



March 23, 2016

Via Electronic Submission

Ontario Securities Commission
20 Queen Street West, 22nd Floor
Toronto, ON
Canada M5H 3S8
Attention: Secretary of the Commission

RE: Javelin SEF, LLC – Application for Exemption from Recognition as an Exchange

Dear Sir or Madam,

Javelin SEF, LLC (“Javelin SEF”), is pleased to submit this application (“Application”) to the Ontario Securities Commission (“OSC”) for an order pursuant to Section 147 of the Securities Act of Ontario with respect to Javelin’s operation of a swap execution facility located in the United States, on which certain Ontario entities may participate. On September 20, 2013, the OSC issued an interim order pursuant to Section 147 of the Securities Act (Ontario) (“OSA”) exempting Javelin SEF from the requirement to be recognized as an exchange under Section 21(1) of the Act (“Interim Order”). Javelin SEF has been operating under the Interim Order. Javelin SEF requests a decision under Section 147 of the OSA exempting Javelin from the requirement to be recognized as an exchange under Subsection 21(1) of the OSA.

For convenience, this application is divided into the following Parts I to IV, Part III of which describes how Javelin SEF will satisfy OSC Staff’s criteria for exemption from registration of Javelin SEF as a foreign-based exchange.

This application is divided into Parts I to IV as described below.

Part I Introduction

1. Javelin SEF services to Ontario residents

Part II Background on Javelin SEF

1. Ownership of Javelin SEF
2. Products Traded on Javelin SEF
3. Javelin SEF Participants

Part III Application of Exemption Criteria to Javelin SEF

1. Regulation of the Exchange
2. Governance
3. Regulation of Products
4. Access
5. Regulation of Participants on the Exchange
6. Rulemaking
7. Due Process
8. Clearing and Settlement
9. Systems and Technology
10. Financial Viability
11. Trading Practices
12. Record Keeping
13. Outsourcing
14. Fees
15. Information Sharing and Oversight Arrangements
16. IOSCO Principles

Part IV Submissions

1. Submissions Concerning the Exchange Relief

Part I INTRODUCTION

1. Javelin SEF Services to Ontario Participants

- 1.1 Javelin SEF, LLC (“Javelin SEF”) is a Swap Execution Facility (“SEF”) as defined by Section 1a(50) of the Commodity Exchange Act (“CEA”). On September 19, 2013 the US Commodity Futures Trading Commission (“CFTC”) granted Javelin SEF temporary registration as a SEF. On January 22, 2016 the CFTC granted Javelin SEF registration as a swap execution facility.
- 1.2 Javelin SEF does not maintain any offices or other physical installations in Ontario or in Canada at large.
- 1.3 Javelin SEF currently permits trading in interest rate swaps (“IRS”). The IRS currently listed on Javelin SEF are (a) IRS traded in U.S Dollar (“USD”) cleared through the Chicago Mercantile Exchange (“CME”) and (b) IRS traded in USD, British Pounds Sterling (“GBP”), Swiss Franc (“CHF”), Japanese Yen (“JPY”), Australian Dollars (“AUD”), Euros (“EUR”) and Canadian Dollars (“CAD”) cleared through the London Clearing House (“LCH”).
- 1.4 Javelin SEF and has no current plans to expand its product offerings, but may eventually offer swap transactions in credit-related indices (credit-default swaps), depending on the developments in that marketplace over time.
- 1.5 There are three methods of trade execution on Javelin SEF: (1) electronic, (2) voice, and (3) voice hybrid electronic. Javelin SEF operates the following market places for trade execution (i) voice central limit order book (“CLOB”), (ii) an electronic CLOB, (iii) electronic request-for-quote system (“RFQ”). Javelin SEF’s electronic CLOB and a voice CLOB, which operates on price-time priority, provide “all-to-all” markets in which any participant may trade with any other participant. Javelin SEF also offers an RFQ in which a requestor may query other participants for a price on a bespoke IRS structure.
- 1.6 All trades on Javelin SEF are cleared including those swaps for which there is no mandatory clearing. Javelin SEF currently clears trades at either CME or LCH.
- 1.7 Javelin SEF offers remote access to Ontario participants into Javelin SEF’s electronic platform, and/or access to Javelin SEF’s voice execution desk (i.e., voice-hybrid electronic trading and/or voice CLOB). To obtain trading privileges, the participant must be:
 - a. An Eligible Contract Participant (“ECP”) as defined by Section 1a(18) of the CEA;
 - b. Appropriately registered as applicable under Ontario securities law or is exempt from or not subject to those requirements, if it is an Ontario participant.
- 1.8 Ontario participants who have direct access to Javelin SEF are (i) Canadian financial institutions, (ii) certain institutional investors, and (iii) proprietary trading firms with their principal office in Ontario.

Part II BACKGROUND TO JAVELIN SEF

1. Ownership of Javelin SEF, LLC

1.1 Javelin SEF is a wholly owned subsidiary of Javelin Capital Markets, LLC.

2. Products Traded

2.1 Javelin SEF currently offers IRS transactions clearing through the CME and LCH. The IRS currently listed on Javelin SEF are (a) IRS traded in USD cleared through the CME and (b) IRS traded in USD, GBP, CHF, JPY, AUD, EUR and CAD that are cleared through the LCH. Javelin SEF's product listing is found in Chapter 10 of Javelin SEF's Rulebook:

http://static1.squarespace.com/static/55521b0be4b03147c4b776d3/t/569558672399a37fac2be99a/1452628072674/160113_Javelin+SEF_RULEBOOK_34_FINAL.pdf .

3. Javelin SEF Participants

3.1 Javelin SEF's participants include a wide range of US and international financial institutions, insurance companies, and hedge funds. Individuals are not currently permitted to trade on Javelin SEF. All participants must meet the requirements as an ECP or other registrations as required.

Part III APPLICATION OF EXEMPTION CRITERIA TO JAVELIN SEF

1. Regulation of the Exchange

Regulation of the Exchange – The exchange is regulated in an appropriate manner in another jurisdiction by a foreign regulator (Foreign Regulator).

1.1 Javelin SEF, LLC is a SEF as defined by Section 1a(50) of the CEA. Javelin SEF was granted temporary registration as a SEF by the CFTC on Sept 19, 2013, and was granted full registration on January 22, 2016. As a result Javelin SEF is subject to regulatory supervision by the CFTC. Javelin SEF must comply with the CEA and the regulations promulgated thereunder by the CFTC ("CFTC Regulations").

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

1.2 The CFTC's authority to regulate SEFs comes from amendments made to the CEA as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law 111-203, 124 Stat. 1376 (2010) (the "DFA"). The goal of the DFA was to create a new regulatory framework for the trading of swaps and security-based swaps that would reduce risk, promote price transparency (on both a pre and post trade basis), and promote market integrity. In connection with SEF's, the goal of the CEA and the CFTC Regulations is to provide a framework for the registration, operation and compliance requirements for SEFs. Section 1a(50) of the CEA defines SEFs as "... a trading system or platform in which multiple participants have the ability to execute or trade swaps by accepting bids and offers made by multiple participants in the facility or system, through any means of interstate commerce, including any trading facility that (A) facilitates the execution of swaps between persons; and (B) is not a designated contract market." Any person that operates a trading platform or facility within the scope of the definition of a SEF must obtain and maintain registration as a SEF with the CFTC. For a person to obtain and maintain registration as a SEF, the person must comply with the 15 core principles stated in CEA 5h(f) ("SEF Core Principles") and Part 37 of the CFTC Regulations.

1.2.1 The SEF Core Principles are as follows.

1.2.1.1 Core Principle 1 provides that SEFs comply with the SEF Core Principles.

1.2.1.2 Core Principle 2 provides that SEFs must (a) establish and enforce compliance with its rules, which must include rules regarding the terms and conditions of swaps traded and any limitations on access to the SEF, and (b) "... establish and enforce trading, trade processing and participation rules that will deter abuses and have the capacity to detect, investigate, and enforce those rules ...", (c) establish rules regarding the operation of the SEF, including rules regarding trade procedures, and (d) establish rules that require that "... when a swap dealer or major swap participant enters into or facilitates a swap that is subject to mandatory clearing requirement of Section 2(h), the swap dealer to major swap participant shall be responsible for compliance with the mandatory trading requirement under Section 2(h)(8).

1.2.1.3 Core Principle 3 provides that SEFs will only permit trading in swaps that are not readily susceptible to manipulation.

1.2.1.4 Core Principle 4 provides that SEFs will (a) establish and enforce rules and procedures regarding order entry and execution and (b) monitor trading to prevent manipulation, price distortion, disruption of delivery or cash settlement, including real time monitoring and comprehensive and accurate trade reconstructions.

1.2.1.5 Core Principle 5 provides that SEFs have the ability establish and enforce rules that permit the SEF to obtain necessary information to (a) perform its regulatory functions, (b) provide information to the CFTC, and (c) have the capacity to carry out international information sharing agreements.

- 1.2.1.6 Core Principle 6 provides that SEFs adopt position accountability levels and establish position limits for those swaps subject to Section 4a(a) of the CEA, and monitor for compliance with those position accountability levels and position limits.
- 1.2.1.7 Core Principle 7 provides that SEFs have rules and procedures that ensure the financial integrity of swaps, including compliance with Section 2(h)(1) of the CEA.
- 1.2.1.8 Core Principle 8 provides that SEFs must have rules that provide for emergency authority.
- 1.2.1.9 Core Principle 9 provides that (a) on a timely basis SEFs publically disclose information on the price, trading volume, and other trading data required by CFTC Regulations to the public, and (b) SEFs have the capacity to electronically capture and transmit trading data for all swaps executed on the SEF.
- 1.2.1.10 Core Principle 10 provides that SEFs maintain records, including an audit trail, and report such information to the CFTC as required by the CFTC.
- 1.2.1.11 Core Principle 11 provides that SEFs are prohibited from establishing any rules or taking any action that cause an unreasonable restraint of trade or impose a material anticompetitive burden on trading or clearing.
- 1.2.1.12 Core Principle 12 provides that SEFs establish and enforce rules that prevent conflicts of interest in its decision making process and have a process for resolving conflicts of interest.
- 1.2.1.13 Core Principle 13 provides that SEFs have adequate financial, operational and managerial resources.
- 1.2.1.14 Core Principle 14 provides that SEFs must establish and maintain system safeguards such as establishing and maintaining (a) a program of risk analysis and oversight, (b) emergency procedures, back up facilities and business continuity planning, and (c) periodically conduct testing of back up resources to ensure capacity for continued operations of the SEF.
- 1.2.1.15 Core Principle 15 provides that SEFs must designate a Chief Compliance Officer who is responsible for establishing and administering the policies and procedures required under the SEF Core Principles.
- 1.2.2 Part 37 of the CFTC Regulations provides the requirements that SEFs must meet in order to comply with the Core Principles, and is divided into 16 sections known as Subparts A through P, which are as follows:
 - 1.2.2.1 Subpart A provides general requirements, such as the procedures for registration, product listing and acceptable methods of trade execution.
 - 1.2.2.2 Subpart B provides standards for compliance with Core Principle 1 (Compliance with Core Principles).
 - 1.2.2.3 Subpart C provides standards for compliance with Core Principle 2 (Compliance with Rules).

- 1.2.2.4 Subpart D provides standards for compliance with Core Principle 3 (Swaps not Readily Susceptible to Manipulation).
 - 1.2.2.5 Subpart E provides standards for compliance with Core Principle 4 (Monitoring of Trading and Trade Processing).
 - 1.2.2.6 Subpart F provides standards for compliance with Core Principle 5 (Ability to Obtain Information).
 - 1.2.2.7 Subpart G provides standards for compliance with Core Principle 6 (Position Limits or Accountability).
 - 1.2.2.8 Subpart H provides standards for compliance with Core Principle 7 (Financial Integrity of Transactions).
 - 1.2.2.9 Subpart I provides standards for compliance with Core Principle 8 (Emergency Authority).
 - 1.2.2.10 Subpart J provides standards for compliance with Core Principle 9 (Timely Publication of Trading Information).
 - 1.2.2.11 Subpart K provides standards for compliance with Core Principle 10 (Recordkeeping and Reporting).
 - 1.2.2.12 Subpart L provides standards for compliance with Core Principle L (Antitrust Considerations).
 - 1.2.2.13 Subpart M provides standards for compliance with Core Principle 12 (Conflicts of Interest).
 - 1.2.2.14 Subpart N provides standards for compliance with Core Principle 13 (Financial Resources).
 - 1.2.2.15 Subpart O provides standards for compliance with Core Principle 14 (System Safeguards).
 - 1.2.2.16 Subpart P provides standards for compliance with Core Principle 15 (Designation of Chief Compliance Officer).
- 1.3 The CFTC has the authority to review, assess and enforce Javelin SEF's compliance with the CEA, SEF Core Principles and the CFTC Regulations regarding Javelin SEF's operations and markets. The CFTC's Division of Market Oversight is responsible for conducting regular in-depth reviews of each SEF's ongoing compliance with the CEA, SEF Core Principles and CFTC Regulations. This review would include a review of Javelin SEF's financial resources, audit trail, compliance program and trading procedures.

2. Governance –

Governance - The governance structure and governance arrangements of the Exchange ensure effective oversight of the Exchange.

a. Effective oversight of the exchange

- b. That business and regulatory decisions are in keeping with its public interest mandate,**
- c. Fair, meaningful and diverse representation on the board of directors (Board) and any committees of the Board, including:**
 - i. Appropriate representations of independent directors, and**
 - ii. A proper balance among the interests of the different persons or companies using the services and facilities of the exchange,**
- d. The exchange has policies and procedures to approximately identify and manage conflicts of interest for all officers, directors and employees, and**
- e. There are appropriate qualifications, remuneration, limitation of liability and indemnity provisions of directors, officers and employees of the exchange.**

Effective Oversight of the Exchange

2.1 Javelin SEF is a subsidiary of Javelin Capital Markets, LLC (“JCM”), which is a Delaware limited liability company. JCM has two other subsidiaries – Javelin Derivatives, which is an introducing broker registered with the National Futures Association and Javelin Securities, which is a broker dealer registered with FINRA. Javelin SEF is also a Delaware limited liability company, and is subject to oversight by its Board of Managers, as defined by Javelin SEF’s Operating Agreement and Rulebook. Javelin SEF’s Operating Agreement provides that board of managers will consist of a minimum of 3 and a maximum of 15 managers. There are three classes of managers – Member Managers, Independent Managers and IRS Vertical Managers. Member Managers are board members that are appointed by the JCM board of managers. The IRS Vertical Manager is appointed by the IRS Vertical Committee, whose purpose is to monitor the markets and liquidity conditions on a day to day basis. The Board currently has 9 members, which includes five Member Managers and four Independent Managers. The Independent Managers are appointed in compliance with the proposed CFTC rule 40.9 Governance (see 17 CFR Parts 1, 37, 38, 39 and 40, RIN 3038-AD01, “Requirements for Derivative Clearing Organizations, Designated Contract Markets, and Swap Execution Facilities Regarding the Mitigation of Conflicts of Interest, hereafter “Proposed Conflicts of Interest Rules”). Each Independent Manager meets the definition of Public Director in the Proposed Conflicts of Interest Rules. In addition, the four Independent Directors comprise more than 35% of the Javelin SEF’s Board of Managers, which is also compliant with the Proposed Conflict of Interest Rules. Javelin SEF’s Operating Agreement provides that Member Managers can be removed at any time as follows. Member Managers can be removed by majority vote of the Member Board. Independent Managers can be removed by a majority vote of the Board of Managers, provided that includes the majority of all other Independent Managers. The IRS Vertical Manager may be removed by a vote of the IRS Vertical Committee. The members of Javelin SEF’s Board of Managers have diverse backgrounds and include industry professionals with experience in accounting, derivatives

trading, finance and technology. Javelin SEF's business and regulatory decisions are in keeping with its public interest mandate. Javelin SEF acts in the interest of the public by providing fair and accessible markets place for the trading of interest rate swaps through the establishment and enforcement of its rules on membership requirement and business conduct standards.

Independent Managers on Javelin SEF's Board of Managers

- 2.1.1 Independent Managers of Javelin SEF's Board of Managers were selected based on broad industry or academic experience to represent interests of the public as well as Javelin SEF's Participants. Each of the Independent Managers meets the definition of Public Director under the Proposed Conflict of Interest Rules. As required by the Proposed Conflict of Interest Rules, none of the Independent Managers have a "material relationship" with Javelin SEF that could reasonably affect the independent judgment or decision making of the Independent Manager.
- 2.1.2 Javelin SEF also has several committees of the Board of Managers with responsibilities for governance.
 - 2.1.2.1 The Participation Committee is made up of two Independent Managers and one other individual appointed by the Javelin SEF Board of Managers. This committee will (i) determine the standards and requirements for initial and continuing eligibility for participation on Javelin SEF and (ii) review appeals of staff denials of participation applications.
 - 2.1.2.2 The Regulatory Oversight Committee is comprised of two Independent Managers and one other individual appointed by the Javelin SEF Board of Managers. This committee oversees all aspects of Javelin SEF's regulatory program. Please see Section 5.1.1 for a discussion of the responsibilities of the ROC.
 - 2.1.2.3 The Disciplinary Committee is comprised of 10 individuals, which includes 3 Independent Committee Members, appointed by the Javelin SEF Board of Managers. This committee reviews all disciplinary cases referred to it by the Javelin SEF Compliance Department.
 - 2.1.2.4 The Arbitration Committee is comprised of six individuals appointed by the Javelin SEF Board of Managers. This committee adjudicates all requests for arbitration from Javelin SEF Participants.

CFTC Oversight

- 2.1.3 The Javelin SEF Rulebook and any future changes are submitted to the CFTC and become effective 10 days after their submission, unless the CFTC stays such

effectiveness. Javelin SEF's Rulebook is available to the public from its website or from the CFTC's website through Javelin SEF's regulatory filings.

- 2.1.4 Javelin SEF's Board of Managers sets a high standard for corporate governance, and the Board of Managers serve as a prudent fiduciary for shareholders and Javelin SEF Participants, and oversees the management of Javelin SEF through its selected executive management team. This governance approach also supports Javelin SEF's role as a self-regulatory organization, subject to the oversight of the CFTC.

Board Manager Nominations and Fitness Standards

- 2.1.5 The Javelin SEF Board of Managers seeks candidates for the Board which have industry or professional experience which will help the management of Javelin SEF.
- 2.1.6 The Board Managers of the SEF shall be of good repute, and possess skills and expertise to fulfill their responsibilities in overseeing the governance of the SEF. They shall have a clear understanding of their responsibilities including, their fiduciary duty to the SEF as well as their responsibility to exercise sound judgment about the operations, management, growth and compliance of the SEF. The fitness standards also support the creation of a composition of the Company's Board of Managers that provides a diversified set of talents and perspectives. Javelin SEF may conduct personal interviews of candidates for Board of Managers and committee appointments. In addition, Javelin SEF may perform registration checks with the NFA, FINRA, FCA, and standard OFAC checks. Javelin may also conduct a check of educational background, where appropriate, or work history and reference checks, as determined by the Chief Compliance Officer ("CCO"). Specifically, the board managers must:
- 2.1.6.1 Have ethics and the desire to do the "right thing" at all times, at the core of their approach in business and life. The board manager must exhibit independence, objectivity and be capable of serving as a representative of not only the shareholders but also other core constituencies.
- 2.1.6.2 Have the availability, commitment and personal qualities to be able to make a substantial active contribution to Board deliberations. These qualities include intelligence, self-assuredness, a high moral standard, integrity, inter-personal and communication skills, independence, courage, and a willingness to ask the difficult questions.
- 2.1.6.3 Have no prior judgment or regulatory sanction issued against them or a company for which they controlled or had a controlling interest.
- 2.1.6.4 Have experience in the financial services and/or technology, or other field of expertise useful to the SEF.
- 2.1.6.5 Have a good overall reputation.

- 2.1.6.6 Have significant educational and either business or teaching experience.
- 2.1.6.7 Have an appreciation of, and experience with, a regulatory environment sufficient to foster a culture of compliance within the SEF.
- 2.1.6.8 Have the ability to develop a good working relationship with other board managers and contribute to the Board's working relationship with the senior management of the SEF as well as regulators.
- 2.1.7 Further, the following may disqualify a potential candidate for the Javelin SEF Board of Managers. No Person may serve as a member of the Board or a Committee of Javelin SEF if such Person:
 - 2.1.7.1 within the past three years was found by a Final Decision to have committed a disciplinary offense;
 - 2.1.7.2 Within the past three years entered into a settlement agreement in which any of the findings, or in the absence of such findings, any of the acts charged included a disciplinary offense;
 - 2.1.7.3 Is currently or has been barred, expelled from membership or suspended from trading on a self-regulatory organization, is serving any sentence of probation or owes any portion of a fine imposed as a result of either:
 - 2.1.7.4 A settlement agreement in which any of the findings, or in the absence of such findings, any of the acts charged included a disciplinary offense; or
 - 2.1.7.5 Final Decision determining such Person committed a disciplinary offense;
 - 2.1.7.6 Is currently subject to an agreement with the CFTC or any self-regulatory organization not to apply for registration with the CFTC or membership in any self-regulatory organization;
 - 2.1.7.7 Is currently subject to or has had imposed on him or her within the prior three years a registration revocation or suspension in any capacity for any reason, or has been convicted within the prior three years of any of the felonies listed in Section 8a(2)(D)(ii) through (iv) of the CEA; or
 - 2.1.7.8 Is currently subject to a denial, suspension or disqualification from serving on the disciplinary committee, arbitration committee or governing board of any self-regulatory organization as that term is described in Section 3(a)(26) of the Securities Exchange Act of 1934.

The Board of Managers' Role in Risk Oversight

- 2.1.8 The Javelin SEF Compliance Department is managed by the CCO. The CCO is appointed by and reports to the Board of Managers. The CCO also meets quarterly with the ROC, and produces regular reports on regulatory matters for the ROC, the Board of Managers, the CFTC, and other regulatory agencies. The CCO is the primary contact for all regulatory matters.

Policies and Procedures to Manage Conflicts of Interest

- 2.1.9 Javelin SEF strongly believes in the mitigation of conflicts of interest. Javelin SEF Rule 206 “Conflicts of Interest” applies to potential and actual conflicts of interest. Javelin SEF Rule 206 provides that a person authorized to act on behalf of Javelin SEF (including officers, board managers, members of a disciplinary committee) are prohibited from participating in deliberations and voting regarding any disciplinary proceeding or emergency action if the person an “Interested Person”. An Interested Person has a “Material Conflict of Interest”. A “Material Conflict of Interest” exist if a person:
- (a) is a potential or actual respondent in a disciplinary proceeding,
 - (b) has an employment relationship or is affiliate of a potential or actual respondent in a disciplinary proceeding,
 - (c) has significant on-going business relationship with a potential or actual respondent in a disciplinary proceeding,
 - (d) a has a family relationship with a potential or actual respondent in a disciplinary proceeding,
 - (e) has a direct financial interest in the result of a vote (other than equity in Javelin SEF) concerning a disciplinary proceeding or emergency action, or (f) any other circumstance that creates a conflict between the person authorized to act on behalf of Javelin SEF (including officers, managers, members of a disciplinary committee) exercise of authority and their own personal interests.
- 2.1.10 Each person deliberating in a disciplinary proceeding or emergency action has an affirmative obligation to disclose if the they have a Material Conflict of Interest prior to deliberations and voting. Rule 206 further provides that a person with a Material Conflict of Interest may participate in deliberations and voting if:
- (a) the Material Conflict of Interest is disclosed to or known by deliberating body (i.e.; the board of managers or the disciplinary committee) the at the time of deliberations and voting,
 - (b) the deliberating body determines that the person’s participation in voting and deliberations would be consistent with the public interest,
 - (c) a majority of the members of the deliberating body that do not have a Conflict of Interest vote in favor of permitting the Interested Person to participate in the deliberations and voting.
- 2.1.11 If all of the members of a deliberating body are Interested Persons that the Chief Executive Officer will appoint a panel of individual who are not Interested Persons to deliberation and vote on the matter.

There are appropriate qualifications, remuneration, limitation of liability and indemnity provisions for directors, officers and employees of the Exchange.

- 2.1.12 See Sections 2.2.9 to 2.2.11.8 for information regarding Board Managers qualifications. The members of Javelin SEF's management team are selected for their particular position based upon their skills and expertise.
- 2.1.13 Article IV of the Limited Liability Company Agreement of Javelin SEF, LLC ("Javelin SEF Operating Agreement") provides that officers, employees and agents of the Company (each, an "Indemnitee") shall be indemnified by the Company to the fullest extent permitted under the Act and the general corporate law of the state of Delaware.
- 2.1.14 Javelin SEF Rule provides for the limitation of liability against Javelin SEF and its officers, board managers, employees, agents, consultants and committee members.
- 2.1.15 The Independent Managers receive remuneration for their board service. This remuneration is not dependent upon the performance of Javelin SEF.

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

- 2.2 Javelin SEF has a nominating and approval process for members of the Javelin SEF Board of Managers which includes a complete curriculum vitae as well as a representation by each member that he or she meets the requirements and has no disqualification conditions as detailed in Fitness Standards above.
 - 2.2.1 Javelin SEF further has a representation from each employee that the employee consents to the jurisdiction of Javelin SEF's regulator.
 - 2.2.2 Javelin SEF performs background checks on any new employees. Such background checks include any felony offenses as well as any industry sanctions (e.g., CFTC, SEC or FINRA). See also Section 2.1.10 above.

3. Regulation of Products

Review and Approval of Products – the products traded on the Exchange and any changes thereto are reviewed by the Foreign Regulator, and are either approved by the Foreign Regulator or are subject to requirements established by the Foreign Regulator that must be met before implementation of a product or changes to a product.

3.1 Part 40 of the CFTC Regulations, entitled Provisions Common to Registered Entities (“Part 40”) sets forth the process for a swap execution facility to list new products. Part 40 provided for two methods of approval of new products. The first method is self-certification pursuant to CFTC Regulation 40.2 – Listing Products for Trading and Certification and CFTC Regulation 40.6 - Self-Certification of Rules. The second method is by requesting CFTC approval of the product prior to listing pursuant to CFTC Regulation 40.3 Voluntary Submission of New Products for Commission Review and Approval and CFTC Regulation 40.5 Voluntary Submission of Rules for Commission Review and Approval.

3.1.1 Javelin SEF has submitted its product listing by self-certification. Pursuant to CFTC Regulation 40.2 the CFTC must receive the submission of the new product listing no later than “the open of business on the business day preceding the product’s listing”. The product listing submission must contain a concise explanation and analysis of the product and its compliance with the applicable sections of the CEA and the regulations thereunder. The applicable section of the CEA is Section 5h(f) which delineates the SEF Core Principles. The relevant SEF Core Principles are Core Principle 2 – Compliance with the Rules, Core Principle 3 – Swaps not Readily Susceptible to Manipulation, Core Principle 4 – Monitoring of Trading and Trade Processing, Core Principle 5 – Ability to Obtain Information, Core Principle 6 – Position Accountability, and Core Principle 9 – Timely Publication of Trading Information. All of the products listed by Javelin SEF have been approved by the CFTC. A SEF’s product listing are all swaps which may trade on the SEF, which includes “permitted” transactions as well as those transactions which are required to trade on a SEF because of a previous MAT determination by a SEF. In making a MAT determination, SEFs follow Section 2(h)(8) of the CEA and Rule 37.10 and 38.12, pursuant to the procedures of Part 40 of the CFTC’s regulations, which identify six enumerated factors with respect to making a MAT determination: (i) whether there are ready and willing buyers and sellers; (ii) the frequency or size of transactions; (iii) trading volumes; (iv) the number and types of market participants; (v) the bid/ask spread; and (vi) the usual number of resting firm or indicative bids and offers. The factors are qualitative in nature, and the CFTC does not impose any absolute quantitative test. Javelin expects to submit all MAT determinations via self-certification and does not anticipate using voluntary submission for review and approval by the CFTC. The voluntary submission for review and approval is typically used for products which are truly novel in character, rather than the type products listed by Javelin SEF, which are commonly traded in the Interest Rate Swap marketplace today.

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

- 3.2 The products listed by Javelin SEF conform to the usual commercial customs and terms used in connection with trading such products, as established by Javelin SEF's review of available market standards from the International Swaps and Derivatives Association ("ISDA"), CFTC requirements and consultation with market participants. The current Interest Rate Swap market has no other established standards other than those available through consultation with market participants and ISDA.

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

- 3.3 Javelin SEF addresses the risk association with trading of products in several ways. Javelin SEF Rule requires that all transactions be cleared by a Derivatives Clearing Organization ("DCO"). Javelin SEF Rule 520 provides that all orders must pass pre-trade credit checks¹ before being entered on Javelin SEF. Javelin SEF Rule 511 provides that Javelin SEF's Chief Executive Officer and the IRS Vertical Committee has the authority to impose price limit, trading pauses and/or trading halts to trading in a particular product in the event of extraordinary price movements that may trigger market disruptions or distort prices. Javelin SEF Rule 517 provides that Javelin SEF may set position limits for products traded on Javelin SEF, and Javelin SEF Rule 519 provides that Javelin SEF may set position accountability levels for products traded on Javelin SEF.

- 3.3.1 If mandated by the CFTC, Javelin SEF will set position limits based upon limits set by Part 151 of the CFTC Regulations and industry best practices. There currently are no positions limits for IRS in Part 151 of the CFTC Regulations. The appropriateness of SEFs setting position limits as well as the SEF's ability to monitor position limits is presently under discussion with the CFTC. Unlike futures exchanges whose products are exclusively traded on their exchange, Javelin SEF facilitate trading in fungible Interest Rate Swaps, which can be traded into or traded out of at any SEF that trades Interest Rate Swaps. Javelin SEF does not have enough information to determine a participant's actual position because Javelin does not necessarily see the entire position of a participant. In general, SEFs have no way of knowing whether a transaction augments or offsets a participant's position in a given product. For that reason, although Javelin SEF monitors for unusual volume and

¹ Pre-trade credit checks cannot be performed on voice trades that are processed through MarkitWire.

pre-screens for creditworthiness, Javelin SEF presently does not have the ability to monitor for position limit violations and therefore has no position limits in place.

4. Access

Fair Access

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

4.1 Any entity that trades on Javelin SEF must be an ECP (as defined by Section 1a(18) of the CEA), and Ontario participants must be appropriately registered, as applicable, under Ontario securities law or be exempt from or not subject to those requirements.

4.1.1 Javelin SEF, pursuant to its rulebook, will provide any ECP with impartial access to its markets and market services, provided that the ECP complies with the documentation and eligibility requirements set forth in the Javelin SEF Rules. Documentation and eligibility requirements are clearly set out in the Javelin SEF Rulebook, which is available on its website. These requirements are applied reasonably and do not discriminate among participants, as described below.

4.1.2 Those wishing to transact on Javelin SEF may become a Participant of Javelin SEF, or may receive Sponsored Access from a Participant of Javelin SEF authorized to provide such access as determined and approved by Javelin SEF. Javelin SEF keeps records of each grant, denial and limitation of access for applicants of Javelin SEF, including the reasons for granting, denying or limiting access. Javelin SEF Participants who are authorized to do so may also enter transactions as agent for customers ("Agency Execution") who have been accepted by Javelin SEF to enter into transactions on Javelin SEF.

- 4.1.3 An entity meeting the requirements as described above that wishes to become a Participant of Javelin SEF may complete an application and submit it for approval by Javelin SEF. The application is available on request. The application materials include Javelin SEF's Rulebook and an affirmative undertaking by the applicant to submit to the jurisdiction of Javelin SEF. Javelin must receive names of proposed traders at any Participant applying to trade Javelin SEF, and will perform due diligence reviews on those individuals. In addition, Javelin SEF Rule 403 provides that Javelin SEF Participants must implement and maintain adequate supervisory procedures.
- 4.1.4 An ECP that wishes to enter into transactions on Javelin SEF through either Sponsored Access or Agency Execution are not Participants of Javelin SEF. ECPs that enter into transactions on Javelin SEF through either Sponsored Access or Agency Execution, will provide information required by Javelin SEF. Under the rules of Javelin SEF as detailed in the Rulebook (Rule 303), any entity who submits orders and/or enters into transactions on Javelin SEF submits to the jurisdiction of Javelin SEF, without any further action, with regard to the transaction(s) and any activities related thereto.
- 4.1.5 In reviewing an application, Javelin SEF reviews the information provided on the application to determine whether or not all of the eligibility requirements in the Javelin SEF Rules have been satisfied. On a daily basis Javelin SEF monitors whether market participants have a clearing account. On an annual basis Javelin SEF will remind its Participants that they are required to notify Javelin SEF if there is any material changes to their ECP status and/or their compliance with the requirements of Javelin SEF Rules 307 and 308.
- 4.1.6 Javelin SEF's requirements for Participant status are contained in the Javelin SEF Rulebook, which is available on Javelin SEF's website. Other than requirements stated in its Rulebook, Javelin SEF has no other requirements or restrictions on Participant eligibility. An applicant that is unable to satisfactorily demonstrate its ability to satisfy the eligibility criteria to become or remain a participant, is unable to satisfactorily demonstrate its capacity to adhere to Javelin SEF's rules or for other cause reasonably determined by Javelin SEF, may be denied participant status or granted conditional participant status. Any applicant granted conditional or denied Participant status may appeal that decision to the Javelin SEF's Participation Committee.

5. Regulation of Participants on the Exchange

Regulation – The exchange has the authority, resources, capabilities, systems and processes to allow it to perform its regulation functions, whether directly or indirectly through a

regulations services provider, including setting requirements governing the conduct of its participants, monitoring their conduct, and appropriately disciplining them of violations of exchange requirements.

5.1 Javelin SEF is a SEF registered with the CFTC. As a SEF, Javelin is a Self-Regulatory Organization (“SRO”) with regulatory obligations. These obligations are described in the Commodity Exchange Act and regulations thereunder and are codified in Javelin SEF’s rulebook. The Javelin SEF Rules provide it with the authority to perform its regulatory functions. Javelin SEF’s Compliance Department performs surveillance of transactions on Javelin SEF to ensure market integrity. The duties of Javelin SEF’s ROC is to oversee Javelin SEF’s self-regulatory program. The ROC meets with the CCO on a quarterly basis and reviews drafts of regulatory filings such as the annual compliance report, and quarterly financial reports. Pursuant to Javelin SEF Rule 216, the ROC has the authority to monitor the effectiveness of Javelin SEF’s self-regulatory program with regard to (a) trade practice, market surveillance, financial reporting, recordkeeping and investigations, (b) review the size and allocation of regulatory budget and resources and the number and compensation of regulatory personnel, (c) review the performance of the CCO, (d) recommend changes to ensure fair, vigorous and effective regulation, (e) reviewing proposed regulations and advising the Board as to how the proposal affects current regulation, and (f) assisting in minimizing actual or potential conflicts of interest.

5.1.1 Pursuant to Chapter 7 of the Javelin SEF Rules, Javelin SEF may impose sanctions for rule violations. Sanctions include suspensions from trading privileges and imposition of fines. Sanctions for rule violations are imposed by members of the Javelin SEF Disciplinary Committee which are appointed to Disciplinary Panels. Javelin SEF Rule 217 provides that the Disciplinary Committee will have at least 10 members which will be appointed by the ROC to serve Disciplinary Panels. The individuals appointed to the Disciplinary Committee cannot be subject to disqualification of committee service pursuant to Javelin SEF Rule 205. Javelin SEF Rule 205 provides that no person can serve on a Javelin SEF committee if they (a) have committed a disciplinary offense in the last three years, (b) have been barred from membership or suspended from trading as a result of a disciplinary offense, (c) is subject to an agreement with the CFTC or any self-regulatory organization that bars them from registration, or (d) within the past three years has had their registration revoked or suspended or has been convicted of one of the felonies listed in Section 8a(2)(D)(ii) of the CEA. There are three Disciplinary Panels – the Review Panel, the Hearing Panel and the Appeal Panel. The Review Panel is responsible for reviewing investigative reports and make a determination whether to accept or reject the recommendations made by the Compliance Department in the investigative report. The Hearing Panel is responsible for adjudicating disciplinary cases, including considering offers of settlement and conducting

hearings. The Appeal Panel is responsible for resolving appeals of Hearing Panel's hearing decisions.

- 5.1.2 Javelin SEF performs its surveillance of the trading activity on Javelin SEF directly, and employs software to assist in real time and post trade market surveillance. Javelin SEF performs trade surveillance on real-time and post trade basis. On a real time basis Javelin SEF's trading system monitors trading to detect market anomalies and detect manipulative behavior by generating real-time alerts. The real time alerts generated are: (a) price alerts, (b) volume alerts, (c) order alerts and (d) system alerts. A price alert is generated when the market moves more than fifty basis points above or below the prior day's closing price. A volume alert is generated when trading volume exceeds two times the trading volume of the prior trading day. An order alert is generated when more than 200 orders are entered into the Javelin SEF Trading System on behalf of the same clearing account. A system alert is generated when any of the following events occur: (1) Javelin SEF has lost connectivity to a clearinghouse, (2) the Javelin SEF system is down, (3) Javelin SEF has disabled (i) use of a particular clearing account, (ii) an entire firm from trading, (iii) a particular trader from trading, or (iv) a particular instrument from trading, (4) an order has been rejected because it exceeds credit limits, (5) a trade has been rejected by the applicable clearinghouse, (6) a trade has been rejected by the applicable clearinghouse, and (6) a clearing member has increased or decreased a credit limit. On a post trade basis Javelin SEF monitors the market through use of an automated trade practice surveillance system that will load and process daily orders and trades no later than 24 hours after the trading day. The automated trade surveillance system that Javelin SEF will use is the Scila Surveillance ("Scila") system which is a product of Cinnober Financial Technology AB ("Cinnober"). At the end of each trading day Javelin SEF provides all orders and executed trades to Cinnober for loading into Scila. No later than 24 hours after the completion of the trading day Scila will analyze all of the market data it receives from Javelin SEF, and if it detects improper trading patterns or anomalies it will immediately provide alerts to Javelin SEF. Scila has the ability to (a) compute, retain, and compare trading statistics; (b) reconstruct the sequence of market activity; (c) perform market analysis; and (d) support system users to perform in-depth analyses and ad hoc queries of trade related data. Compliance staff reviews the alerts generated by Scila on a timely basis to determine if there should be further investigation into the incident that gave rise to the alert. If the Compliance Department determines that there is no other reasonable explanation for alert (i.e.; system glitch) and further investigation is warranted, a report will be completed by the Compliance Department.

6. Rulemaking

Purpose of Rules

- a. **The exchange has rules, policies and other similar instruments (Rules) that are designed to appropriately govern the operations and activities of participants and do not permit unreasonable discrimination among participants or impose any burden on competition that is not reasonably necessary or appropriate.**
- b. **The Rules are not contrary to the public interest and are designed to**
 - i. **Ensure compliance with applicable legislation,**
 - ii. **Prevent fraudulent and manipulative acts and practices,**
 - iii. **Promote just and equitable principles of trade,**
 - iv. **Foster co-operation and co-ordination with person or companies engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in the products traded on the exchange,**
 - v. **Provide a framework for disciplinary and enforcement actions, and**
 - vi. **Ensure a fair and orderly market.**

6.1 Pursuant to the obligations imposed by the Section 5h of the CEA and Part 37 – Core Principles and Other Requirements for Swap Execution Facilities (collectively “CFTC Requirements”), Javelin SEF has implemented rules, policies and procedures designed to clearly delineate the obligations of participants to maintain complete books and records, to comply with SEF rules, to cooperate in investigations and to participate in disciplinary procedures (if warranted), as well as to comply with the CFTC Requirements. Javelin SEF’s rulebook and explanatory “Notices to Participants” codify federal requirements for swap execution facilities. The rulebook applies equally to all participants, is available on its website and consist of ten chapters that can be generally described as follow. Chapter 1 is entitled “Defined Terms” and provides the defined terms used in the Rulebook. Chapter 2 is entitled “Governance and Committees” and provides a description of the committee structure of Javelin SEF, disqualification of committee members, committee member conflicts of interest, prohibition of the disclosure of material non-public information, and sets out procedures for the exercise of emergency authority. Chapter 3 is entitled “Applications for Participant Status” and describes the jurisdiction of Javelin SEF, procedures related to the participant application process and the scope participant trading privileges. Chapter 4 is entitled “Participant Obligations” and describes participant obligations. Chapter 5 is entitled “Trading Practice and SDR Reporting” and describes the procedures for trade entry on Javelin SEF, handling of error trades, SDR reporting and pre-execution order screening. Chapter 6 is entitled “Clearing” and describes clearing member eligibility, obligations of clearing members and clearing process. Chapter 7 is entitled “Business Conduct” and describes Javelin SEF’s disciplinary process. Chapter 8 is entitled “Arbitration” and describes Javelin SEF’s arbitration program. Chapter 9 is entitled “Miscellaneous” and contains rules

regarding various topics such as market data, governing law and books and records. Chapter 10 is entitled “Product Specifications” and provides a description of the products that can be traded on Javelin SEF. Javelin SEF has not entered into any information sharing agreements.

- 6.1.1 Javelin SEF’s Rules prevent fraudulent and manipulative practices because they enable Javelin SEF to: (a) facilitate price transparency, (b) authorize Javelin SEF’s Compliance Department to conduct surveillance of Javelin SEF’s markets, and (c) prohibit fraudulent and manipulative trade practices. Javelin SEF Rule 503 provides that Javelin SEF will furnish trade data required by Core Principle 9 and Parts 16 and 37 of CFTC Regulations, which require real time reporting to swap data repositories and daily reporting to the CFTC and the public. In addition, Javelin SEF Rule 508 provide that Javelin SEF will make market data available, on an anonymous basis, market information regarding bids, offers and trades executed to Participants. Javelin SEF Rules provide for real time and post trade surveillance. Javelin SEF Rule 509 authorizes the real time monitoring of trading on Javelin SEF. Javelin SEF Rules 702 and 714 authorizes Javelin SEF’s Compliance Department to monitor compliance with Javelin SEF’s rules and to conduct investigations. Please see Section 5.1.3 for a description of Javelin SEF’s surveillance system. In addition, the Javelin SEF Rules state which practices are prohibited fraudulent trading practices. Javelin SEF Rule 706 prohibits, without limitation, the following improper trading practices: (a) fictitious trading, (b) disruptive trading practices such as spoofing (bidding or offering with the intent to cancel the bid or offer before execution), (c) market manipulation, (d) non-competitive trades, (e) trading ahead of a customer order, (f) wash trading, and (g) money passing.
- 6.1.2 Javelin SEF ensures that Participants observe high standards of fair dealing and just and equitable principles of trade by identifying improper practices in its publically accessible rulebook and explanatory “Notices to Participants,” and conducting surveillance to identify possible instances of those improper practices, thus fostering participant compliance with the rules. Javelin SEF Rule 706 identifies prohibited improper conduct. Javelin SEF believes that the prohibiting the following types of conduct promotes the just and equitable principles of trade: (a) aiding and abetting, (b) conduct detrimental to Javelin SEF, (c) disclosing customer orders, (d) fraud, (e) material misstatements of fact to Javelin SEF, (f) improperly taking the opposite side of customer orders, and (g) withholding customer orders.
- 6.1.3 Enforcement of the Javelin SEF Rules provides for a fair and orderly market by identifying improper practices in its rules, conducting surveillance to identify possible instances of improper conduct and conducting enforcement proceedings to ensure compliance with the Javelin SEF Rules. Chapter 7 of the Javelin SEF Rulebook provides the framework of the disciplinary process that for enforcing Javelin SEF rules. Javelin SEF Rule 701 provides Javelin SEF with the authority to hold its Participants accountable for their acts and omissions that constitute violations of

Javelin SEF Rules. Javelin SEF Rules 702, 707, and 714 authorize Javelin SEF's CCO and Compliance Department to monitor compliance with the Javelin SEF Rules and conduct investigations. Javelin SEF Rule 706 describes improper conduct that violates Javelin SEF Rules. Javelin SEF Rule 716 requires that at the conclusion of an investigation the Compliance Department must prepare an investigative report, which is reviewed by the CCO. In the investigative report the Compliance Department must indicate if there is reasonable cause to believe that a rule violation has occurred and make one of the following recommendations: (a) the investigation is closed without further action, (b) issue a warning letter, (c) the matter be settled before preparation of a complaint, or (d) a complaint be issued. Javelin SEF Rule 717 provides that the investigative report be reviewed by the Review Panel, and the Review Panel can reject, or accept (in whole or in part) the recommendations of the Compliance Department. (A Review Panel is appointed by the ROC pursuant to Javelin SEF Rule 216.) If the Review Panel accepts the Compliance Department's recommendation that the matter should be settled without issuing a complaint, the Review Panel may settle the matter, pursuant to Javelin SEF Rule 723. If the Review Panel accepts the Compliance Department's recommendation that a complaint should be issued, then the Compliance Department will draft and serve the complaint on the respondent pursuant to Javelin SEF Rules 708 and 718, and the ROC will appoint a hearing panel, pursuant to Javelin SEF Rule 704, to hear the matter. The hearing panel will be screened for conflicts of interest, pursuant to Javelin SEF Rule 704. The respondent then must then answer a complaint, pursuant to Javelin SEF Rule 719. The Compliance Department and the respondent then proceed with pre-hearing procedures, pursuant to Javelin SEF Rule 720, which governs discovery, pre-hearing conferences and setting of hearing date. If the respondent determines to settle a complaint then the matter may be settled by the Hearing Panel, pursuant to Javelin SEF Rule 723. If the matter does not settle a hearing will be held, pursuant to Javelin SEF Rule 721, and the Hearing Panel will issue a written decision, pursuant to Javelin SEF Rule 722. The decision of the Hearing Panel may be appealed pursuant to Javelin SEF Rule 724. CFTC Regulation 9.11 requires that Javelin SEF provide the CFTC with notice of final disciplinary action is taken. Notice of final disciplinary action must be sent to the CFTC within 30 days of the disciplinary action and contain the following information: (a) the name of the respondent(s), (b) a statement of the reasons for the disciplinary action and the rules that were violated, (c) statement of the findings and conclusions regarding each rule violation, (d) the terms of the disciplinary action, and (e) the date on which the action was taken and its effective date.

7. Due Process

Due Process – For any decision made by the exchange that affects a participant, or an applicant to be a participant, including a decision related to access, exemptions, or discipline, the exchange ensures that:

- a. parties are given an opportunity to be heard or make representations, and**
- b. it keeps a record of, gives reasons for, and provides for appeals or reviews of its decisions**

7.1 Javelin SEF's due process procedures with related to disciplinary procedures and arbitration proceedings are described and controlled by the Javelin SEF Rulebook, which is a publicly available document which Javelin SEF submits to the CFTC for review before any changes, additions or revisions become final. The process and procedures related to Javelin SEF's disciplinary process are detailed in Chapter 7 of Javelin SEF's Rulebook. The process and procedures related to Javelin SEF's arbitration procedures are detailed in Chapter 8 of Javelin SEF's Rulebook. Javelin SEF Rule 801 provides matters that are subject to mandatory arbitration and permissive arbitration. Matters subject to mandatory arbitration are disputes arise out of trading activity on Javelin SEF or subject to Javelin SEF's rule between (a) Participants, (b) Participants and Customers, or (c) Participants or Customers and Clearing Members. Upon the consent of all parties, Participants and Customers may use the Javelin SEF arbitration procedures to resolve any other dispute. Chapter 8 of the Javelin SEF Rules would apply to all Javelin SEF Participants and Customers, including Ontario Users.

7.1.1 Inquiries and investigations are pursued by Javelin SEF's Compliance Department and referred to the R O C, (a committee of the Board of Managers of Javelin SEF).

7.1.1.1 All respondents (i.e.; the subject of disciplinary action) are provided (a) a written notice of the charges, (b) an opportunity to respond to the charges, (c) an opportunity to present evidence in its defense at a hearing, (d) a written decision of the hearing panel's decision and (e) an opportunity to appeal the decision of the hearing panel. The Respondent may represent himself or be represented by counsel during all phases of the disciplinary process.

7.1.1.2 SEF Rule 718 provides that a written notice of charges, or a "complaint" be issued by the Compliance Department within 30 days of the Review Panel's decision that a complaint should be issued. The complaint must contain the following information: (a) a description of the conduct or omission that is alleged to have occurred, (b) the Javelin SEF Rules alleged to have been violated, (c) sanctions sought by the Compliance Department, (d) notice of respondent's right to a hearing and time deadlines for requesting a hearing, and (e) advise respondent that failure to respond to the complaint within the deadline will be deemed a waiver of the right to a hearing.

- 7.1.1.3 Javelin SEF Rule 719 provides that the respondent must answer the complaint within 20 days of service and that the answer must provide: (a) statement of the allegations the respondent admits and denies, (b) a statement of the allegations the respondent does not have sufficient knowledge to admit or deny, (c) state any affirmative defenses and (d) be signed by the respondent.
- 7.1.1.4 A respondent may propose and offer of settlement at any time during the disciplinary process pursuant to Javelin SEF Rule 723. Offers of settlement must be in writing and signed by the respondent and contain proposed findings and sanctions agreed upon by the respondent and Compliance Department. The respondent must serve a copy of the offer of settlement on the Compliance Department and the Review Panel or Hearing Panel, as applicable (the "Panel"). The offer of settlement will be reviewed by the Panel, and any offer of settlement accepted by the Panel will submitted to Javelin SEF's board for final approval. A respondent may withdraw an offer of settlement any time before board approval. An offer of settlement that is not accepted by the Panel or Javelin SEF's board or is withdrawn by the respondent (prior to board approval) may not be used by either the respondent or the Compliance Department for any purpose during the disciplinary proceedings.
- 7.1.1.5 Javelin SEF Rule 720 provides the respondent with an opportunity to review the evidence against them. At any time before the start of a hearing the respondent may make a written request to the Compliance Department to review records, information and tangible evidence that will be relied upon by the Compliance Department at the hearing. The Compliance Department may withhold documents that: (a) are privileged or constitute attorney work product, (b) will not be relied upon at the hearing, or (c) may disclose compliance enforcement techniques, or (d) disclose the identity of confidential sources.
- 7.1.1.6 Hearings are held pursuant to Javelin SEF Rule 721. The Hearing Panel must be present during the hearing and the hearing will be recorded in a format that can be transcribed. The formal rules of evidence do not apply and the Hearing Panel chairperson will make all ruling regarding the admissibility and relevance of evidence. The Compliance Department, representing Javelin SEF at the hearing, will have the burden of proof and will present evidence and testimony in support of its case. The respondent may present evidence and testimony in support of their defense. Both parties have the right to cross-examine witnesses. As soon as practicable after the conclusion of the hearing the Hearing Panel will issue a written decision, pursuant to Javelin SEF Rule 722, and will constitute the final decision of the Hearing Panel. The hearing decision must contain: (a) a summary of the allegations in the complaint, (b) a summary of the answer, (c) a summary of the evidence presented during the hearing, (d)

the Hearing Panel's findings and conclusions, (e) the sanctions imposed and their effective date, and (f) notice of right to appeal.

7.1.1.7 Respondents have the right to appeal an adverse decision pursuant to Rule 724. Upon timely receipt of a notice of appeal, stating a valid ground for appeal, the record of the case will be compiled into an appeal record, which is provided to the Compliance Department, Respondent and the Appeal Panel. The Respondent must serve a brief supporting its appeal on the Compliance Department and the Appeal Panel and the Compliance Department may respond, each within designated time periods. The Appeal Panel will consider all valid appeals. Valid grounds for appeal are as follow: (a) the decision and order was arbitrary, capricious, an abuse of discretion, or not in accordance with the rules of Javelin SEF; (b) the decision and order exceeded the authority or jurisdiction of the Hearing Panel; (c) the decision and order failed to observe required procedures; (d) the decision and order was unsupported by the facts or evidence; or (e) the imposed sanctions are inappropriate or unsupported by the record. The Appeal Panel will schedule a meeting for the parties to present oral argument. After the conclusion of this meeting the Hearing Panel will issue a written decision, which is provided to the parties, based on the weight of the evidence that affirms, modifies or reverses in whole or in part, the decision and order of the Hearing Panel. The decision of the Appeal Panel shall be the final action of Javelin SEF. Respondents have the right to appeal to the CFTC.

7.1.2 Javelin SEF's process and procedures with respect to the review the denial of an application for participant status are described in Chapter 3 of Javelin SEF Rulebook.

7.1.3 Pursuant to Javelin SEF rule 313, an applicant (a) receives written notice of denial of their applications for participant status on Javelin SEF, (b) is afforded an opportunity to appeal that decision, (c) the Participation Committee may schedule a hearing to consider the appeal.

8. Clearing and Settlement

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

8.1 All trades on Javelin SEF are cleared through a DCO, which are the CME and LCH.

8.1.1 All orders are checked against risk-based limits provided by the Clearing Member before the order is entered into the Javelin SEF trading platform. All trades are submitted to the DCO for approval and acceptance before they are final. Any Trade rejected for clearing by a DCO is void *ab initio*. The procedure to declare trades that have been rejected for clearing void "*ab initio*" is detailed in Javelin Rule 606(2), which is based upon the relief granted by CFTC No Action Letter 15-24. The rule states that Javelin SEF will review a rejected trade to identify clerical or operational errors which may have caused the rejection, and may re-submit the trade upon the correction of such errors. If this re-submitted trade is rejected, the trade is void *ab initio*, as provided by the No Action Relief.

8.1.2 At the time of customer onboarding, the proposed Participant provides Javelin SEF with information regarding its clearing account, including the name of their clearing member and the DCO. Javelin then will liaise with the relevant clearing member and DCO to verify the clearing information, and will contact the relevant clearing member to arrange pre-trade credit checks before the order is allowed onto the Javelin platform.

8.1.3 Javelin may make periodic reviews of clearing arrangements by any ongoing Participant, and at the time a Participant attempts to enter an order onto the Javelin platform, a pre-trade credit check with the relevant clearing member will occur. Upon submission of matched orders to the DCO for clearing, if the DCO rejects the order, the matched orders are "void *ab initio*" and no trade is completed.

Risk Management of Clearing House – The exchange has assured itself that the clearing house has established appropriate risk management policies and procedures, contingency plans, default procedures and internal controls.

8.2 Javelin SEF as a Swap Execution Facility is an execution venue only and provides no clearing or settlement services. Javelin currently has connections to only two DCO's: CME and LCH, which have been exempted from registration by the OSC. These are the two most systemically important DCO's in Interest Rate Swaps and are registered with the CFTC and must comply with the CEA, including without limitation the core principles for DCO's provided in Section 5b of the CEA, and CFTC Regulations, including without limitation Part 38 "Derivative Clearing Organizations". Javelin monitors and periodically reviews the procedures and policies of the

DCO's, and remains in dialogue with other industry counterparts, on the robustness of these procedures and policies.

9. Systems and Technology

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

- a. **Order Entry;**
- b. **Order routing;**
- c. **Execution;**
- d. **Trade reporting;**
- e. **Trade comparison;**
- f. **Data feeds;**
- g. **Market surveillance;**
- h. **Trade clearing; and,**
- i. **Financial reporting.**

9.1 Internal controls currently in place consist of daily checks (carried out twice a day) and a quality assurance process (carried out on a continuous contingency basis) where technology accuracy across different integrated components is reviewed to ensure that all systems are running as expected.

- 9.1.1 Daily checks of the system consist of a pre-market open review where all the connections are checked and the tradable instruments for the current trading day are verified. Every external component of the system communicates with the system via messaging protocols and this communication is monitored via a heartbeat between the external component and the system.
- 9.1.2 At market close, there is a set of end of day ("EOD") jobs which process the information created during the trading day and archive it to historical tables in the database. During this EOD process, a set of checks are carried out by automated tools which ensure that data integrity and accuracy is maintained. Security of the application is maintained by keeping the system closed and this can only be accessed via strict network protocols and Access Control Lists or "ACLs".
- 9.1.3 Javelin Technology has the ability to disable any user at any point should the need arise.
- 9.1.4 Quality assurance consists of regularly testing and verifying that the application is behaving as expected during and after trading hours. Any anomaly is immediately flagged, reviewed, isolated, rectified and deployed to the environment in question.

Thorough egression testing is carried out to ensure that no dependent components fail or cause failure.

- 9.1.5 Trade Management System Order Entry on Javelin SEF can occur in several ways:
 - 9.1.5.1 Directly by a Participant's Authorized Trader manually entering the order into the Javelin SEF Graphical User Interface ("GUI").
 - 9.1.5.2 Via an API from the Participant, passed through a secure connection between Javelin SEF and the Participant.
 - 9.1.5.3 Delivered by voice and/or electronic messaging from the Participant to an Authorized Employee of Javelin SEF who then inputs the order into the Javelin SEF GUI.
 - 9.1.5.4 Delivered by voice and/or electronic messaging from the Participant to an Authorized Employee of Javelin SEF who then matches the order against another order delivered by Voice and/or electronic messaging after alerting all Participants of the existence of the order.
- 9.1.6 Order Routing;
 - 9.1.6.1 If the order is submitted into the CLOB, all orders in the CLOB are subject to strict price-time priority, meaning that the first order submitted at a given price is always the first order at that price to be executed. Javelin SEF does not offer Stop-Limit Orders which are triggered when the market moves adversely (e.g., a buy limit order which is triggered when the price moves above the limit).
 - 9.1.6.2 If the order is submitted via the RFQ function, the Customer may choose who to direct the RFQ inquiry to as long as the Customer selects the minimum number of respondents as required by CFTC regulations. Any receiver of an RFQ inquiry is not required to respond, however, every responder has equal access to respond.
- 9.1.7 Execution
 - 9.1.7.1 In the case of electronic trades execution on Javelin SEF is accomplished by the Javelin SEF matching engine, which matches orders based on price-time priority. Execution of trades in the voice CLOB are matched by Javelin SEF Authorized Employees based on price-time priority. In the RFQ, prices are matched based on the RFQ Requestor's choice of which price to trade on. The RFQ Requestor is not required to pick the best price.
- 9.1.8 Internal Controls
 - 9.1.8.1 Javelin SEF's trading platform's core system is modular, highly available, scalable and redundant. Javelin SEF's trading platform has many internal controls which ensure the operation of system functions. These internal controls include multi-level order credit check, user Lightweight Directory Access Protocol or "LDAP" authentication, Application Program Interface or "API" authentication, specific and explicit Internet Protocol or "IP"

firewall rules per IP address, real time system monitoring and health checks. The integrity of orders and trades on Javelin SEF's trading platform is ensured, because all orders and trades are persisted to a highly available, multitier tiered database.

- 9.1.8.2 All hardware which supports Javelin SEF's trading platform is running in a highly available tier 1 data center with at least N+1 redundancy. Javelin SEF has dual data centers running in Active-Active connectivity, with redundant connectivity between the data centers. One of the two data centers is the "hot" or active data center and the other data center is running as a "warm" or standby data center for disaster recovery. Javelin SEF has dual connections to both data centers to support all customers, clearing members, DCOs, and credit check platforms which feed the Javelin SEF trading platform in a redundant manner.
- 9.1.8.3 Javelin SEF has a comprehensive disaster recovery and business continuity plan in place for both system and people. Javelin SEF's main office is in New York City and Javelin SEF maintains a remote business continuity space in the event the main office is unavailable.

System Capability/Scalability – without limiting the generality of section 9.1, for each of its systems supporting order entry, order routing, execution, data feeds, trade reporting and trade comparison, the exchange:

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

9.2 System Capacity Javelin SEF monitors the levels of network traffic and performance levels on a real time basis. System alerts are generated when certain thresholds are met or exceeded to forewarn the Infrastructure team when potential risks exist. These metrics are continuously monitored by the Javelin SEF's technology and infrastructure teams to ensure adequate thresholds are established. Javelin SEF's technology group has conducted thorough performance and stress tests factoring in OPS (Orders Per Second), MPS (Messages Per Second), network bandwidth utilization, and end user traffic. Measures such as throttling and permissioning have been put in place to allow the system to function at capacity as needed currently and also factoring in future estimated usage and traffic. The messaging bus is scalable where more nodes can be added as needed thereby rendering the system efficient at higher volumes and estimates.

9.2.1 Javelin SEF performs capacity and performance testing on the network and trading platform. The capacity and performance levels have been tested to insure that the Javelin SEF trading platform has the capacity to exceed expected market burst volumes and scale beyond. Javelin SEF is continuously developing its platform to increase its throughput. Internal tests have been performed, including load tests, and as trading on Javelin SEF trading platform continues, Javelin SEF will closely monitor capacity and performance levels. This ensures adequate thresholds are maintained, and alerts are generated when the thresholds are met or exceeded. All connections to the market have message limit thresholds to safeguard the market from abnormal conditions. In addition, all participants connected to the Javelin SEF trading platform must have a private dedicated connection to the Javelin SEF. This safeguard protects Javelin SEF from external unknown connections.

9.2.1.2 Javelin SEF's technology and Infrastructure teams perform load testing on the network and Javelin Trader Platform periodically, as well as after each major production deployment. Load testing assesses the amount of load the network and platform can take from simultaneous users.

9.2.2 Facilities

9.2.2.1 Javelin SEF maintains three different facilities in the following locations: New York City, New Jersey, and Illinois. The facility in New York City is located at 443 Park Avenue South, NY, NY, 10016. The New York City facility serves as Javelin SEF's headquarters and houses executive management, operations staff, technology staff, legal staff and compliance staff. The primary data center in New Jersey and the secondary data center is in Illinois. These facilities are where all critical data is backed up and replicated. Essential software and data is stored off site from Javelin SEF's headquarters in order to protect the software and data. In addition to the space for Javelin SEF's servers, the data center also supplies a highly redundant and resilient power supply and connectivity.

- 9.2.3 System and data center vulnerability reviews -- Javelin SEF reviews its systems and data center computer operations to ensure it is not vulnerable to internal or external threats, including physical hazards and natural disasters. Javelin SEF conducts system checks and data center reviews on a daily basis. Vulnerability Tests and Pen Tests are conducted on an annual basis. Javelin SEF stages annual disaster recovery testing as well as BCP drills to ensure that the processes in place meet all requirements of the system to be in a normal functioning state. The results of testing are analyzed and, if necessary, any perceived deficiencies are addressed.
- 9.2.3.1 Javelin SEF's primary data center is located in New Jersey and supports Javelin SEF's critical systems. Javelin SEF's Disaster Recover (DR)-DR site is located in Illinois and provides a back-up to the primary data center. Javelin SEF's Business Continuity (BC) site is located in New Jersey and provides alternative work location when Javelin SEF's primary offices cannot be accessed. Javelin SEF will continue normal business operations following a serious, unexpected, or disruptive event impacting the availability of Javelin SEF's headquarter or primary data center in New Jersey through the use of its co-located facility in Illinois. Javelin SEF has developed a business continuity and disaster recovery plan ("DR-BC Plan") to cover a wide range of possible events from fire, power failures, severe weather, earthquakes or force majeure. This includes pro-active preparation and continual upgrades for predictable events (such as Hurricane Sandy). For BC and DR purposes, Javelin SEF staff is divided into groups, which have reporting locations in the event of an event that triggers the DR-BC Plan. Javelin SEF's secondary site in Illinois as a hot / warm facility, which permits Javelin SEF's customers to connect to both the primary and secondary data centers and the backup from either location. As a result, customers will be able to utilize high availability between locations and operate as a hot site for connectivity.
- 9.2.4 System safeguards--Javelin SEF's system has safeguards that protect against unauthorized access, internal failures, human errors, attacks and natural catastrophes that might cause improper disclosures, modification, destruction or denial of service. Javelin SEF's system is a monitored system and a closed network where access to the application by unauthorized users is not allowed. Internal failures, if any, are reviewed and rectified via a stringent SDLC (Software Development Lifecycle) methodology. External attacks are closed off by configuring the infrastructure as such. Access to highly sensitive data is limited and monitored. Any changes are reviewed. There is an independent external auditor who reviews the various system parameters and processes bi-annually reviewing the physical environment, system capacity, operating system testing, documentation, internal controls and contingency planning. Any deficiencies are highlighted, reviewed and rectified following a stringent SDLC process.

- 9.2.5 Review of system configuration --Javelin SEF system configuration has been reviewed to identify potential points of failure, sufficiency of back-up and redundant capabilities. It has a no single point of failure and is built on a robust, distributed modular platform. There is sufficient back-up and redundancy in both the primary and secondary data centers, ensuring high availability and low down time SLA's.
- 9.2.6 Javelin SEF maintains reasonable procedures to review and keep current the development and testing methodology of those systems
 - 9.2.6.1 Javelin's technology group adheres to strict and standard SDLC and Quality Assurance (testing) processes. It employs a tool as its issue logging and tracking system while another tool is used as a document management and requirement tracking system. Everything that is deployed and integrated into the Javelin system is documented and records are maintained indefinitely with appropriate versioning and indexing. A ticketing system is also in place which helps process and streamline the external client facing support requests while also efficiently helping with internal controls and development.
- 9.2.7 Data Backup
 - 9.2.7.1 Javelin SEF ensures that great care is taken with all data. Data is constantly logged and stored away. The Javelin SEF trading system has various security features in place to protect trade data from disclosure and disruption.

Information Technology Risk Management Procedure - the exchange has appropriate risk management procedures in place including those that handle trading errors, trading halts and responds to market disruptions and disorderly trading.

- 9.3 Javelin SEF Rule 510 provides the process for handling error trades. . Participants must notify Javelin within eight minutes of trade execution if they believe the trade was executed in error. If the execution price is less than a specified number of basis points from fair value, as determined by Javelin SEF, and depending on the type of trade, the trade falls into the "non-reviewable" range and will not qualify for review. After reviewing a qualifying error trade, Javelin SEF will follow the procedures mandated by the DCO and SDR for reporting of errors, which is currently largely a manual process, as dictated by those entities. At present, the DCOs require the consent of both Clearing Members before modifying an executed transaction. In the event of a correction, Javelin SEF would notify the Participants involved and would update the SDR, using the SDR's required process.
 - 9.3.1 Javelin SEF has emergency powers detailed in Rule 203 which allow it to take action in the case of events deemed by Javelin SEF to negatively affect the integrity of the marketplace. Javelin SEF may suspend or halt trading, change trading hours or impose liquidation-only trading, or suspend or curtail trading in a particular Product.

9.3.2 Daily Price Trading Limits, and Price Banding

9.3.2.1 Javelin SEF believes in fair and equitable markets. In order to ensure that there are fair prices on the Javelin SEF Platform, Javelin SEF uses a Fair Value Calculation. This calculation uses criteria based on availability of data such as the previous night's close prices, the current Bid/Offer spread, and the Low/High price in order to set a fair market value. Based off of this criteria, prices may not be entered onto the system which are above or below this price by either 50 basis points for Rates products, or 25 basis points for Spreads products. This system allowable limit may be changed Javelin SEF as necessary due to market conditions.

9.3.3 Volume Controls

9.3.3.1 Javelin SEF monitors the current levels of network traffic and performance levels in real time. Alerts are generated when thresholds are met or exceeded to forewarn the infrastructure team when potential risks exist. These metrics are continuously monitored by the technology and Infrastructure teams to ensure adequate thresholds are established.

9.3.4 Transaction Limits

9.3.4.1 Javelin SEF does not impose any transaction limits on its customers. Javelin SEF will allow a customer firm to transact as many times as they would like over the Javelin SEF Platform. Javelin SEF uses the following risk manage procedures, with respect to each order entered into the Javelin SEF trading platform, to promote orderly trading. Each order must successfully pass pre-trade credit checks before it is entered into the Javelin SEF trading platform. The Javelin SEF trading platform contains "fat finger" limits that prevent the entry of off market orders. If a customer has set "clip size limits", no order can exceed the clip size limits. (Clip size limits are optional and limit the maximum size of each individual order; such limits are typically set by a trading or risk manager for the traders under his supervision). If a customer is entering orders by API, the customer cannot enter orders that exceed the orders per second limit.

9.3.5 Market Surveillance

9.3.5.1 Core Principle 4 – Monitoring of Trading and Trade Process requires that SEFs monitor trading to prevent abusive trading practices. The CFTC Regulations require that SEFs use automated trade surveillance system. Javelin SEF monitors the market on a real time basis through use of automated system alerts. Javelin SEF performs its post trade surveillance through the use of surveillance software.

10. Financial Viability

Financial Viability – the exchange has sufficient financial resources for the proper performance of its function and to meet its responsibilities.

10.1 CFTC Regulations require that SEFs have adequate financial resources consisting of assets at least equal to one year of operating expense and liquid assets equal to six months of operating expense to enable the SEF to wind down in an order manner. Javelin SEF has adequate financial resources to meet its responsibilities. Javelin SEF completes quarterly reporting to the CFTC on financial resources.

11. Trading Practices

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

11.1 The regulatory framework established by the CEA and CFTC Regulations are designed to protect market participants. All intermediaries who solicit and accept customer orders must be registered with the National Futures Association (“NFA”). These registered entities are subject to requirements for minimum net capital, disclosure, record-keeping, reporting, sales practices and customer protections. The handling of customer funds is subject to special requirements. Javelin SEF rules and CFTC regulations also prohibits abusive trading practices such as fraud, market manipulation, wash trading, and non-competitive trading. Trading is monitored by Javelin SEF Compliance staff to ensure that markets are fair and orderly and The CFTC has direct oversight over SEFs, designated contract markets (“DCMs”) and DCOs. Each SEF and DCM is self-regulatory organization that also prohibits abusive trading practices such as fraud, market manipulation, wash trading, and non-competitive trading.

11.1.1 Javelin SEF rules permit it to take emergency action in order to maintain fair and orderly markets.

11.1.2 The ROC is empowered by the rules to monitor the sufficiency, effectiveness and independence of Javelin’s regulatory program and to recommend changes to its program that would ensure fair, vigorous and effective regulation.

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

11.2 Chapter 5 of Javelin SEF’s Rulebook contains procedures for order entry on Javelin SEF. These procedures are transparent as the Javelin SEF Rulebook is available to the public on Javelin SEF’s

website. Order routing on Javelin SEF is done after the order has been checked against risk-based limits (a “pre-trade credit check”) provided by the Clearing Member for the Customer entering the Order. Once the order has passed the pre-trade credit check, it is entered into Javelin SEF.

11.2.1 Rule 505 describes the procedures for order entry on Javelin SEF’s CLOB: Acceptable order types include Market Orders, Limit Orders, All or None Orders, and Minimum or None Orders. Entry of Orders may be submitted by the Participant directly or by a Participant as agent for a Customer. All prices received in Javelin SEF’s CLOB are sorted based on strict price-time priority, meaning that the best priced order received first in time is executed first. This is fair and equitable in that all Participants are treated equally and given equal access to enter and execute in Javelin SEF’s CLOB. Unfilled orders are cancelled at the end of the trading day. Rule 506 describes the procedure for the entry of orders on Javelin SEF’s RFQ system. RFQ inquiries may be initiated by any Participant on his behalf or as agent for a Customer. The RFQ must be sent to the minimum number of recipients as specified by CFTC’s regulations, which is currently three recipients for required transactions. RFQ inquiries may be submitted on an anonymous basis. These rules are fair and equitably applied to all Participants. Rule 521 describes the procedures for the entry of orders by voice trading. Voice orders must be submitted to an Authorized SEF employee, who will communicate the order to all Participants using the Javelin SEF’s electronic platform. On receiving a responding order, the Authorized Employee will match the orders on a price-time priority basis, and inform Participants when orders have been matched. This process and price-time priority ensures that all Participants have equal access to both the order book and the information on orders and Trades. Rule 522 describes the process for entry of orders by voice hybrid electronic trading: This process is the same as Rule 521 and Rules 505 and 506, except that the order originates by Voice but is completed electronically. Rule 523 describes the process for the entry of cross trades: In the event that Javelin SEF Participants that trade on an agency basis have received orders that represent both sides of a trade they may enter those orders as a cross trade, subject to the Javelin SEF’s Rule 523 requirement the trade to be shown to all SEF Participants for 15 seconds before being crossed. Javelin SEF Rule 523 follows the requirements stated in CFTC Regulation 37.9 and ensures equal access to all Participants to orders before they are crossed.

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

11.3 Javelin SEF provides daily high, low, settlement and volume data, which is provided to the CFTC and is available on Javelin SEF's website to the public in a timely manner. In addition, Javelin SEF provides a daily tape of all transactions executed on Javelin SEF with price and volume information which is available to all Participants on the Javelin SEF electronic platform via the GUI. This information is always anonymous. Javelin SEF further provides the transaction details to the CFTC on a daily and confidential basis, as required. Javelin SEF is currently connected and reporting to the CME SDR and the DTCC SDR, having completed agreements with both firms.

11.3.1 Javelin SEF provides the following data (from the previous day's trading) to the public for free: (a) open, (b) close, (c) high, (d) low, (e) settlement price, and (f) volume.

12. Compliance, Surveillance and Enforcement

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

12.1 Javelin SEF is a self-regulatory organization and as such has jurisdiction over its market participants to perform market regulation, conduct compliance surveillance and enforcement. Javelin SEF Participants are subject to the jurisdiction of Javelin SEF, and Javelin SEF and its Participants operate on the SEF under SEF rules defined in the Javelin SEF Rulebook.

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

12.2 Chapter 7 of the Javelin SEF Rules sets out the procedures for Javelin SEF's disciplinary process. Please see response to Sections 5.1.1, 5.1.2, 5.1.3, 6.1.4 and 7.1.2 for a description of Javelin SEF's disciplinary process and 7.1.1 for due process considerations regarding disciplinary actions. Chapter 3 of the Javelin SEFF Rules set out the procedures for applying for access to Javelin SEF, including eligibility requirement, trading privileges and restrictions on trading privileges. See response to Sections 4.1.2 and 4.1.3 for description of participant access process and Section 4.1.4 for description of due diligence in assessing applicants.

12.2.1 As described above, Javelin SEF performs its surveillance of the trading activity on Javelin SEF employs software to assist in real time market monitoring and post trade market surveillance. The software employed to monitor trading on Javelin SEF was developed in house by Javelin SEF.

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

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

12.3.1 SEF Core Principle 10 requires that SEFs maintain records of all activities relating to business of the SEF, including a complete audit trail for a period of five years.

12.3.2 Books and records of a SEF are made available to the CFTC and the United States Department of Justice pursuant to Section 8c of the CEA. In addition, written book and records requests made by the OSC to Javelin SEF would be handled by Javelin SEF's legal department and/or CCO on a timely basis.

13 Record Keeping

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

13.1 SEF Core Principle 10 requires that SEFs maintain records of all activities relating to business of the SEF, including a complete audit trail for a period of at least five years.

13.1.1 CFTC Regulations require that the SEF shall capture and maintain all audit trail data necessary to detect, investigate and prevent customer and market abuses. These regulations further provide that the SEF's audit trail include original source documents that include unalterable, sequentially identified records on which trade execution information is recorded manually or electronically.

13.1.2 Javelin SEF's Rule 905 require that it maintain complete and accurate books and records of accounts including all books and records it is required to maintain pursuant to federal regulations.

13.1.3 Pursuant to Javelin SEF Rule 404, participants are required to maintain all records pertaining to transactions on Javelin SEF, and are required to promptly respond to all inquiries made by Javelin SEF's Compliance Department and, pursuant to Rule 712, to produce records in response to a demand issued by Javelin SEF.

Outsourcing

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

13.2 Javelin SEF has not outsourced any key functions to a service provider.

14 Fees

Fees –

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

14.1 Javelin SEF's fees are imposed on Participants on a per trade basis for execution and are applied equally to all Participants. Javelin SEF does not impose any other fees at this time, besides specific transaction (i.e., Javelin SEF has no access fees). Javelin SEF does not charge fees for connections, data fees, or regulatory reporting fees. Javelin SEF's fees do not have the effect of creating unreasonable condition or limit access by any Participant to Javelin SEF, because the fees are consistent with the existing industry practice and are imposed equitably on all Javelin Participants. Javelin SEF does not charge for clearing as it does not provide that service.

14.1.1 Fees are determined in the sole decision of Javelin SEF, which may seek input from Javelin SEF's IRS Vertical Committee. Javelin's fee schedule is publicly available to all Javelin Participants and has been filed with the CFTC.

15 Information Sharing and Oversight Arrangements

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

15.1 As set forth in Javelin SEF's Rulebook (Rule 903), Javelin SEF may cooperate with other regulatory bodies, SEFs, etc., to share information which may be useful in the pursuit of each entity's regulatory or self-regulatory process, such as known fraudulent activity, manipulative trading conduct and/or other trading activity that may adversely affect the market.

15.1.1 Javelin SEF has no formal arrangements for information sharing with any regulatory entities other than the CFTC, as Javelin SEF's primary regulator, and the Ontario Securities Commission, under the terms of the interim order.

Oversight Arrangements – Satisfactory information sharing and oversight arrangements exist between the OSC and the Foreign Regulator.

15.2 As far as Javelin SEF is aware, the CFTC has entered into an MOU arrangement for cooperative enforcements with foreign regulatory authorizes in numerous jurisdictions, including Ontario. The MOU between the CFTC and the Ontario Securities Commission is dated March 25, 2014. The MOUs provide typically provide for access to non-public-documents and information already in the possession of the regulatory authorities, and often include undertakings to obtain documents and to take testimony of, or statements from, witnesses on behalf of a requesting regulatory authority.

16 IOSCO Principles

IOSCO Principles – To the extent it is consistent with the laws of the foreign jurisdiction, the exchange adheres to the standards of the International Organization of Securities Commissions (IOSCO) including those set out in the "Principles for the Regulation and Supervision of Commodity Derivatives Markets" (2011).

16.1 SEFs comply with the IOSCO principles by virtue of the fact that it must comply with the CEA and the CFTC which reflect those principles.

PART IV SUBISSIONS BY JAVELIN SEF

1.1 Javelin SEF, LLC is a swap trading platform offering Interest Rate swap transactions as a Swap Execution Facility;

1.2 In the United States, Javelin SEF, LLC operates under the jurisdiction of the Commodity Futures Trading Commission (CFTC) and obtained temporary registration with the CFTC to operate a

swap execution facility (SEF) on September 19, 2013 and obtained registration as a SEF on January 22, 2016;

- 1.3 Javelin SEF, LLC is obliged under CFTC rules to have requirements governing the conduct of participants, to monitor compliance with those requirements and to discipline participants, including by means other than exclusion from the marketplace;
- 1.4 Because Javelin SEF, LLC regulates the conduct of its participants, it is considered by the Commission to be an exchange;
- 1.5 Because Javelin SEF, LLC has participants located in Ontario, it is considered by the Commission to be carrying on business as an exchange in Ontario and is required to be recognized as such or exempted from recognition pursuant to Section 21 of the Act;
- 1.6 Javelin SEF, LLC has no physical presence in Ontario and does not otherwise carry on business in Ontario except as described above; and
- 1.7 Javelin SEF, LLC has filed a full application to the Commission for a subsequent order exempting it from the requirement to be recognized as an exchange pursuant to Section 147 of the Act (Subsequent Order);
- 1.8 All of Javelin SEF's products fall within the definition of "swap" as defined by Section 1a(47) the CEA. Javelin SEF is therefore considered a SEF as defined by Section 1a(50) of the CEA.
- 1.9 Javelin SEF seeks to provide Ontario market participants with direct access to trading of swaps on Javelin SEF and may therefore be considered to be "carrying on business" as an exchange in Ontario.
- 1.10 Javelin SEF satisfies all of the criteria for exemption from recognition or exemption from recognition as an exchange with the OSC.
- 1.11 It would not be prejudicial to the public to grant the requested relief.
- 1.12 All of Javelin SEF's products fall within the definition of "swap" as defined by Section 1a(47) the CEA. Javelin SEF is therefore considered a SEF as defined by Section 1a(50) of the CEA.
- 1.13 Javelin SEF seeks to provide Ontario market participants with direct access to trading of swaps on Javelin SEF and may therefore be considered to be "carrying on business" as an exchange in Ontario.

Javelin SEF satisfies all of the criteria for exemption from recognition or exemption from recognition as an exchange with the OSC. It would not be prejudicial to the public interest to grant the requested relief.

Javelin SEF consents to the publication of this application for public comment.

Please do not hesitate to contact us if you require and further information or have any questions.

Very truly yours,

/s/sullen galish

Suellen Galish

Senior Managing Director, General Counsel
and Chief Compliance Officer

Appendix A
Verification Certificate

To: Ontario Securities Commission

Dear Sirs/Madam:

RE: Application by Javelin SEF, LLC

Javelin SEF, LLC hereby authorizes the filing of the attached application and confirms the truth of the facts contained therein.

Dated: March 23, 2016

Javelin SEF, LLC

By: /s/suellen galish

Name: Suellen Galish

Title: Senior Managing Director, General Counsel
and Chief Compliance Officer