeding. If a vacancy shall occur on a Disciplinary Panel after it has begun its proceedings, the remaining members shall complete consideration and disposition of the matter. Once a Disciplinary Panel has determined the matter for which it was appointed and has notified the secretary in writing of its decision, it shall be dissolved automatically. The Board may, at any time, remove any member of a Disciplinary Panel for cause.
- (3) Any of the functions of the SBSEF or the Disciplinary Panel under this Chapter 8 may be performed by a Regulatory Services Provider pursuant to a delegation of such functions by the SBSEF, and references to the Disciplinary Panel or the Compliance Department, as appropriate, shall be deemed to be references to such Regulatory Service Provider. Nevertheless, the SBSEF will retain exclusive authority in all substantive decisions made by the Regulatory Service Provider, including, but not limited to, denials of access to the Trading System for disciplinary reasons. The SBSEF will document any instances where its actions differ from those recommended by the Regulatory Services Provider.
- (4) Within ten Business Days of being notified of the appointment of a Disciplinary Panel, a respondent may seek to disqualify any individual named to the Disciplinary Panel for the reasons identified in Rule 207(1)(2) or for any other reasonable grounds, by serving written notice on the SBSEF's General Counsel and providing a copy thereof to the Disciplinary Panel. By not timely filing a request for disqualification, the respondent will be deemed to have waived any objection to the composition of a Disciplinary Panel. The general counsel will decide the merits of any request for disqualification within his or her sole discretion. Any such decision will be final and not subject to appeal.

#### **810. Convening Hearings of Disciplinary Proceedings**

- (1) All Disciplinary Proceedings (except for summary impositions of fines pursuant to Rule 817) will be conducted at a hearing before a Disciplinary Panel. A hearing will be conducted privately and confidentially unless the Disciplinary Panel decides that the hearing, or any part of it, should be held in public after giving each respondent the opportunity to present its, his or her views on holding a public hearing. Notwithstanding the confidentiality of hearings, a Disciplinary Panel may appoint an expert to attend any hearing and assist in deliberations if such expert agrees to be subject to an appropriate confidentiality agreement.
- (2) After reasonable notice to each respondent, the Disciplinary Panel will promptly convene a hearing to conduct Disciplinary Proceedings with respect to such respondent. Parties to a Disciplinary Proceeding include each respondent and the Compliance Department. The hearing shall be conducted before members of the Disciplinary Panel.
- (3) The chairman of the Disciplinary Panel may continue, adjourn or otherwise conduct the hearing as he or she may deem appropriate. The chairman of the Disciplinary Panel will determine all procedural and evidentiary matters, including any pre-hearing motions and the admissibility and relevance of any evidence proffered. In determining procedural and

evidentiary matters, the chairman of the Disciplinary Panel will not be bound by any evidentiary or procedural rules or law; nevertheless, the procedures for the hearing may not be so informal as to deny a fair hearing. Once admitted during the hearing, the Disciplinary Panel may consider, and attach the weight it believes appropriate to, evidence or other materials. The SBSEF will provide guidance to the chairman of the Disciplinary Panel on the conduct of the hearing.

- (4) Except for procedural and evidentiary matters decided by the chairman of the Disciplinary Panel pursuant to paragraph (3) above and Rule 811, unless each respondent otherwise consents, the entire Disciplinary Panel must be present (either in person or telephonically) during the entire hearing and any related deliberations.

## **811. Respondent's Review of Evidence**

- (1) Prior to the commencement of a hearing, each respondent will be given the opportunity to review all books, records, documents, papers, transcripts of testimony and other evidence in the possession or under the control of the SBSEF that the Compliance Department will use to support the allegations and proposed sanctions in the notice of charges or which the chairman of the Disciplinary Panel deems relevant to those charges. Notwithstanding the foregoing, no respondent will have the right to review, and the SBSEF will have no obligation to disclose, any information that (i) is protected by attorney-client privilege or the work product doctrine; (ii) was prepared by the Compliance Department or an Employee of the SBSEF but will not be offered in evidence in the Disciplinary Proceedings; (iii) may disclose a technique or guideline used in examinations, investigations or enforcement proceedings; or (iv) discloses the identity of a confidential source.
- (2) If any books, records, documents, papers, transcripts of testimony or other tangible evidence contain information that could adversely affect the competitive position of the Person providing the information or if such information might compromise other investigations being conducted by the Compliance Department, the Compliance Department may redact, edit or code such information before furnishing it to the respondent.
- (3) Notwithstanding anything in paragraph (2) above to the contrary, the Compliance Department:
  - (a) Will not redact, edit or code competitive or investigative information contained in documents in a manner that would impair the respondent's ability to defend against the allegations or proposed sanctions in the notices of charges, and
  - (b) Will provide the respondent with access to the information and portions of the documents that the Compliance Department intends to rely on to support the allegations or proposed sanctions in the notice of charges or that are relevant to those charges.
- (4) For purposes of this Rule 811, information that could adversely affect competitive positions includes positions in SBS currently held, trading strategies employed in establishing or liquidating positions, the identity of Trading Privilege Holders or Customers, and the personal finances of the Person providing the information.
- (5) Unless indicated otherwise by the chairman of the Disciplinary Panel, all such requests for access to information identified in Rule 811(1) must be made not less than ten Business Days prior to the scheduled hearing date.

## **812. Conducting Hearings of Disciplinary Proceedings**

- (1) At a hearing conducted with a Disciplinary Panel, the Compliance Department will

present its case supporting the allegations and proposed sanctions in the notice of charges to the Disciplinary Panel. The respondent is entitled to appear personally and participate in the hearing.

- (2) At a hearing conducted with a Disciplinary Panel, the Compliance Department and each respondent may:
  - (a) Present evidence and facts deemed relevant and admissible by the chairman of the Disciplinary Panel;
  - (b) Call and examine witnesses (including, but not limited to, Employees or agents of the SBSEF that form part of the Compliance Department); and
  - (c) Cross-examine witnesses called by other parties.
- (3) If a respondent has failed to timely file a written answer to a notice of charges but appears at the hearing, the respondent may not participate in the hearing (except for a hearing pursuant to Rule 806(4)) unless the Disciplinary Panel determines that the respondent had a compelling reason for failing to timely file an answer. If the Disciplinary Panel determines that the respondent had a compelling reason for failing to timely file an answer, the Disciplinary Panel will adjourn the hearing and direct the respondent to promptly file a written answer in accordance with Rule 806.
- (4) Any person entitled, required, or called upon to attend a hearing before a Disciplinary Panel pursuant to paragraph (2)(b) 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. The SBSEF will require persons within its jurisdiction that are called as witnesses to appear at the hearing and produce evidence, and will make reasonable efforts to secure the presence of all other persons called as witnesses whose testimony would be relevant.
- (5) If, during any Disciplinary Proceedings, the Disciplinary Panel determines that a reasonable basis exists to believe that the respondent violated, or is about to violate, a Rule of the SBSEF or a provision of Applicable Law other than the violations alleged in the notice of charges, the Disciplinary Panel may consider those apparent violations after providing the respondent with an opportunity to answer the additional allegations in accordance with Rule 806. In connection with considering apparent violations pursuant to this paragraph (5), the Disciplinary Panel may request that the Compliance Department provide the Disciplinary Panel with any additional information.
- (6) The Disciplinary Panel may summarily impose sanctions on any Trading Privilege Holder or other Person within the SBSEF's jurisdiction whose actions impede the progress of a hearing.
- (7) The SBSEF will arrange for any hearing conducted in connection with Disciplinary Proceedings to be recorded verbatim, or substantially verbatim, in a manner capable of accurate transcription, and a copy of such recordings shall become a part of the record of such proceedings. If the respondent requests a copy of all or portions of the recording of a hearing, the chairman of the Disciplinary Panel may, within his or her sole discretion, order the respondent to pay the costs for transcribing the recording of the hearing.
- (8) No interlocutory appeals of rulings of any Disciplinary Panel, or chairman of the Disciplinary Panel, are permitted.

### **813. Decision of Disciplinary Panel**

- (1) Promptly following a hearing, the Disciplinary Panel will render a written decision within thirty (30) days of adjudication based on the weight of the evidence contained in the record of the Disciplinary Proceedings. A decision by a majority of the Disciplinary Panel

will constitute the decision of the Disciplinary Panel. Such decisions shall become effective at minimum fifteen (15) days after written notice has been delivered.

- (2) The SBSEF will serve a copy of the written decision on the respondent and the Compliance Department. The written decision will include the following information:
  - (a) The notice of charges or a summary of the charges;
  - (b) The answer, if any, or a summary of the answer;
  - (c) A summary of the evidence introduced at the hearing or, where appropriate, incorporation by reference of the investigation report;
  - (d) A statement of findings and conclusions with respect to each charge, and a complete explanation of the evidentiary and other basis for such findings and conclusions with respect to each charge;
  - (e) An indication of each specific rule that the respondent was found to have violated; and
  - (f) A declaration of all sanctions imposed against the respondent, including the basis for such sanctions and the effective date of such sanctions.
- (3) Unless a timely notice of appeal is filed pursuant to Rule 816, the order of the Disciplinary Proceedings will become final upon the expiration of 20 Business Days after the order is served on the respondent and a copy thereof is provided to the Compliance Department.

#### **814. Sanctions**

- (1) After notice and opportunity for hearing in accordance with these Rules, the SBSEF will impose sanctions if a Trading Privilege Holder or other Person or entity within the SBSEF's jurisdiction is found to have violated any Applicable Law. Disciplinary sanctions imposed by the SBSEF shall be commensurate with the violations committed, and shall be clearly sufficient to deter recidivism or similar violations by other market participants. All sanctions, including those imposed pursuant to an accepted settlement offer, will take into account the respondent's disciplinary history in determining the appropriate sanction.
- (2) The SBSEF may impose one or more of the following sanctions or remedies:
  - (a) A warning letter, provided that no more than one warning letter may be issued to the same respondent found to have committed the same rule violation within a rolling twelve month period;
  - (b) Censure;
  - (c) Limitation on the Trading Privilege Holder's right to access all or part of the Trading System;
  - (d) Suspension of the Trading Privilege Holder's right to access all or part of the Trading System for a period not to exceed 12 months;
  - (e) Fine (subject to paragraph (3) below);
  - (f) Restitution or disgorgement;
  - (g) Expulsion or termination of a Trading Privilege Holder or other Person within the SBSEF's jurisdiction; or



- (h) Any other sanction or remedy deemed to be appropriate including, but not limited to, full customer restitution, except where the amount of the restitution, or to whom it should be provided, cannot be reasonably determined in event of customer harm.
- (3) The SBSEF may impose a fine of up to \$100,000 for each violation. Each Participant will be responsible for paying any fine or other amount imposed on, but not paid by, any other agent or representative of such Participant.

## **815. Costs**

A Disciplinary Panel may order a respondent who has been found to have violated the Rules to pay costs associated with the Disciplinary Proceedings, including costs that the Disciplinary Panel believes were unnecessarily caused by the respondent, in addition to any fine or other penalty which may be imposed on such respondent. Costs may include costs associated with the inquiry or investigation, the prosecution by the Compliance Department, legal and professional assistance, the hearing, and administrative and other expenses incurred by the Disciplinary Panel.

## **816. Appeal From Disciplinary Panel Decision**

- (1) Parties to a Disciplinary Proceeding may appeal the decision of the Disciplinary Panel within 20 Business Days of receiving the order of the Disciplinary Proceedings by filing a notice of appeal with the CCO. While an appeal is pending, the effect of the written decision issued by the Disciplinary Panel (including any sanctions, remedies, or costs imposed thereby) shall be suspended.
- (2) In a notice of appeal, the appellant must state in writing the grounds for appeal, including the findings of fact, conclusions, or sanctions to which the appellant objects. A written request for an appeal must specify the grounds for the appeal and the specific error or impropriety of the original decision. An appellant may appeal the written decision of a Disciplinary Panel on the grounds that (i) the decision was arbitrary, capricious, an abuse of discretion, or not in accordance with the Rules, or (ii) the decision exceeded the authority or jurisdiction of the Disciplinary Panel or the SBSEF.
- (3) The CCO will forward copies of any notice of appeals received by him or her to all parties to the Disciplinary Proceedings in question other than the appellant. On or before the 20th Business Day after filing a notice of appeal, the appellant must file with the CCO and serve the Compliance Department a brief supporting the notice of appeal and documents supporting the brief.
- (4) Within 20 Business Days after the last submission filed pursuant to paragraph (3) above, the CCO shall appoint an Appeal Panel to consider and determine the appeal. The Appeal Panel shall be comprised of three individuals appointed by the Board as potential members of Appeal Panels, one of whom shall be appointed by the CCO to serve as chairman of the Appeal Panel. The Appeal Panel must include at least one person who is qualified to serve as a Public Director under SEC Regulations. No group or class of Trading Privilege Holders may dominate or exercise disproportionate influence on an Appeal Panel. An individual may not serve on an Appeal Panel if the individual has a relationship of a type described in Rule 208(1)(2) or was involved in the adjudication of any other stage of the same proceeding. The appeals proceeding shall be conducted before all members of the Appeal Panel.
- (5) Within ten Business Days of being notified of the appointment of an Appeal Panel, either party may seek to disqualify any individual named to the Appeal Panel for the reasons listed in Rule 208(1)(2) or for any other reasonable grounds, by serving written notice on the CCO. By not timely filing a request for disqualification, the parties will be deemed to have waived any objection to the composition of the Appeal Panel. The chief legal officer

will decide the merits of any such objection in his or her sole discretion. Any such decision will be final and not subject to appeal.

- (6) The Appeal Panel, by a majority vote, shall determine whether sufficient grounds exist to hold a hearing on the appeal. The Appeal Panel may only determine that sufficient grounds exist if there is a reasonable basis to conclude that the appellant may be able to demonstrate that the decision was arbitrary, capricious, an abuse of discretion, or not in accordance with the Rules, or that the decision exceeded the authority or jurisdiction of the Disciplinary Panel or the SBSEF. The Appeal Panel's determination shall be based solely upon the materials submitted by the appellant pursuant to paragraph (3). The Appeal Panel's determination of whether to hold a hearing on an appeal shall be final. If the Appeal Panel grants the appellant's request for a hearing, the appellee may file and serve its brief in opposition not more than 20 Business Days after the issuance of the determination of the Appeal Panel.
- (7) An Appeal Panel may hold a hearing to allow parties to present oral arguments. Any hearing will be conducted privately and confidentially unless the chairman of the Appeal Panel decides that the hearing, or any part of it, should be held in public after giving each appellant the opportunity to present its, his, or her views on holding a public hearing. Notwithstanding the confidentiality of hearings, an Appeal Panel may appoint individuals to attend any hearing and assist in the deliberations if such individuals agree to be subject to appropriate confidentiality agreements. In determining procedural and evidentiary matters, the Appeal Panel will not be bound by any evidentiary or procedural rules or law.
- (8) Except for good cause, the Appeal Panel will only consider on appeal the record before the Disciplinary Panel, the written exceptions filed by the parties, and the oral or written arguments of the parties. The Appeal Panel may only consider new evidence when it is satisfied that good cause exists as to why the evidence was not introduced during a prior stage of the Disciplinary Proceeding. In connection with any appeal, the Compliance Department will furnish to the Appeal Panel a transcript of the hearing, any exhibits introduced at the hearing, the notice of appeal, and briefs filed to support and oppose the appeal.
- (9) After completing its review, the Appeal Panel may affirm, modify, or reverse any order of Disciplinary Proceedings under appeal in whole or in part, including increasing, decreasing, or eliminating any sanction or remedy imposed; imposing any other sanction or remedy authorized by the Rules; or remanding the matter to the same or a different Disciplinary Panel for further Disciplinary Proceedings. The Appeal Panel may order a new hearing for good cause, or if the Appeal Panel deems it appropriate.
- (10) Promptly following the appeal proceeding, the Appeal Panel will issue a written decision and provide a copy to the parties. The written decision issued by the Appeal Panel must adhere to all the requirements of Rule 813(2), to the extent that a different conclusion is reached from that issued by the Disciplinary Panel. A decision by a majority of the Appeal Panel will constitute the decision of the Appeal Panel.
- (11) An Appeal Panel's written decision on appeal (including findings of fact and conclusions and the imposition of sanctions, remedies, and costs, and the effective date of any sanction, remedy, or cost) will be the final action of the SBSEF, and will not be subject to appeal within the SBSEF. Disciplinary sanctions imposed by the SBSEF shall be commensurate with the violations committed, and shall be clearly sufficient to deter recidivism or similar violations by other market participants. In addition, the respondent's disciplinary history will be taken into account in determining the appropriate sanction.

## **817. Summary Imposition of Fines Relating to Submission of Records**

- (1) The SBSEF may fine a Trading Privilege Holder or any other Person subject to the SBSEF's jurisdiction using a summary fine schedule for a violation of Rules regarding

timely submission of accurate records.

- (2) A warning letter may be issued for first-time violations, provided that no more than one warning letter may be issued per any rolling 12-month period for the same violation.

## **818. Summary Suspensions**

- (1) Notwithstanding anything in the Rules to the contrary, the CCO, or his or her designee, may summarily suspend a Participant's right to access the Trading System or the association of an Intermediary or any other Person with a Participant, or take other summary action against any Trading Privilege Holder or any Person subject to the SBSEF's jurisdiction, or suspend access to the Trading System of any other Person subject to the SBSEF's jurisdiction, if the SBSEF reasonably believes such immediate action is necessary to protect the best interest of the marketplace.
- (2) Whenever summary action pursuant to paragraph (1) above is proposed, the SBSEF will, if practicable, serve the party against whom the action is contemplated with written notice. If prior notice is not practicable, the SBSEF will give notice at the earliest possible opportunity to the respondent against whom the action is brought. The notice will be prepared by the Compliance Department, and such notice will state the action, briefly state the reasons for the action, and state the effective time, date, and duration of the action taken. The notice shall be served on the respondent in accordance with Rule 807.
- (3) The respondent shall be advised of its right to a hearing before a Disciplinary Panel pursuant to Rules 809-813, by filing a notice of intent with the Compliance Department within ten Business Days of service of notice. Filing of a notice of intent pursuant to this Rule shall not stay the CCO's decision to deny access. The respondent shall have the right to be represented by legal counsel, or any other representative of its choosing and at its own expense.
- (4) Promptly but no later than 20 Business Days after filing of a notice of intent, a Disciplinary Panel will conduct a hearing concerning the summary suspension. Promptly after such hearing, the Disciplinary Panel will render a written decision based on the weight of the evidence contained in the record of the proceeding. The decision of a majority of the Disciplinary Panel will be the decision of the Disciplinary Panel. The SBSEF will serve copies of the written decision of the Disciplinary Panel on the respondent and the Compliance Department. The written decision will include the following information:
  - (a) A description of, and reasons for, the summary action taken;
  - (b) A summary of the evidence produced at the hearing;
  - (c) A statement of findings of fact and conclusions;
  - (d) A determination that the summary action should be affirmed, modified, or reversed; and
  - (e) A declaration of any action to be taken pursuant to the determination, and the effective date and duration of such action.
- (5) Any decision of a Disciplinary Panel pursuant to this Rule 818 will be the final action of the SBSEF, and not subject to appeal within the SBSEF upon serving the respondent with a copy of the decision.
- (6) At the request of the SBSEF, a respondent who is summarily suspended pursuant to this Rule 818 must provide access to and/or copies of books and records over which the respondent has access or control, and must furnish information to, or appear or testify before, the SBSEF in connection with the enforcement of any Rule of the SBSEF.

## **819. Rights and Responsibilities After Suspension or Termination**

- (1) When the right of a Person to access the SBSEF is suspended for a period of 12 months or less, none of its rights will apply during the period of the suspension, except for (i) any right such Person may have to receive rebates or similar payments that were earned, prior to the suspension period, provided that such rebates or payments are not directly related to conduct giving rise to such suspension; or (ii) the right of the Person to assert claims against others as provided in the Rules. Any such suspension will not relieve such Person of its obligations under the Rules to perform any transactions entered into before the suspension, or for any SBSEF fees, costs, or charges incurred during the suspension. The SBSEF may discipline a suspended Person under this Chapter 8 for any violation of Applicable Law committed by it before, during, or after the suspension.
- (2) When the right of a Person to access the Trading System is terminated, all of its rights will terminate, except for the right of the Person in question to assert claims against others, as provided in the Rules. A terminated Trading Privilege Holder or other Person may only seek to reinstate its right to access the SBSEF by filing an application for participation in the SBSEF. The SBSEF will not consider the application of a terminated Person if such Person has failed to appear at Disciplinary Proceedings without good cause, or has impeded the progress of Disciplinary Proceedings.
- (3) A suspended or terminated Person remains subject to the Rules and the jurisdiction of the SBSEF for acts and omissions prior to the suspension or termination, and must cooperate in any inquiry, investigation, Disciplinary Proceeding, appeal of Disciplinary Proceedings, summary suspension, or other summary action as if the suspended or terminated Person still had the right to access the SBSEF.

## **820. Notice to the Respondent, the SEC, and the Public**

The SBSEF will provide written notice of Disciplinary Proceedings to the parties and the SEC consistent with SEC Regulations. Requests for correspondence related to the aforementioned, such as tapes, transcripts and other related documents will be provided at the expense of the respondent. Any such requests from the SEC will be provided gratis. Whenever the SBSEF suspends, expels, fines, or otherwise disciplines, or denies any Person access to the SBSEF, the SBSEF will make the public disclosures required by SEC Regulations.

## **821. Arbitration**

- (1) The law of the State of New York governs the Rules regardless of the laws that would otherwise apply under applicable choice-of-law principles.
- (2) Except as otherwise provided in these Rules, disputes between the SBSEF and Trading Privilege Holders and/or Authorized Persons, and disputes among Trading Privilege Holders and/or Authorized Persons arising under the SBSEF rules and/or out of the use of the systems or services of the SBSEF or the services, equipment, or facilities used to support such systems or services, including, without limitation, the SBSEF Trading System and the SBSEF operated by the SBSEF (each, a "Dispute"), shall be submitted for arbitration. This Rule 821 shall in no way be construed to create a cause of action and shall not authorize an action that would otherwise be prohibited by these Rules or Applicable Law.
- (3) Any such Dispute shall be brought within one year from the time that a cause of action has accrued. Commencement by a Trading Privilege Holder or Authorized Person of a suit against the SBSEF in any court instead of arbitrating a Dispute subject to arbitration, violates these Rules and subjects such Trading Privilege Holder or Authorized Person to disciplinary proceedings pursuant to Chapter 8.

- (4) Should this Rule be deemed unenforceable, (i) exclusive jurisdiction for any such dispute will reside in any state or federal court sitting in New York County, New York, (ii) all Trading Privilege Holders and Authorized Persons unconditionally and irrevocably waive any and all right to trial by jury in connection with any such dispute; (iii) the Trading Privilege Holders involved in the dispute will be presumed to have submitted to the personal jurisdiction of any such court, and (iv) an action to enforce any judgment or decision of such court may be brought in the same court or in any other court with jurisdiction or venue.
- (5) Notwithstanding the foregoing, this Rule 821 does not apply to disputes between Trading Privilege Holders or Authorized Persons that: (i) such Persons are required by the Rules of a SRO to submit to the dispute resolution procedures of that SRO; or (ii) such Persons have, by valid and binding agreement, committed to negotiate or litigate in a forum other than the forum set out in Rule 822.

## **822. Arbitration Forum**

Any Dispute arising out of or relating to use of the SBSEF, as described in Rule 821(2), shall be settled by arbitration administered by the American Arbitration Association (“AAA”), in its office located in New York City, NY, under its Commercial Arbitration Rules. The arbitration decision is final and judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.

## **823. Initiating an Arbitration Claim**

A Trading Privilege Holder or Authorized Person may initiate an arbitration claim by (i) submitting the required documents and fees to AAA; and (ii) providing notice of such claim to the SBSEF.

## **Chapter 9. Recordkeeping and Reporting**

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### **901. Recordkeeping Requirements**

- (1) The SBSEF will capture and retain all transaction data, so as to be able to reconstruct all Indicative Orders, Requests for Quotes, Orders, and Transactions within a reasonable period of time and to provide evidence of any Rule violations.
- (2) The SBSEF will retain unalterable, sequentially identified records for all Transactions executed on the SBSEF. This includes all Bids/Offers, whether accepted, unaccepted, canceled or modified, and all acceptances of Bids/Offers.
- (3) The SBSEF shall maintain an electronic transaction history database, which includes a history of all Bids/Offers and Transactions, and also includes:
  - (a) All data that are input into the order entry system;
  - (b) The categories of Trading Privilege Holders for which each Transaction is executed, and by which each Transaction is executed, including whether the Trading Privilege Holder executed the Transaction for its own account;
  - (c) Timing and sequencing data adequate to reconstruct trading activity; and
  - (d) Identification of each Trading Privilege Holder to which fills are allocated.
- (4) The SBSEF will use the electronic transaction history database to reconstruct trading and identify possible Rule violations. The SBSEF will conduct annual reviews of all members, authorized/key personnel and firms subject to the SBSEF's jurisdiction to verify their compliance with the SBSEF's audit trail and recordkeeping requirements and will identify Trading Privilege Holders that may have failed to comply with such requirements. Such Persons will be subject to investigation by the Compliance Department for possible disciplinary action. The annual review must include, but is not limited to, reviews of randomly selected samples of front-end audit trail data for order routing systems; a review of the process by which user identifications are assigned and user identification records are maintained; a review of usage patterns associated with user identifications to monitor for violations of user identification requirements; and reviews of account numbers and Customer Type Indicator Codes in transaction records to test for accuracy and improper use.
- (5) The SBSEF will safely store all data retained in the transaction history database in a manner that protects it from unauthorized alteration, as well as from accidental erasure or other loss.

### **902. Daily Market Data Report**

- (1) The SBSEF shall make available a Daily Market Data Report containing for each tenor of each SBS traded on the SBSEF:
  - (a) The trade count (excluding error trades, correcting trades, and offsetting trades);
  - (b) The total notional amount traded (excluding error trades, correcting trades, and offsetting trades);
  - (c) [Reserved]
  - (d) The opening and closing price;

- (e) The price that is used for settlement purposes, if different from the closing price; and
  - (f) The lowest price of a sale or offer, whichever is lower, and the highest price of a sale or bid, whichever is higher, that the security-based swap execution facility reasonably determines accurately reflects market conditions. Bids and offers vacated or withdrawn shall not be used in making this determination. A bid is vacated if followed by a higher bid or price and an offer is vacated if followed by a lower offer or price.
  - (g) The method used by the SBSEF in determining nominal prices and settlement prices; and
  - (h) If discretion is used by the SBSEF in determining the opening and/or closing ranges or the settlement prices, an explanation that certain discretion may be employed by the SBSEF and a description of the manner in which that discretion may be employed.
- (2) The SBSEF shall publish the Daily Market Data Report on its website as soon as reasonably practicable on the next business day after the day to which the information pertains, but in no event later than 7 a.m. on the next business day and shall keep each Daily Market Data Report available on its website in the same location as all other Daily Market Data Reports for no less than one year after the date of first publication.

**903. [Reserved] .**

## **Chapter 10. Liability and Disclaimers of Liability**

### **1001. LIMITATION OF LIABILITY**

- (1) EXCEPT TO THE EXTENT THAT A COURT OF COMPETENT JURISDICTION HAS FOUND IN A FINAL ADJUDICATION THAT ANY OF THE FOLLOWING PERSONS HAS ENGAGED IN GROSS NEGLIGENCE OR WILLFUL MISCONDUCT, THE SBSEF, ITS AFFILIATES, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, CONSULTANTS AND LICENSORS, SHALL NOT BE LIABLE TO ANY PERSON FOR ANY LOSSES, DAMAGES, COSTS OR EXPENSES (INCLUDING, BUT NOT LIMITED TO, LOSS OF PROFITS, LOSS OF USE, AND DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES) IN CONTRACT, TORT, NEGLIGENCE, FRAUD, STRICT LIABILITY, CONTRIBUTION OR OTHERWISE AND WHETHER THE CLAIM IS BROUGHT DIRECTLY OR AS A THIRD PARTY CLAIM, ARISING FROM:
  - (a) ANY FAILURE, MALFUNCTION, FAULT IN DELIVERY, DELAY, OMISSION, SUSPENSION, INACCURACY, INTERRUPTION, TERMINATION, OR ANY OTHER CAUSE, IN CONNECTION WITH THE FURNISHING, PERFORMANCE, OPERATION, MAINTENANCE, USE OF OR INABILITY TO USE ALL OR ANY PART OF ANY OF THE SYSTEMS AND SERVICES OF THE SBSEF (INCLUDING SUBSIDIARIES AND AFFILIATES), OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS AND SERVICES, INCLUDING WITHOUT LIMITATION ELECTRONIC ORDER ENTRY/DELIVERY, TRADING THROUGH ANY ELECTRONIC MEANS, ELECTRONIC COMMUNICATION OF MARKET DATA OR INFORMATION, WORKSTATIONS USED BY TRADING PRIVILEGE HOLDERS, PRICE REPORTING SYSTEMS AND ANY AND ALL TERMINALS, COMMUNICATIONS NETWORKS, CENTRAL COMPUTERS, SOFTWARE, HARDWARE, FIRMWARE AND PRINTERS RELATING THERETO; OR
  - (b) ANY FAILURE OR MALFUNCTION, FAULT IN DELIVERY, DELAY, OMISSION, SUSPENSION, INACCURACY, INTERRUPTION OR TERMINATION, OR ANY OTHER CAUSE, OF ANY SYSTEM OR SERVICE OF THE SBSEF (INCLUDING SUBSIDIARIES AND AFFILIATES), OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS OR SERVICES, CAUSED BY ANY THIRD PARTIES INCLUDING, BUT NOT LIMITED TO, INDEPENDENT SOFTWARE VENDORS AND NETWORK PROVIDERS; OR
  - (c) ANY ERRORS OR INACCURACIES IN INFORMATION PROVIDED BY THE SBSEF (INCLUDING SUBSIDIARIES AND AFFILIATES) OR ANY SBSEF (INCLUDING SUBSIDIARIES AND AFFILIATES) SYSTEMS, SERVICES OR FACILITIES; EXCEPT FOR INCORRECT ORDER STATUS; OR
  - (d) ANY UNAUTHORIZED ACCESS TO OR UNAUTHORIZED USE OF ANY SBSEF (INCLUDING SUBSIDIARIES AND AFFILIATES) SYSTEMS, SERVICES OR FACILITIES BY ANY PERSON.
- (2) NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS (INCLUDING BUT NOT LIMITED TO WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE OR USE) ARE PROVIDED BY THE SBSEF (INCLUDING SUBSIDIARIES AND AFFILIATES), ITS OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, CONSULTANTS, OR LICENSORS RELATING TO ANY SYSTEMS OR SERVICES OF THE SBSEF (INCLUDING SUBSIDIARIES AND AFFILIATES) OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS OR SERVICES, INCLUDING, WITHOUT LIMITATION, THE TRADING SYSTEM.



- (3) ANY DISPUTE ARISING OUT OF THE USE OF SYSTEMS OR SERVICES OF THE SBSEF (INCLUDING SUBSIDIARIES AND AFFILIATES) OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS OR SERVICES IN WHICH THE SBSEF (INCLUDING SUBSIDIARIES AND AFFILIATES), OR ANY OF ITS OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, CONSULTANTS OR LICENSORS IS A PARTY MUST BE BROUGHT WITHIN ONE YEAR FROM THE TIME THAT A CAUSE OF ACTION HAS ACCRUED. ANY SUCH DISPUTE MAY ONLY BE LITIGATED IN THE COUNTY OF NEW YORK IN THE STATE OF NEW YORK AND WILL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO ANY PROVISIONS OF NEW YORK LAW THAT WOULD APPLY THE SUBSTANTIVE LAW OF A DIFFERENT JURISDICTION. THIS PARAGRAPH (3) SHALL IN NO WAY BE CONSTRUED TO CREATE A CAUSE OF ACTION AND SHALL NOT AUTHORIZE AN ACTION THAT WOULD OTHERWISE BE PROHIBITED BY THE RULES.
- (4) EXCEPT IN THE CASE OF GROSS NEGLIGENCE, WILLFUL MISCONDUCT, FRAUD, OBLIGATIONS TO MAINTAIN CONFIDENTIALITY, OR INDEMNIFICATIONS IN RESPECT OF INTELLECTUAL PROPERTY MATTERS, IN NO EVENT SHALL THE SBSEF'S (INCLUDING SUBSIDIARIES AND AFFILIATES) TOTAL COMBINED AGGREGATE LIABILITY FOR ALL CLAIMS ARISING OUT OF ANY NEGLIGENCE, FAILURES, MALFUNCTIONS, FAULTS IN DELIVERY, DELAYS, OMISSIONS, SUSPENSIONS, INACCURACIES, INTERRUPTIONS, TERMINATIONS, ORDER STATUS ERRORS OR ANY OTHER CAUSES, IN CONNECTION WITH THE FURNISHING, PERFORMANCE, OPERATION, MAINTENANCE, USE OF OR INABILITY TO USE ALL OR ANY PART OF ANY OF THE SBSEF'S (INCLUDING SUBSIDIARIES AND AFFILIATES) SYSTEMS OR SERVICES, OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS AND SERVICES, OR THE NEGLIGENCE OF SBSEF (INCLUDING SUBSIDIARIES AND AFFILIATES) STAFF, EXCEED \$25,000 FOR ALL LOSSES FROM ALL CAUSES SUFFERED BY ALL PERSONS ON A SINGLE DAY;  
\$100,000 FOR ALL LOSSES SUFFERED BY ALL PERSONS FROM ALL CAUSES IN A SINGLE CALENDAR MONTH; AND \$250,000 FOR ALL LOSSES FROM ALL CAUSES SUFFERED BY ALL PERSONS IN A SINGLE CALENDAR YEAR.
- (5) A CLAIM AGAINST THE SBSEF (INCLUDING EACH OF THEIR RESPECTIVE SUBSIDIARIES AND AFFILIATES), ARISING OUT OF ANY FAILURE OR MALFUNCTION SHALL ONLY BE ALLOWED IF SUCH CLAIM IS BROUGHT IN ACCORDANCE WITH THIS RULE.
- (6) NOTWITHSTANDING THE FOREGOING, THE LIMITATION OF LIABILITY PURSUANT TO THIS RULE 1001 IS LIMITED TO CLAIMS ARISING OUT OF THE SBSEF'S (INCLUDING SUBSIDIARIES AND AFFILIATES) OPERATION OF THE SBSEF AND/OR PROVISION OF SERVICES TO THE SBSEF AND, FOR THE AVOIDANCE OF DOUBT, SHALL NOT LIMIT ANY PARTY'S LIABILITY AS PRINCIPAL TO TRADES EXECUTED ON THE SBSEF.
- (7) THE FOREGOING LIMITATION OF LIABILITY OF THIS RULE DOES NOT APPLY TO THE SBSEF'S OBLIGATIONS ARISING FROM CEA, PART 37 AND THE REGULATIONS PROMULGATED THEREUNDER.

## **1002. Force Majeure**

The SBSEF shall not be liable for any failure, hindrance or delay in performance in whole or in part of its obligations under the Rules or (subject to the terms of the relevant SBS) of any SBS if such failure, hindrance or delay arises out of events or circumstances beyond its control. Such events or circumstances may include, but are not limited to, a change of law or regulation which in the SBSEF's opinion would render a Trading Privilege Holder's or Customer's participation in the SBSEF or service rendered by the SBSEF, illegal or impractical or adversely affect the ability of such Trading Privilege Holder or Customer to perform its obligations under the Rules or a SBS,

acts of God or a public enemy, acts of a civil or military authority, embargoes, fire, flood, labor dispute, unavailability or restriction of computer or data processing facilities, energy supplies, settlement systems or of bank transfer systems or wires, and any other causes beyond the parties' reasonable control.

### **1003. Anti-Money Laundering**

It is Wematch.live LLC policy:

- (1) Not to engage in or knowingly assist any money laundering or other illicit business, and
- (2) Not to engage in or knowingly assist, or be a conduit for, terrorist financing.

### **1004. Confidentiality of Wematch.live LLC Intellectual Property**

Each Trading Privilege Holder hereby acknowledges and agrees that the SBSEF owns and shall retain all right, title and interest in and to the Trading System, all components thereof, including without limitation all related applications, all application programming interfaces, user interface designs, software and source code and any and all intellectual property rights therein, including, without limitation all registered or unregistered, as applicable copyright, trade mark, service mark, trade secret, trade name, data or database rights, design rights, moral rights, inventions, whether or not capable of protection by patent or registration, rights in commercial information or technical information, including know-how, research and development data and manufacturing methods, patent, and other intellectual property and ownership rights, including applications for the grant of any of the same, in or to the Trading Platform and all other related proprietary rights of the SBSEF and/or any of its Affiliates (together, with any and all enhancements, corrections, bug fixes, updates and other modifications to any of the foregoing and any and all data or information of any kind, other than proprietary data, confidential data, and Participant Data, transmitted by means of any of the foregoing, "SBSEF Intellectual Property"). Each Trading Privilege Holder, on behalf of itself and each of its Affiliates and other Persons affiliated with any of the foregoing, further acknowledges and agrees that the SBSEF Intellectual Property is the exclusive, valuable and confidential property of the SBSEF. Each Trading Privilege Holder acknowledges and agrees that it shall not and shall not permit its Affiliates, Authorized Persons and other Persons affiliated with any of the foregoing to, reverse engineer, copy, bug fix, correct, update, transfer, reproduce, republish, broadcast, create derivative works based on or otherwise modify, in any manner, all or any part of the Trading System or the SBSEF Intellectual Property. Each Trading Privilege Holder, further agrees to and to cause each of its Affiliates, Authorized Persons and other Persons affiliated with any of the foregoing, to keep the SBSEF Intellectual Property confidential and not to transfer, rent, lease, loan, sell or distribute, directly or indirectly, all or any portion of the Trading System or any SBSEF Intellectual Property.

## **Chapter 11. Miscellaneous**

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### **1101. Gifts and Gratuities**

Except as permitted in writing by the CCO, no Trading Privilege Holder or Authorized Person shall, directly or indirectly, give or permit to be given anything of value (including gratuities) to a SBSEF official and/or Employee, including any agents or independent contractors of the SBSEF. A gift of any kind is considered a gratuity. Furthermore, no Director or Officer, or individual employed directly by the SBSEF or its affiliates, including any agents or independent contractors, of the SBSEF may give anything of value to a Trading Privilege Holder or Authorized Person directly or indirectly, including gratuities.

### **1102. Subpoena**

Any and all subpoenas should be immediately forwarded to the CCO for appropriate action. A subpoena must state the name of the court, title of the proceeding, include the seal of the court, and a list of requested documents and or correspondence. The CCO will respond in concert with regulatory guidelines and requirements. Any cost associated with complying and or responding to subpoenas is the responsibility of the requester.

### **1103. Governing Law**

The law of the New York State governs the Rules regardless of the laws that would otherwise apply under applicable choice-of-law principles.

### **1104. Signatures**

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

## **Chapter 12. TRS CONTRACT TERMS AND CONDITIONS**

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### **1201. Scope**

- (1) The rules in this chapter govern the trading of Total Return Swap (“TRS”) contracts. For purposes of this Chapter, the terms “contract” and “SBS” shall have the same meaning and may be used interchangeably.
- (2) The SBSEF shall list for trading hereunder Contracts as may be designated by the SBSEF from time to time.
- (3) TRS traded on the SBSEF are not cleared.

### **1202. Equity TRS custom basket**

- (1) Contract Description. An Equity TRS custom basket is a product which allows the ability to gain exposure to the returns of a custom basket of equity securities ("equity leg") in exchange for payment or receipt of regular fixed or floating payments ("floating leg") usually interest based, plus a differential. The calculation of the value of which the equity leg is based will be the appreciation/depreciation of the underlying equity leg plus any income due from the components of the basket of equity securities.
- (2) Trading Hours. 7:00 AM to 4:00 PM Eastern Time, Monday – Friday.
- (3) Tenor. As agreed by Participants, 1 day to 50 years.
- (4) Trade date. Date which trade terms are agreed.
- (5) Trade types: Outrights.
- (6) Quote Conventions. Quoted in bps as a spread or fixed rate.
- (7) Settlement. Cash settlement based on a floating rate schedule.
- (8) Settlement Payments: An Equity TRS custom basket Payor of agreed interest rate such as SOFR, Fed Funds, OBFR / Receiver of Index Return receives appreciation and dividends of the underlying asset / pays depreciation of, if any, on index, and pays a rate of interest plus a differential on the underlying notional amount of the TRS. An Equity Index TRS Receiver of agreed interest rate such as SOFR Fed Funds, OBFR / Payer of Index Return pays appreciation and dividends of the index / receives depreciation of, if any, on index, and receives a rate of interest plus a differential on the underlying notional amount of the TRS.
- (9) Payment Frequency. Determined by agreed rate interest such as SOFR, Fed Funds, OBFR (3m, 6m, etc.) or agreed fixed rate frequency.
- (10) Day Count. Act/360
- (11) Maturity. As agreed by Participants; any maturity up to 50 years.
- (12) Notional Amount. Any amount as agreed by Participants.
- (13) Leg Conventions. Floating Leg - Cashflow: xM SOFR, Fed Funds, OBFR+ Spread or an agreed fixed rate. Equity Leg - Notional x (% increase of equity index over floating rate period)
- (14) Business Day Convention. As agreed by Participants.

(15) Breaks/Resets. As agreed by counterparties.



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