

ADDRESS

55 Water Street
New York, NY 10041

CONTACT

phone **212.968.4100**
fax 212.968.2386

INTERNET

www.GFIgroup.com



March 30, 2016

Ontario Securities Commission
20 Queen Street West
Suite 1903, Box 55
Toronto, ON M5H 3S8

Attention Secretary of the Commission

Dear Sirs and Mesdames:

GFI Swaps Exchange LLC – Application

GFI Swaps Exchange LLC ("**GFI**") hereby applies to the Ontario Securities Commission (the "**OSC**" or the "**Commission**") for an order pursuant to Section 147 of The Securities Act (Ontario) (the "**Act**") exempting GFI from the requirement to be recognized as an exchange under Section 21 of the Act;

Exemption Criteria

OSC Staff has prescribed criteria that it will apply when considering applications for exemption of a foreign platform that facilitates the trading of OTC derivatives from recognition as an exchange. These criteria are similar to those prescribed in OSC Staff Notice 21-702 Regulatory Approach for Foreign Based Stock Exchanges in relation to applications for recognition (or exemption from recognition) by foreign stock exchanges.

The criteria are set forth as follows:

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. Compliance, Surveillance and Enforcement
13. Record Keeping
14. Outsourcing
15. Fees
16. Information Sharing and Oversight Arrangements
17. IOSCO Principles

CRITERIA FOR EXEMPTION OF A FOREIGN EXCHANGE TRADING OTC DERIVATIVES FROM RECOGNITION AS AN EXCHANGE

1 REGULATION OF THE EXCHANGE

1.1 Regulation of the Exchange

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

GFI is registered with the Commodity Futures Trading Commission (“CFTC”) as a swap execution facility (“SEF”).¹ As a SEF, GFI is subject to regulatory supervision by the CFTC, a U.S. federal regulatory agency. The CFTC reviews, assess and enforces a SEF’s adherence to the Commodity Exchange Act (“CEA”) and the regulations promulgated thereunder on an ongoing basis, including but not limited to, a SEF’s compliance with “Core Principles” relating to financial resources, participant and product eligibility, financial integrity of transactions, emergency authority, minimizing conflicts of interest, rule enforcement and system safeguards. GFI is subject to ongoing examination and inspection by the CFTC.

1.2 Authority of the Foreign Regulator

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

The CFTC has been charged with administering and enforcing the CEA. Accordingly, the CFTC is the U.S. government agency that has direct regulatory and oversight responsibility for SEFs. The CFTC monitors trading at GFI and receives from GFI routine reports relating to, among other things, swaps effected on GFI’s trading platform (the “**Trading Platform**”) and GFI’s financial profile. The CFTC also reviews an annual compliance report that is prepared and certified by GFI’s Chief Compliance Officer (the “CCO”) each year. Such annual report describes, among other things, a description of GFI’s policies and procedures (including the code of ethics and conflict of interest policies) and an assessment of GFI’s compliance with the CEA and CFTC Regulations. Additionally, the CFTC undertakes periodic in-depth audits or “rule reviews” of GFI’s compliance with the Core Principles.

The CFTC has seven major operating units. The CFTC’s Division of Market Oversight, the main operating unit examining and overseeing GFI, interacts directly with GFI. The Division of Market Oversight oversees SEFs, designated contract markets (“DCMs”) and data repositories, conducts surveillance, reviews new SEF and DCM applications and examines existing SEFs and DCMs to ensure compliance with applicable Core Principles. The Division of Market Oversight also evaluates the products that are listed for trading on GFI to ensure they are not susceptible to manipulation.

GFI is required to provide information about it and its activities to the CFTC pursuant to Section 5c(c) of the CEA and Parts 37 and 40 of CFTC Regulations. Parts 37 and 40 of CFTC Regulations require that any proposed changes to GFI’s Rules, including interpretations or resolutions, must be either certified to the CFTC as being in compliance with the CEA and CFTC

¹ Capitalized terms that are used but not defined in this Application have the meaning given those terms in GFI’s Rulebook. URL: <https://www.gfigroup.com/markets/swaps-exchange/overview.aspx> . Unless otherwise noted, all references herein to “Rules” refer to the rules set forth in GFI’s Rulebook.

Regulations or submitted to the CFTC for approval. A proposed rule change that is certified by a SEF will become effective after ten business days thereafter unless such certification is stayed by the CFTC.

The CFTC may investigate any action of GFI, alter or supplement GFI's Rules, suspend or revoke its registration, impose fines for violations of the CEA or CFTC Regulations and direct GFI to take whatever action the CFTC determines is necessary to maintain or restore orderly trading in the event of an emergency. In addition, any emergency action of GFI must be immediately reported to the CFTC.

As a registered SEF, GFI is required to comply with the Core Principles set forth in Section 5h(f) of the CEA as interpreted and implemented by the CFTC in Part 37 of CFTC Regulations.

The 15 Core Principles are as follows:

Core Principle 1 (Compliance with Core Principles). A SEF is required to comply with the Core Principles and any requirement that the CFTC may impose by rule or regulation. A SEF has reasonable discretion in establishing the manner of such compliance. CFTC Regulation 37.100 codifies these requirements.

Core Principle 2 (Compliance with Rules). A SEF is required to establish and enforce compliance with its rules, including the terms and conditions of the swaps traded or processed on or through the SEF and any limitation on access to the SEF. A SEF is also required to establish and enforce trading, trade processing and participation rules that will deter abuses and have the capacity to detect, investigate, and enforce those rules, including means to provide market participants with impartial access to the market and to capture information that may be used in establishing whether rule violations have occurred. A SEF must also establish rules governing its operations, including rules specifying trading procedures to be used in entering and executing orders traded or posted on the SEF, including block trades. Finally, a SEF must require swap dealers and major swap participants effecting swaps through the SEF to comply with the mandatory clearing requirement set forth in CEA Section 2(h)(8). CFTC Regulations 37.200-206 codify these requirements and establish minimum requirements that a SEF must meet in order to comply with Core Principle 2.

Core Principle 3 (Swaps Not Readily Susceptible to Manipulation). A SEF is required to permit trading only in swaps that are not readily susceptible to manipulation. CFTC Regulations 37.300-301 codify this requirement and establish minimum requirements that a SEF must meet in order to comply with Core Principle 3.

Core Principle 4 (Monitoring of Trading and Trade Processing). A SEF is required to establish and enforce trading procedures for entering and executing orders traded on or through the SEF. A SEF must also establish and enforce procedures for trade processing of swaps on or through the SEF. Core Principle 4 also requires each SEF to monitor trading to prevent manipulation, price distortion and disruptions of the delivery or cash settlement process through surveillance, compliance and disciplinary practices and procedures, including methods for conducting real-time monitoring of trading and comprehensive and accurate trade reconstructions. CFTC Regulations 37.400-408 codify these requirements and establish minimum requirements that a SEF must meet in order to comply with Core Principle 4.

Core Principle 5 (Ability to Obtain Information). A SEF is required to establish and enforce rules that allows it to obtain any necessary information to perform any of the functions described in

CEA Section 5h and provide such information to the CFTC upon request. A SEF is also required to have the capacity to carry out international information-sharing agreements to the extent required by the CFTC. CFTC Regulations 37.500-504 codify these requirements and establish minimum requirements that a SEF must meet in order to comply with Core Principle 5.

Core Principle 6 (Position Limits or Accountability). A SEF is required to adopt position limits or position accountability levels for each swap listed on the SEF, as necessary or appropriate. For a swap subject to a position limit established by the CFTC, a SEF may set its position limitation at a level no higher than the CFTC's limitation. A SEF must monitor positions established on the SEF for compliance with the limits set by the CFTC and the limit, if any, set by the SEF. CFTC Regulations 37.600-601 codify these requirements and establish minimum requirements that a SEF must meet in order to comply with Core Principle 6.

Core Principle 7 (Financial Integrity of Transactions). A SEF is required to establish and enforce rules and procedures for ensuring the financial integrity of swaps entered on or through the SEF, including the clearance and settlement of the swaps. CFTC Regulations 37.700-703 codify these requirements and establish minimum requirements that a SEF must meet in order to comply with Core Principle 7.

Core Principle 8 (Emergency Authority). A SEF is required to adopt rules to provide for the exercise of emergency authority, in consultation or cooperation with the CFTC, as is necessary and appropriate, including the authority to liquidate or transfer open positions in any swap or to suspend or curtail trading in a swap. CFTC Regulations 37.800-801 codify these requirements and establish minimum requirements that a SEF must meet in order to comply with Core Principle 8.

Core Principle 9 (Timely Publication of Trading Information). A SEF is required to make public timely information on price, trading volume, and other trading data on swaps to the extent prescribed by the CFTC. A SEF is also required to have the capacity to electronically capture and transmit trade information with respect to transactions executed on the SEF. CFTC Regulations 37.900-901 codify these requirements and establish minimum requirements that a SEF must meet in order to comply with Core Principle 9.

Core Principle 10 (Recordkeeping and Reporting). A SEF is required to maintain records of all activities relating to the SEF's business, including a complete audit trail, in a form and manner acceptable to the CFTC for a period of five years. A SEF is also required to report to the CFTC such information as the CFTC determines to be necessary or appropriate for the CFTC to perform its duties under the CEA. A SEF must keep any such records relating to certain security-based swaps open to inspection and examination by the Securities and Exchange Commission. Core Principle 10 also requires the CFTC to adopt data collection and reporting requirements for SEFs that are comparable to corresponding requirements for derivatives clearing organizations and swap data repositories. CFTC Regulations 37.1000-1001 codify these requirements and establish minimum requirements that a SEF must meet in order to comply with Core Principle 10.

Core Principle 11 (Antitrust Considerations). Unless necessary or appropriate to achieve the purposes of the CEA, a SEF is prohibited from adopting any rules or taking any actions that result in any unreasonable restraint of trade or imposing any material anticompetitive burden on trading or clearing. CFTC Regulations 37.1100-1101 codify these requirements and establish minimum requirements that a SEF must meet in order to comply with Core Principle 11.

Core Principle 12 (Conflicts of Interest). A SEF is required to establish and enforce rules to minimize conflicts of interest in its decision-making process. A SEF must also establish a process for resolving the conflicts of interest. CFTC Regulation 37.1200 codifies these requirements.

Core Principle 13 (Financial Resources). A SEF is required to have adequate financial, operational and managerial resources to discharge its responsibilities. Core Principle 13 also provides that the financial resources of a SEF are considered to be adequate if the value of the financial resources exceeds the total amount that would enable the SEF to cover its operating costs for a one-year period, as calculated on a rolling basis. CFTC Regulations 37.1300-1307 codify these requirements and establish minimum requirements that a SEF must meet in order to comply with Core Principle 13.

Core Principle 14 (System Safeguards). A SEF is required to establish and maintain a program of risk analysis and oversight to identify and minimize sources of operational risk, through the development of appropriate controls and procedures and automated systems, that are reliable and secure and have adequate scalable capacity. A SEF must also establish and maintain emergency procedures, backup facilities, and a plan for disaster recovery that allow for the timely recovery and resumption of operations and the fulfillment of the responsibilities and obligations of the SEF. Core Principle 14 also requires each SEF to periodically conduct tests to verify that the backup resources of the SEF are sufficient to ensure continued order processing and trade matching, price reporting, market surveillance and maintenance of a comprehensive and accurate audit trail. CFTC Regulations 37.1400-1401 codify these requirements and establish minimum requirements that a SEF must meet in order to comply with Core Principle 14.

Core Principle 15 (Designation of Chief Compliance Officer). A SEF is required to designate an individual to serve as a CCO. Core Principle 15 also requires a SEF's CCO to (i) report directly to the board or to the senior officer of the SEF, (ii) review compliance with the Core Principles, (iii) in consultation with the board or senior officer, resolve conflicts of interest that may arise, (iv) establish and administer the policies and procedures required to be established pursuant to the CEA, (v) ensure compliance with the CEA and CFTC Regulations and (vi) establish procedures to remediate noncompliance issues found during compliance office reviews, look backs, internal or external audit findings, self-reported errors or through validated complaints. Each CCO must also design the procedures to establish the handling, management response, remediation, retesting and closing of noncompliance issues. Pursuant to Core Principle 15, each CCO is required to prepare and sign an annual report that contains a description of the SEF's compliance with the CEA and the SEF's policies and procedures, including the code of ethics and conflict of interest policies. Each CCO must certify that, under penalty of law, the report is accurate and complete, and submit the report with the appropriate financial report of the SEF. CFTC Regulations 37.1500-1501 codify these requirements and establish minimum requirements that a SEF must meet in order to comply with Core Principle 15.

2 GOVERNANCE

2.1 Governance

The governance structure and governance arrangements of the exchange ensure:

- (a) effective oversight of the exchange,**

GFI has established an organizational and governance structure that provides for effective and

efficient oversight of GFI. As a Delaware limited liability company, GFI's corporate governance arrangements are set forth in GFI's Limited Liability Company Agreement. The Limited Liability Company Agreement establishes GFI's formal corporate decision-making powers and procedures and gives GFI's Board of Directors (the "**Board**") the sole responsibility for overseeing the management of the operations of GFI.

The Board has two members, both of whom are ultimately elected by GFI's parent company. One Director qualifies as a "Public Director" as that term is defined in Rules. This is consistent with Rule 201(c), which provides that at least 35% of the members of the Board must be Public Directors. Please see Section 2.1(c) below for further details on the composition of the Board.

The Board is selected with the goal of ensuring that GFI achieves the highest level of operational success while fully complying with its statutory, regulatory, and self-regulatory obligations under the CEA and CFTC Regulations.

As set forth in the Limited Liability Company Agreement, Directors may be removed from the Board at any time by GFI's immediate parent company. The Limited Liability Company Agreement also provides that the Board must adopt procedures to remove a Director where the conduct of such Director is likely to be prejudicial to the sound and prudent management of GFI.

In addition to the Board, GFI has three standing committees: including the Nominating Committee, the Participation Committee and the Regulatory Oversight Committee ("**ROC**"). In addition to the standing committees, the Board has the power and authority under the Limited Liability Company Agreement to create special committees of the Board.

Further, GFI is required to have employees or agents who serve as officers of GFI. The officers are obliged at all times to be subject to the supervision and control of the Board and to conform to policies and programs established by the Board. The acts of the officers will bind GFI when such officers are acting within the scope of their authority. The officers are obliged to keep the Board informed as to all matters of concern to GFI.

(b) that business and regulatory decisions are in keeping with its public interest mandate,

GFI is committed to operating a SEF in accordance with industry best practices and in accordance with public interest. GFI's Rules, policies, procedures and activities are designed to fulfill its public interest mandate and provide a reliable trade execution platform for market participants.

GFI's public interest mandate is derived from the CEA and CFTC Regulations. As noted above, GFI's registration was contingent upon the CFTC's finding that it was in compliance with the CEA and with CFTC Regulations. Further, any business or regulatory actions that GFI takes must conform to the CEA and CFTC Regulations. In that regard, all material changes to the manner in which GFI conducts its business must be certified in advance to the CFTC, and the CFTC has the authority to stay such certifications if it believes that they are not consistent with the CEA.

(c) fair, meaningful and diverse representation on the board of directors (Board) and any committees of the Board, including:

(i) appropriate representation of independent directors, and

- (ii) **a proper balance among the interests of the different persons or companies using the services and facilities of the exchange,**

Independent Directors²

As noted above, the Board is currently comprised of two Directors, one of whom qualifies as a Public Director. The qualifications for Public Directorship are set forth in Section 2(e) below. As such the firm has the proper balance among the interests of the Participants and Customers using the services and facilities of GFI. GFI adheres to CFTC Rule 1.64(b)(3), which requires that the Board's membership includes a diversity of membership interests, diversity of interests of GFI, and is otherwise consistent with the CFTC's composition requirements.

Committees of the Board

As noted above, GFI has the following standing committees.

Nominating Committee

The Nominating Committee of the Board consists of two Directors, one of whom is a Public Director, and is chaired by the Public Director. The Nominating Committee is responsible for (i) identifying individuals qualified to serve on the Board, consistent with the criteria that the Board require and any composition requirement that the CFTC may promulgate and (ii) administering a process for the nomination of individuals to the Board.

The Nominating Committee also monitors and assesses the Board's independence. The Nominating Committee also ensures that nominees to fill Board vacancies possess the ability to contribute to the effective oversight and management of GFI, taking into account the needs of GFI and such factors as the individual's experience, perspective, skills and knowledge of the industry in which GFI operates.

Participation Committee

The Participation Committee of the Board consists of two Directors, one of whom is a Public Director. The Participation Committee is responsible for (i) determining the standards and requirements for initial and continuing eligibility of Participants, (ii) reviewing appeals of staff denials of applications for approval as a Participant or for expanded Participant authority and (iii) approving Rules that would result in different categories or classes of Participants receiving disparate access to the Trading Platform. The Participation Committee may not, and may not permit GFI to, restrict access or impose burdens on access in a discriminatory manner within each category or class of Participants or between similarly situated categories or classes of Participants.

Regulatory Oversight Committee

The ROC consists of one Public Director. The ROC oversees GFI's regulatory program on behalf of the Board and has the authority to (i) monitor GFI's regulatory program for sufficiency, effectiveness, and independence and (ii) oversee all facets of GFI's regulatory program, including:

² GFI has structured its Board and standing committees based upon proposed CFTC Regulations. See 75 Fed. Reg. 63732, 63747-52 (Oct. 18, 2010). If the CFTC never adopts such Regulations, or adopts Regulations that differ substantively from its current proposal, GFI may change the structure of its Board or standing committees.

- (1) trade practice and market surveillance; audits, examinations, and other regulatory responsibilities with respect to Participants (including compliance with, if applicable, financial integrity, financial reporting, sales practice, recordkeeping, and other requirements); and the conduct of investigations;
- (2) reviewing at each meeting of the ROC the size and allocation of GFI's regulatory budget and resources, and the number, hiring, termination and compensation of regulatory personnel;
- (3) reviewing the performance of GFI's CCO, and making recommendations with respect to such performance to the Board;
- (4) maintaining minutes and records of its meetings, deliberations and analyses, including records of all decisions made by the ROC;
- (5) recommending changes that would ensure fair, vigorous, and effective regulation;
- (6) reviewing all regulatory proposals prior to implementation and advising the Board as to whether and how such changes may impact regulation; and
- (7) reviewing such other matters and performing such additional activities as the Board deems necessary or appropriate.

(d) the exchange has policies and procedures to appropriately identify and manage conflicts of interest for all officers, directors and employees, and

GFI has effective mechanisms in place to manage any conflicts of interest that may arise. CFTC Regulation 1.69 requires that GFI maintain rules that have been approved by the CFTC to address the avoidance of conflicts of interest. The CFTC requires that GFI's Rules provide that a member of the Board, disciplinary committee or oversight panel must abstain from deliberations and voting involving any matter in which he or she or his or her employer has an interest. CFTC Regulation 1.69 also requires that GFI have procedures for determining whether such persons have a conflict, including disclosure of any potential conflict to GFI. CFTC Regulation 1.69 further requires GFI to document that the conflict determination procedures have been followed and the result of such determination. GFI has adopted Rule 205 pursuant to such requirements.

Additionally, Core Principle 12 (Conflicts of Interest) requires GFI to establish and enforce rules to minimize conflicts of interest in the decision-making process and establish processes for resolving any such conflicts. This requirement regulates the extent to which GFI is able to make decisions without the undue influence of a GFI member, an interested party or a trade group. Core Principle 15 requires GFI's CCO to "resolve any conflicts of interest that may arise" in consultation with the Board or other senior officer of GFI. Pursuant to CFTC Regulation 37.1501(d)(2), such conflicts of interest may include (i) conflicts between business considerations and compliance requirements, (ii) conflicts between business considerations and the requirement that GFI provide fair, open, and impartial access or (iii) conflicts between GFI's management and members of the Board. These duties indicate that GFI's CCO is more than just an advisor to management and must have the ability to enforce compliance with the CEA and CFTC Regulations. GFI's Rule 207 provides the CCO with the necessary powers and duties to ensure compliance with the aforementioned Core Principles and CFTC Regulations.

GFI has implemented a number of other Rules to deal with potential conflicts of interest made

with a view to complying with these requirements. For example, Rule 204 limits the use and disclosure of material, non-public information gained in connection with a person's participation on the Board or any committee for any purpose other than the performance of his or her official duties as a member of the Board or committee. Additionally, Rule 902 prohibits a Participant from giving anything of value to a GFI official in excess of the maximum amount permitted by GFI's gifts and entertainment policy without the prior written approval of the CCO. Pursuant to Rule 709 and Rule 716, a respondent in a disciplinary action may seek to disqualify any individual named to a Disciplinary Panel or an Appeal Panel due to a conflict of interest or for any other reasonable grounds.

Under Rule 205, disclosure and recusal is required based on material relationships that present a conflict. Prior to consideration of any matter involving a named party in interest, each member of the deliberating body shall disclose to the CEO, or the designee, whether such member has or believes that he or she may have one of the relationships listed under Rule 205, with a named party in interest and the CCO will manage the conflict. If the CCO has a conflict then he or she may (i) authorize a third party service provider to conduct an investigation due to the conflict, (ii) recuse themselves if a conflict arises during an investigation, and/or (iii) recuse themselves from GFI if there are disciplinary proceedings against a participant where there is a conflict, or a result from a disciplinary proceeding that ends in an appeal or Hearing Panel review. Upon recusal, the Board will appoint an individual who meets all the requirements of the CCO to serve as the CCO for the specific matter giving rise to the conflict.

Internally, GFI has established a Code of Conduct and Ethics in accordance with Core Principle 12 (Conflicts of Interest).

- (e) there are appropriate qualifications, remuneration, limitation of liability and indemnity provisions for directors, officers and employees of the exchange.**

Qualifications

As noted above, the Board is currently comprised of two Directors, one of whom qualifies as a Public Director. To qualify as a Public Director, an individual must be found, by action of the Board pursuant to Rule 201(d), to have no material relationship with GFI. The Board must make such finding upon the nomination or appointment of the Director and as often as necessary in light of all circumstances relevant to such Director, but in no case less frequently than annually. For these purposes, a "material relationship" is one that could reasonably be expected to affect the independent judgment or decision-making of the Director. A Director will be considered to have a "material relationship" with GFI if any of the following circumstances exist or have existed within the past year:

- (1) such Director is or was an officer or an employee of GFI, or an officer or an employee of an affiliate of GFI; or
- (2) such Director is or was a Participant or Sponsored Access Firm, or a director, officer or employee of a Participant or Sponsored Access Firm.

Any of the relationships set forth in paragraphs (1) and (2) apply to the "immediate family" (i.e., the spouse, parents, children, and siblings, in each case, whether by blood, marriage, or adoption) of such Director, or any person residing in the home of the Director or that of his or her "immediate family."

Directors, officers and other GFI employees are recruited for their particular positions based upon their skills and expertise. All members of the Board and GFI officers and employees are over the age of majority and are of sound mind. All of the members of the Board are regarded in the market as being persons with integrity and competence.

See section 5.1 where remuneration is addressed.

Limitation of Liability and Indemnification

Pursuant to Section 7.2 of GFI's Limited Liability Company Agreement, GFI's members, Directors and officers will not be held personally liable for the return of any portion of capital contributions made by GFI's interest holders, and the return, if any, of such capital contributions will be made solely from GFI's assets. Under GFI's Limited Liability Company Agreement, GFI's member, Directors and officers will not be liable, responsible or accountable, in damages or otherwise, to GFI or any interest holder for any act they perform except to the extent of their gross negligence, fraud, bad faith or a material breach of the Limited Liability Company Agreement.

Section 7.3 of the Limited Liability Company Agreement provides that GFI will, to the fullest extent permitted by Delaware law, indemnify and hold harmless GFI's interest holders, member, Directors and officers and their respective partners, shareholders, members, officers, trustees, advisory board, directors, employees, attorneys and agents and other affiliates from and against any loss, expense, damage or injury suffered or sustained by them by reason of any acts, omissions or alleged acts or omissions arising out of their activities on behalf of GFI or in furtherance of GFI's interests or by reason of the fact that such person is or was an interest holder, member, director, officer, employee or agent of GFI, or is or was serving at GFI's request as a director, trustee, member, manager, officer, employee or agent of another limited liability company, corporation, partnership, joint venture, trust or other enterprise, including, but not limited to, any judgment, award, settlement, reasonable attorneys' fees and other costs or expenses incurred in connection with the investigation and defense of any actual or threatened action, proceeding or claim, unless the acts, omissions or alleged acts or omissions upon which such actual or threatened action, proceeding or claim is based arose out of such person's gross negligence or were performed or omitted fraudulently or in bad faith by such person or constituted a material breach of the Limited Liability Company Agreement. Any such indemnification shall only be from GFI's assets or insurance and no interest holder shall be required to contribute capital to GFI to satisfy any such indemnification.

In accordance with these provisions, GFI purchases and maintains insurance, in amounts and with coverage at least equal to those typically maintained by similarly-situated companies, on behalf of Directors and officers.

2.2 Fitness

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

All of the members of the Board are over the age of majority and are of sound mind. All of the members of the Board possess the ability to contribute to the effective oversight and management of GFI, taking into account the needs of GFI and such factors as the individual's experience,

perspective, skills and knowledge of the markets in which GFI operates. This includes sufficient expertise, where applicable, in financial services and trading platform operations.

Pursuant to Rule 203, and consistent with CFTC Regulations, an individual may not serve as a member of the Board or officer if the individual:

- (1) within the prior three years has been found, by a final decision in any action or proceeding brought in a court of competent jurisdiction, the CFTC, or any self-regulatory organization, to have committed a disciplinary offense;
- (2) within the prior three years has 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;
- (3) is currently suspended from trading on any trading market, is suspended or expelled from membership in a self-regulatory organization, is serving any sentence or probation, or owes any portion of a fine or penalty related to either:
 - (i) a finding of a disciplinary offense by a final decision in any action or proceeding brought in a court of competent jurisdiction, the CFTC, or any self-regulatory organization; or
 - (ii) 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;
- (4) is currently subject to an agreement with the CFTC or self-regulatory organization not to apply for registration with the CFTC or for membership in any self-regulatory organization;
- (5) is currently, or within the past three years has been, subject to a revocation or suspension of registration by the CFTC;
- (6) has been convicted of a felony listed in Section 8a(2)(D)(ii) through (iv) of the CEA; or
- (7) is currently subject to a denial, suspension or disqualification from serving on a disciplinary committee, arbitration panel or governing board of any self-regulatory organization as that term is defined in section 3(a)(26) of the Securities Exchange Act of 1934.

To verify that members of the Board meet these fitness standards, GFI requires each Director to provide supporting documentation such as a certification based on verifiable information, an affidavit from GFI's general counsel, registration information or other reliable proof that substantiates compliance. Upon the occurrence of an event listed above, such Director or officer is required to disclose the occurrence of such event to the CCO under Rule 203(b).

3 REGULATION OF PRODUCTS

3.1 Review and Approval of Products

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

The CFTC reviews and approves new products that trade through GFI. Section 723 of the Dodd-Frank Wall Street Reform and Consumer Protection Act requires SEFs to submit any determination of all new products and changes to products to the CFTC for approval or self-certification. GFI shall permit trading only in swaps that are not readily susceptible to manipulation. SEFs primarily self-certify new products and changes to products under CFTC Regulations 40.2 and 40.6, respectively. CFTC Regulation 40.2 requires that the CFTC receive a new product submission "by the open of business on the business day preceding the product's listing." CFTC Regulation 40.2 also requires that the new product submission include the following: (1) a cover sheet; (2) a copy of the new product's rules, including all rules relating to the new product's terms and conditions; (3) the intended listing date of the new product; (4) a certification by the SEF that the new product complies with the CEA and CFTC Regulations; (5) a concise explanation and analysis of the product and its compliance with the CEA and CFTC Regulations, including documentation sufficient to substantiate such explanation and analysis; and (6) a certification that the SEF posted a copy of the new product submission on its website. If requested by the CFTC, the SEF must provide any additional evidence, information or data that demonstrates that the product meets the requirements of the CEA and CFTC Regulations.

Proposed changes to existing products are submitted under CFTC Regulation 40.6, which requires that the CFTC receive the submission "not later than the open of business on the business day that is 10 business days prior to the registered entity's implementation of the rule or rule amendment." A submission under CFTC Regulation 40.6 must include the following: (1) a cover sheet; (2) a copy of the product's rules indicating deletions and additions; (3) the date of intended implementation; (4) a certification by the SEF that the product complies with the CEA and CFTC Regulations; (5) a concise explanation and analysis of the operation, purpose and effect of the product's rule amendment and its compliance with the CEA and CFTC Regulations; (6) a brief explanation of any substantive opposing views or a statement that no opposing views were expressed; and (7) a certification that the SEF posted a copy of the new product submission on its website. If requested by the CFTC, the SEF must provide any additional evidence, information or data that may be beneficial to the CFTC in conducting a due diligence assessment of the submission.

3.2 Product Specifications

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

The terms and conditions of GFI's swaps conform to the terms and conditions of swaps traded on other SEFs registered with the CFTC. Prior to listing new products, GFI conducts a market review to confirm that there will be a proper market for a swap. Such reviews are intended to foster greater liquidity for the new products by helping ensure that the terms and conditions of GFI's swaps are in conformity with normal business practices for trading in such products and meet the needs of the relevant market participants. Among other things, GFI seeks to list swaps that reference an underlying product for which there is an active trading market. GFI additionally seeks to implement contract specifications that are acceptable for clearing by the relevant Derivatives Clearing Organization, as applicable.

GFI currently lists swaps in the credit, energy and commodities, equity, foreign exchange and interest rates asset classes. The terms and conditions for each swap is included on GFI's website at <http://gfigroup.com/markets/swaps-exchange/products.aspx>.

3.3 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.

Rules 535-537 set forth GFI's position limit and position accountability rules. Pursuant to Rule 535, GFI may adopt position limits for swaps and grant exemptions from position limits, as it may determine to be necessary and appropriate, in accordance with CFTC Regulations. GFI may not set its position limit for any swap that is subject to a position limit set by the CFTC at a level higher than the CFTC's limit. The CFTC has proposed, but not yet adopted, position limits for swaps as such the firm has not determined that it is necessary or appropriate to set a position limit as of this time

Rule 536 allows GFI to adopt position accountability levels for swaps subject to the trade execution requirement in Section 2(h)(8) of the CEA. Upon GFI's request, persons with positions in excess of position accountability levels established by GFI will be required to provide information about their positions in excess of the relevant position accountability threshold and halt any further increases in those positions.

GFI shall permit trading only in swaps that are not readily susceptible to manipulation.

Section 9.3 of this application addresses price limits.

4 ACCESS

4.1 Fair Access

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

- (ii) **impose any burden on competition that is not reasonably necessary and appropriate.**
- (e) **The exchange keeps records of each grant and each denial or limitation of access, including reasons for granting, denying or limiting access.**

Access Requirements

GFI has transparent and non-discriminatory rules based on objective criteria governing eligibility for membership, which are available to the public on GFI's website. Chapter 3 of the Rules sets out the admission and eligibility standards for all Participants, Sponsored Access Firms and Registered Traders, all of which are designed to permit fair and open access while protecting GFI and its market participants.

Core Principle 2 (Compliance with Rules) requires GFI, inter alia, to have appropriate admission and continuing eligibility standards for members and participants. To be eligible for admission as a Participant, an applicant must (as set out in Rule 302(a)):

- (1) represent and warrant to GFI that it is an Eligible Contract Participant (as defined in 1a(18) of the CEA and in CFTC Regulation 1.3(m)) and that it has all registrations, licenses and consents required by its constituent documents and by Applicable Law to trade swaps;
- (2) if it enters into cleared swaps for its own account, be authorized by a DCO to clear its transactions in swaps that will be submitted to such DCO, pursuant to a mandatory clearing requirement or voluntarily by the parties to such swaps, or have an arrangement with a Clearing Firm of a DCO that meets the requirements of Rule 1002;
- (3) have and maintain all necessary regulatory approvals and/or licenses to operate as a Participant and not be subject to any trading ban, prohibition or suspension issued by the CFTC, NFA, Securities and Exchange Commission or Financial Industry Regulatory Authority;
- (4) be organized in an Authorized Jurisdiction and, if it is organized in a jurisdiction other than the United States, appoint and maintain an agent for service of process in the United States that is suitable to GFI;
- (5) ensure that activity conducted under the Trader IDs assigned to it and its Registered Traders complies with the Rules and have the authority, at GFI's request, to adjust or withdraw any order submitted under such Trader IDs;
- (6) be in compliance with any financial responsibility, recordkeeping and reporting requirements set forth under Applicable Law and Rule 403;
- (7) agree to abide by the Rules, consent to GFI's jurisdiction and cooperate promptly and fully with GFI in any investigation, inquiry, audit, examination or Company Proceeding regarding compliance with the Rules or any arbitration proceeding; and
- (8) satisfy such other criteria that GFI may require.

As provided in Rule 302(b), GFI may permit a person to become a Participant subject to such

conditions, restrictions or limitations that it deems necessary or appropriate. GFI may deny the application of a person to be a Participant if such person is unable satisfactorily to demonstrate a capacity to adhere to Applicable Law or the Rules or for such other cause as GFI reasonably may determine.

Rule 304 sets forth comparable requirements and limitations for Sponsored Access Firms. Rule 405 sets forth certain requirements related to Customers. A market participant may elect to become a Participant or Sponsored Access Firm and access the Trading Platform directly. Alternatively, a market participant may elect to become a Customer and have a Participant or Sponsored Access Firm access the Trading Platform on its behalf. Under Rule 311, GFI has jurisdiction over all Participants, Sponsored Access Firms and Customers.

Pursuant to Rule 305, each Participant and Sponsored Access Firm is required to designate at least one person that is authorized to access the Trading Platform on its behalf as a Registered Trader. Each Participant must ensure that, among other things, each of its Registered Traders is technically proficient and conducts its business in a fair and equitable manner.

Pursuant to Rule 206(d)(iii), the Participation Committee reviews appeals of staff denials or conditions placed of Participant applications. Other provisions in the Rules, including Rules 302(c), 308(b), 309(a) and 404, set out GFI's authority to revoke, suspend or limit a Participant's, Sponsored Access Firm's, or Registered Trader's access to the Trading Platform. GFI also reserves the right to summarily terminate the trading privileges of a Participant or any of its Sponsored Access Firms or its Registered Traders under Rule 520. An applicant may appeal a decision to deny or limit access to the Trading Platform in accordance with the provisions of Chapter 7. See Rules 302(e), 304(h) and 305(g).

See Part 7 of this application for additional information regarding the Due Process procedures.

Equal Access

Core Principle 11 (Antitrust Considerations) prohibits SEFs from adopting rules or taking actions that result in an unreasonable restraint of trade. GFI's Rules and policies have been designed to avoid unreasonable restraints of trade or the imposition of any material anticompetitive burden on persons that seek to access the Trading Platform. GFI has not adopted any rule or taken any action with the intent or result of restraining trade. GFI will not require Participants to acquire an equity interest in GFI, and access will be available to a broad number of Participants and Sponsored Access Firms.

Rules 206(d)(i) and (ii) provide that the Participation Committee must determine the eligibility standards and requirements for initial and continuing Participant status and approve Rules that would result in different categories or classes of Participants receiving access to GFI. Pursuant to its Charter, the Participation Committee will not recommend that GFI restrict access or impose burdens on access to the Trading Platform in a discriminatory manner, within each category or class of market participants or between similarly situated categories or classes of market participants.

Pursuant to Rule 308, GFI charges comparable fees to all Participants that receive comparable access to the Trading Platform. GFI does not restrict access or impose burdens on access in a discriminatory manner within each category or class of Participants or between similarly situated categories or classes of Participants.

Ontario Securities Laws

As noted above, an applicant must represent and warrant to GFI that it has all registrations, licenses and consents required by its constituent documents and by Applicable Law (which includes the Ontario securities laws) to trade swaps listed by GFI. An applicant must also have and maintain all necessary regulatory approvals and/or licenses to operate as a Participant, including registration under the Ontario securities laws, as applicable.

GFI will not provide direct access to a participant in Ontario (Ontario User) unless the Ontario User is appropriately registered as applicable under Ontario securities laws or is exempt from or not subject to those requirements, and qualifies as an "eligible contract participant" under the CEA.

Supervision

Rule 301 requires Participants to adopt, implement and enforce access control procedures that, at a minimum: (i) limit access to the Trading Platform to its Registered Traders and Sponsored Access Firms; (ii) check for validation of order accuracy; and (iii) prevent entry of orders that exceed any credit or order size limitations. Participants are solely responsible for any breach or failure of their access control procedures.

Pursuant to Rule 523, Participants must establish, maintain and administer supervisory procedures that are reasonably designed to monitor the compliance of their Sponsored Access Firms and Registered Traders with the Rules, and such Participant may be held accountable for the actions of such Sponsored Access Firms and Registered Traders.

Recordkeeping

Core Principle 10 (Recordkeeping and Reporting) requires SEFs to maintain records of all activities relating to the business of the SEF for a minimum of five years. Accordingly, under Rule 208, GFI keeps records of each grant and each denial or limitation of access, including reasons for granting, denying or limiting access for five years.

5 REGULATION OF PARTICIPANTS ON THE EXCHANGE

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

Background

GFI is a self-regulatory organization ("SRO") with SRO responsibilities to enforce financial and sales practice requirements upon its members. GFI monitors and enforces compliance with its Rules, including the Rules prohibiting abusive trade practices. Rule 401 sets out duties and responsibilities of Participants and Sponsored Access Firms, including the requirement to utilize GFI's services in a responsible manner, comply with all Rules, cooperate with GFI investigations, inquiries, audits, examinations and proceedings, and observe high standards of integrity, market conduct, commercial honor, fair dealing and equitable principles of trade. Participants and

Sponsored Access Firms are also required to maintain complete and accurate books and records as well as monitor and enforce compliance with any applicable internal risk limits.

Chapter 5 of the Rules contains GFI's trade practice rules. The Rules proscribe several forms of conduct and trade practices including: fraudulent acts (Rule 511); fictitious or noncompetitive transactions (Rule 512); fraudulent or misleading communications (Rule 513); market disruption (Rule 514); market manipulation (Rule 515); disruptive trading practices (Rule 516); misstatements (Rule 521); withholding of customer orders (Rule 526); priority of customer orders (Rule 527); trading against customer orders (Rule 528); front-running (Rule 602); simultaneous buying and selling orders, including crossing orders (Rule 529); wash sales (Rule 531) and pre-negotiated and noncompetitive trades, including money passes (Rule 533). The Rules also require compliance with the Rules and the rules of the Derivatives Clearing Organization (Rule 517) and further require only the entry of good faith bids and offers (Rule 518). In addition, no Participant may disclose an order other than to a designated Company Official, to the CFTC or as necessary to execute the order (Rule 530).

GFI's ability to detect, investigate and take action with respect to violations of its Rules is provided by the ROC, the CCO (including GFI employees subject to the CCO's supervision) and National Futures Association ("NFA"), which is GFI's regulatory services provider. As described in further detail below, GFI is primarily responsible for real-time market monitoring, while NFA is primarily responsible for financial surveillance, daily market surveillance, daily trade practice surveillance and inquiries and investigations. NFA also performs real-time market monitoring and provides services related to disciplinary proceedings.

Regulatory Oversight Committee

GFI's self-regulatory program is overseen by the ROC, which is a committee of the Board made up of two Public Directors. As Public Directors, their compensation must not be linked to the business performance of GFI. See Section 6.1(e) of the Limited Liability Company Agreement. As noted in Section 2.1(c), the ROC's duties include monitoring GFI's regulatory program for sufficiency, effectiveness, and independence and overseeing all facets of GFI's regulatory program.

In furtherance of these duties, the ROC has considerable authority to review GFI documentation and independently consult with, and interview, staff of GFI and NFA. Additionally, the ROC also has the authority to retain independent legal counsel and other professional services.

The CCO meets with the ROC quarterly to summarize the activities performed for GFI by NFA and highlight the status of any pending inquiries, investigations and disciplinary proceedings, as applicable. The ROC is also responsible for reviewing the size and allocation of GFI's regulatory budget and resources and the number, hiring, termination and compensation of regulatory personnel.

GFI Responsibility

The Compliance Department has primary responsibility for GFI's real-time market monitoring, and reviews trading activity on the Trading Platform, including trades, RFQs and responses to RFQs. The Compliance Department will receive and review reports of any unusual trading activities on the Trading Platform.

See Section 9.3 of this application for cancel and adjust procedures. See section 7 of this application in regards to the firm's disciplinary process.

Chapter 7 of the Rules also sets out detailed procedures with respect to GFI's disciplinary proceedings, including the potential establishment of an optional Review Panel to review an investigation report (Rule 704), the preparation of a notice of charges (Rule 705), the answer to a notice of charges by a respondent (Rule 706), service of notice of charges (Rule 707), settlements (Rule 708), the establishment and operation of a Disciplinary Panel (Rule 709), convening hearings of the Disciplinary Panel (Rule 710), the respondent's right to review evidence (Rule 711), conducting hearings of the Disciplinary Panel (Rule 712), Disciplinary Panel decisions (Rule 713), and the imposition of sanctions (Rule 714). Rule 716 sets out the procedures for filing appeals, including the creation of an Appeal Panel. GFI may also impose summary fines relating to submission of records pursuant to Rule 717. GFI also reserves the right to impose disciplinary sanctions in an emergency in accordance with Rule 718. The rights and responsibilities of a Participant, Sponsored Access Firm or Registered Trader after suspension or termination are governed by Rule 719. GFI will provide written notice of disciplinary proceedings in accordance with Rule 720.

Pursuant to Rule 402, GFI has the right to require a Participant to furnish information regarding the Participant's business that is subject to the Rules. In addition, Rule 702(c) requires Participants, Sponsored Access Firms and Registered Traders to produce books and records related to a Rule, inquiry or investigation as requested by the Compliance Department (including NFA staff).

NFA Responsibility

Rule 913 permits GFI to enter into an agreement with a regulatory services provider to provide certain regulatory services. However, GFI retains ultimate decision-making authority with respect to any powers or functions that are delegated the regulatory services provider, including exclusive authority over the issuance of disciplinary charges and any denial of access to the Trading Platform for disciplinary reasons.

Pursuant to the Regulatory Services Agreement (the "RSA") entered into between GFI and NFA, NFA performs trade practice and market surveillance using an automated surveillance system known as the Sophisticated Warning Analysis Profiling System ("SWAPS"). NFA uses SWAPS to monitor for certain types of suspicious transactions in connection with the time, size and percentage parameters that will be set based on the Rules or NFA's standards, which may be revised from time to time based on product offerings, market activities, trader profile information and GFI's procedures. NFA reviews all trades executed on the Trading Platform or otherwise pursuant to the Rules.

As noted above, real-time monitoring of trading is conducted primarily by GFI, but NFA provides a second set of eyes using a view-only market monitor screen through which it can track the activity of specific traders, monitor price and volume information and is alerted to any market messages.

NFA has primary responsibility for performing the investigatory work and any resulting inquiries and investigations. GFI also may conduct its own inquiries and investigations, in lieu of or in conjunction with inquiries or investigations that are being conducted by NFA. Generally speaking, any investigatory work is completed in two stages: (i) an "inquiry," or preliminary review of an irregularity, exception or similar indication of a potential rule violation, that is meant

to determine if there is reason to believe that a rule violation may have occurred; and (ii) an "investigation," which is an in-depth review conducted after determining that there is reason to believe that a rule violation may have occurred, and which is meant to gather all relevant evidence of a potential Rule violation in order to allow GFI to decide whether a disciplinary proceeding is warranted. All investigations undertaken by either NFA or GFI's compliance staff are governed by Chapter 7 of the Rules.

NFA also provides an arbitration forum for the resolution of customer vs. GFI member disputes and GFI member vs. GFI member disputes.

6 RULEMAKING

6.1 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.**

GFI maintains a set of written rules and procedures which is publicly available on GFI's website. The Rules appropriately govern the operations and activities of market participants in the following chapters: Chapter 3 (Trading Platform); Chapter 4 (Business Conduct); Chapter 5 (Trading Practices); Chapter 6 (Block Trades); Chapter 7 (Discipline and Enforcement); Chapter 8 (Arbitration); Chapter 10 (Cleared and Uncleared Swaps); and Chapter 11 (Contracts). GFI believes that the Rules are consistent with applicable Ontario law.

As noted in Section 4, Core Principle 11 (Antitrust Considerations) prohibits SEFs from adopting rules or taking actions that result in an unreasonable restraint of trade or impose any material anticompetitive burdens on trading or clearing. GFI's Rules and policies have been designed to avoid unreasonable discrimination among Participants or impose any burden on competition that is not reasonably necessary or appropriate. See also Section 15 below.

The CFTC undertakes periodic rule reviews of all SEFs, including GFI. All rule changes must be submitted to the CFTC and are subject to review to ensure compliance with the CEA and CFTC Regulations. SEFs are required to self-certify new rules and rule amendments in accordance with CFTC Regulation 40.6. The CFTC publishes rule certifications publicly on its website.

- (b) The Rules are not contrary to the public interest and are designed to**
- (i) ensure compliance with applicable legislation,**

Core Principle 1 (Compliance with Core Principles) requires SEFs to comply with the Core Principles and all applicable CFTC Regulations. GFI's Rules are drafted to comply with such requirements. Pursuant to Rule 311(a), any person initiating or executing a transaction pursuant to the Rules, directly or through a Participant or Sponsored Access Firm, expressly consents to GFI's jurisdiction and agrees to be bound by and comply with the Rules in relation to such transactions, including, but not limited to, Rules relating to investigatory and disciplinary processes. By consenting to GFI's jurisdiction and agreeing to comply with the Rules, such persons are brought within the scope of the Core Principles and applicable CFTC Regulations.

GFI also has the authority to discipline market participants that do not adhere to Applicable Law.

Under Rule 302(c)(iii), GFI may revoke, suspend or limit a Participant's or Sponsored Access Firm's access to the Trading Platform if such Participant or Sponsored Access Firm violates Applicable Law or the Rules. Rule 701(a) provides that Participants, Sponsored Access Firms, Registered Traders and other Persons within GFI's jurisdiction are subject to GFI's disciplinary procedures if they are alleged to have violated, to have aided and abetted a violation of, or to be violating any Rule or any provision of Applicable Law for which GFI possesses disciplinary jurisdiction.

(ii) prevent fraudulent and manipulative acts and practices,

As noted in Section 5, GFI has adopted Rules prohibiting trade practice violations and other illicit conduct, including fraud or dishonorable or dishonest conduct (Rule 510), fraudulent acts (Rule 511) and fraudulent or misleading communications (Rule 513).

(iii) promote just and equitable principles of trade,

Rule 510 prohibits conduct which is inconsistent with just and equitable principles of trade. Similarly, Rule 401(a)(v) requires Participants to observe high standards of fair dealing and just and equitable principles of trade while conducting or seeking to conduct any business connected with or concerning GFI. Participants are also required to cause their Sponsored Access Firms to observe such standards.

(iv) foster co-operation and co-ordination with persons or companies engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in the products traded on the exchange,

Coordination with Third Parties

CFTC Regulation 37.504 requires a SEF to share information with other regulatory organizations, data repositories and third-party data reporting services as required by the CFTC or as otherwise necessary and appropriate to fulfill the SEF's self-regulatory and reporting responsibilities. Appropriate information-sharing agreements can be established with such entities or the CFTC can act in conjunction with the SEF to carry out such information sharing. Under Rule 912, GFI has broad discretion to enter into information-sharing agreements to coordinate surveillance with other markets that trade financial instruments related to the swaps listed on the Trading Platform. GFI may enter into additional agreements or other arrangements or procedures to coordinate surveillance with domestic or foreign regulators, including the OSC, self-regulatory organizations, clearing organizations, exchanges, markets or other SEFs to share information and provide other forms of mutual assistance for market surveillance, audits, investigations, enforcement actions and other regulatory purposes deemed necessary or appropriate or required by law.

GFI is a member of the Joint Audit Committee, whose primary responsibility is to coordinate the auditing and financial review of futures commission merchants that are members of multiple self-regulatory organizations. As noted in Section 5, GFI has entered into an RSA with NFA, pursuant to which NFA acts as GFI's regulatory services provider. GFI has also entered into clearing agreements to facilitate effective clearing of swaps with various clearing organizations. To facilitate swap data reporting, GFI has entered into repository service agreements with multiple swap data repositories.

Alternative Dispute Resolution

Chapter 8 of the Rules provides for the resolution of disputes between or among Participants, Sponsored Access Firms and/or Registered Traders arising from a transaction made pursuant to the Rules. NFA will conduct such arbitrations pursuant to NFA's member arbitration rules.

However, Chapter 8 does not apply to disputes between Participants, Sponsored Access Firms, Registered Traders or Customers that: (i) are required by the rules of a Self-Regulatory Organization to submit to the dispute resolution procedures of that Self-Regulatory Organization; or (ii) have, by valid and binding agreement, committed to arbitrate or litigate in a forum other than NFA.

Any party that initiates arbitration or litigation relating to or arising out of any Swap or otherwise arising out of transactions made or to be made pursuant to the Rules is required to submit notice thereof to GFI.

(v) provide a framework for disciplinary and enforcement actions, and

Core Principle 2 (Compliance with Rules) requires SEFs to adopt rules relating to disciplinary procedures and sanctions. As noted in Section 5, Chapter 7 of the Rules sets forth GFI's disciplinary and enforcement process, including the establishment of Disciplinary Panels, the imposition of sanctions and an appeals process.

See Part 7 of this application for further details on the firm's disciplinary procedures.

(vi) ensure a fair and orderly market.

Core Principle 4 (Monitoring of Trading and Trade Processing) requires SEFs to adopt rules relating to trading procedures, and to monitoring trading to prevent manipulation and price distortion. GFI has adopted Rules conforming to such requirements to ensure a fair and orderly market. Chapter 5 of the Rules sets forth certain prohibited trading practices and specifically proscribes manipulation, price distortion and disruptive trading practices. Chapter 7 of the Rules describes GFI's disciplinary and enforcement procedures, which include inquiries, investigations and disciplinary proceedings.

The CCO, Compliance Department and NFA implement GFI's monitoring, surveillance and other enforcement functions, and the ROC oversees this activity. As noted above, GFI conducts real-time market monitoring, whereas NFA provides a second set of eyes on a trade day plus one (T+1) basis. In addition, NFA has developed an automated trade surveillance system known as SWAPS that captures all trade and order data, including modifications and cancellations, and uses that data to perform trade practice and market surveillance services. NFA is also responsible for reviewing GFI's trades on a routine basis to determine whether suspicious activity relating to applicable trading standards exists. The CCO oversees NFA's performance.

Participants are required under Rule 506(b) to maintain order routing/front-end audit trail information. The audit trail requirements facilitate GFI's ability to comprehensively and accurately reconstruct all trading on the Trading Platform. GFI additionally maintains its own audit trail data to accurately reconstruct all trading on the Trading Platform.

Pursuant to Rule 401, all Participants and Sponsored Access Firms must maintain all records required by the Rules including all records of trading, activity in the underlying commodity and activity in related markets. All such books and records must be made available for inspection by, and copies thereof shall be delivered to, GFI and its authorized representatives upon request.

Under Rule 401(b), all orders submitted to the Trading Platform are subject to the Participant's own internal risk limits. This approach permits Participants to monitor and enforce risk controls that are appropriate for their activity. Such risk controls may include pre-trade limits on order size, price collars or bands around the current price, message throttles, daily price limits or other customized risk controls.

As noted in Section 8.1 below, each Participant effecting cleared swap transactions that is not a member of a Derivative Clearing Organization must arrange for a Clearing Firm that is a member of a Derivatives Clearing Organization to clear such transactions.

7 DUE PROCESS

7.1 Due Process

For any decision made by the exchange that affects a participant, or an applicant to be a participant, including a decision in relation to access, exemptions, or discipline, the exchange ensures that:

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

Discipline and Enforcement

Chapter 7 of the Rules describes GFI's disciplinary procedures and enforcement process and demonstrates GFI's capacity to detect and investigate rule violations. The Compliance Department (which includes NFA), in accordance with Rule 702, has the authority to initiate and conduct inquiries and investigations, prepare investigative reports, make disciplinary recommendations and prosecute violations. Rule 702 also provides the Compliance Department with the authority to collect information and documents and examine Participants' books and records during an investigation.

Rule 702 also provides that the Compliance Department will commence an investigation upon the receipt of a request from CFTC staff or upon the discovery or receipt of information that indicates a reasonable basis for a finding that a violation has occurred or will occur. Pursuant to Rule 703(e), absent mitigating circumstances, all investigations must be completed within 12 months after the date the investigation is opened. No person with a conflict of interest will be permitted to participate in any GFI enforcement action or Disciplinary Panel.

Investigations may be resolved through a warning letter; however, no more than one warning letter for the same potential violation may be issued to the same potential respondent during a rolling 12-month period. See Rule 703(f).

Under Rule 705, if the CCO or Review Panel authorizes the initiation of disciplinary proceedings, the Compliance Department will prepare and serve a notice of charges. The notice of charges must: (i) adequately state the acts, practices or conduct that the respondent is alleged to have engaged in; (ii) state the Rule(s) or provision(s) of Applicable Law alleged to have been violated or about to be violated; (iii) advise the respondent of its right to a hearing; (iv) state the period of time within which the respondent can request a hearing on the notice of charges, which will not be less than 20 days after service of the notice of charges; (v) advise the respondent that any

failure to request a hearing within the period stated, except for good cause, will be deemed to constitute a waiver of the right to a hearing; and (vi) advise the respondent that a failure to answer or to expressly deny a charge may be deemed to be an admission of such charge. Rule 705 explicitly provides that the respondent has the right to counsel after it is served with the notice of charges.

To answer the notice of charges, Rule 706 requires a respondent to: (i) specify the allegations that it denies or admits; (ii) specify the allegations that it does not have sufficient information to either deny or admit; (iii) specify any specific facts that contradict the notice of charges; (iv) specify any affirmative defenses to the notice of charges; and (v) sign and serve the answer on the Disciplinary Panel. If a respondent admits or fails to deny any of the allegations in the notice of charges, the Disciplinary Panel will find that the violations set forth in the allegations have been committed and will impose a sanction for each violation.

Pursuant to Rule 708, the respondent may propose in writing an offer of settlement to anticipated or instituted disciplinary proceedings. The Disciplinary Panel may determine to accept the offer of settlement, but may not alter the terms of a settlement offer unless the respondent agrees. The respondent may withdraw his or her offer of settlement at any time before final acceptance by the presiding panel.

As provided in Rule 710, all disciplinary proceedings (except for summary impositions of fines) will be conducted at a hearing before a Disciplinary Panel, which is appointed by the CCO pursuant to Rule 709. Each Disciplinary Panel consists of three individuals, at least one of whom would qualify to serve as a Public Director. In forming a Disciplinary Panel, the CCO draws panel members from the individuals appointed by the Board as potential members of Disciplinary Panels. No group or class of Participants may dominate or exercise disproportionate influence on a Disciplinary Panel, and no member of the Disciplinary Panel may participate in deliberations or voting on any matter in which he or she has a financial, personal or other direct interest. A Disciplinary Panel may not include any person involved in adjudicating any other stage of the same proceeding. The Board may, at any time, remove any member of a Disciplinary Panel for cause.

Prior to the commencement of a hearing, each respondent will be given the opportunity under Rule 711 to review certain books, records, documents, papers, transcripts of testimony and other evidence in the possession or under the control of GFI that the Compliance Department will use to support the allegations and proposed sanctions in the notice of charges or which the chairman of the Disciplinary Panel deems relevant to those charges.

Under Rule 712, the Compliance Department will present its case supporting the allegations and proposed sanctions in the notice of charges to the Disciplinary Panel. The respondent is entitled to appear personally and participate in the hearing. At the hearing, the Compliance Department and each respondent may: (i) present evidence and facts deemed relevant and admissible by the chairman of the Disciplinary Panel; (ii) call and examine witnesses (including, but not limited to, employees or agents of GFI that form part of the Compliance Department); and (iii) cross-examine witnesses called by other parties. GFI will require persons within its jurisdiction that are called as witnesses to appear at the hearing and produce evidence, and will make reasonable efforts to secure the presence of all other persons called as witnesses whose testimony would be relevant.

Rule 712(g) requires GFI to arrange for any hearing conducted in connection with disciplinary proceedings to be recorded verbatim, or substantially verbatim, in a manner capable of accurate

transcription, and a copy of such recordings shall become a part of the record of such proceedings. If the respondent requests a copy of all or portions of the recording of a hearing, the chairman of the Disciplinary Panel may, within his or her sole discretion, order the respondent to pay the costs for transcribing the recording of the hearing.

Pursuant to Rule 713, the Disciplinary Panel will render a written decision based on the weight of the evidence contained in the record of the disciplinary proceedings. A decision by a majority of the Disciplinary Panel will constitute the decision of the Disciplinary Panel. GFI will serve a copy of the written decision on the respondent and the Compliance Department. The written decision will include the following information: (i) the notice of charges or a summary of the charges; (ii) the answer, if any, or a summary of the answer; (iii) a summary of the evidence introduced at the hearing or, where appropriate, incorporation by reference of the investigation report; (iv) a statement of findings and conclusions with respect to each charge, and a complete explanation of the evidentiary and other bases for such findings and conclusions with respect to each charge; (v) an indication of each specific Rule that the respondent was found to have violated; and (vi) a declaration of all sanctions imposed against the respondent, including the basis for such sanctions and the effective date of such sanctions.

Appeals

Parties to a disciplinary proceeding may appeal the decision of the Disciplinary Panel in accordance with Rule 716. The Appeal Panel, by a majority vote, will determine whether sufficient grounds exist to hold a hearing on the appeal. The Appeal Panel may only determine that sufficient grounds exist if there is a reasonable basis to conclude that the appellant may be able to demonstrate that the decision was arbitrary, capricious, an abuse of discretion, or not in accordance with the Rules, or that the decision exceeded the authority or jurisdiction of the Disciplinary Panel or GFI.

If the Appeal Panel determines to hold an appeal proceeding, a decision by a majority of the Appeal Panel during such proceeding will constitute the decision of the Appeal Panel. Promptly following the appeal proceeding, the Appeal Panel will issue a written decision and provide a copy to the parties.

Summary Suspensions

Under Rule 718, GFI may summarily suspend a Participant's right to access the Trading Platform if GFI reasonably believes such immediate action is necessary to protect the best interest of the marketplace. If practicable, GFI will serve the party against whom such action is contemplated with prior written notice. If prior notice is not practicable, GFI will give notice at the earliest possible opportunity to the person that is subject to such suspension.

A Participant may request a hearing with respect to such suspension by filing a notice of intent with the Compliance Department. If requested, a Disciplinary Panel will promptly conduct a hearing concerning the summary suspension, and will render a written decision based on the weight of the evidence contained in the record of the proceeding. The decision of a majority of the Disciplinary Panel will be the decision of the Disciplinary Panel. GFI will serve copies of the Disciplinary Panel's written decision on the respondent and the Compliance Department.

Applications and Access

Pursuant to Rule 302, a person whose application for Participant status has been denied or granted

conditionally, and any Participant or Sponsored Access Firm of a Participant whose access to the Trading Platform is revoked, suspended or limited may appeal GFI's decision in accordance with the provisions of Chapter 7.

Rule 206(d) also provides that the Participation Committee will review appeals of staff denials of Participant applications. In reviewing appeals of staff denials of Participant applications, the Participation Committee will not uphold any staff denial if the relevant application meets the standards and requirements prescribed by such Committee. The Participation Committee will not, and will not permit GFI to, restrict access or impose burdens on access in a discriminatory manner within each category or class of Participants or between similarly situated categories or classes of Participants.

Recordkeeping

Core Principle 10 (Recordkeeping and Reporting) requires SEFs to maintain records of all activities relating to the business of the SEF for a minimum of five years. Pursuant to Rule 208, GFI keeps records of all records relating to disciplinary actions, appeals and Participant applications.

8 CLEARING AND SETTLEMENT

8.1 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 clearing house.

CFTC Regulation 37.701 provides that transactions executed on or through a SEF that are required to be cleared under the CEA or are voluntarily cleared by the counterparties must be cleared through a derivatives clearing organization registered or exempt from registration with the CFTC. As noted in Section 6.1(b)(iv), GFI has entered into agreements with multiple Derivatives Clearing Organizations, ICE Clear Credit LLC, LCH Clearnet Ltd., LCH Clearnet LLC, and CME Inc., and has the capacity to route transactions to such Derivatives Clearing Organizations in a manner acceptable to each applicable Derivatives Clearing Organization. Pursuant to Rule 1001, GFI submits each swap executed on or pursuant to the Rules that is required to be cleared to a Derivatives Clearing Organization pursuant to the CEA and CFTC Regulations. GFI also submits swaps that are not required to be cleared to a Derivatives Clearing Organization if the counterparties elect to have such swaps cleared.

In the event that a Swap is rejected by the Clearing Organization to which it has been submitted, GFI will so inform the Participants or Authorized Customers that are the counterparties to the trade. A trade for which GFI has received a rejection notice from the Clearing Organization is void ab initio. Transactions rejected by the Clearing Organization due to operational or clerical errors can be resubmitted as "new trade, old terms" no later than one hour from the issuance of notice.

The Rules also require market participants to establish and maintain relationships with Clearing Firms. Under Rule 1002(b), a Participant that is not a Clearing Firm and that is trading cleared swaps as principal, and each Sponsored Access Firm that is not a Clearing Firm and that is trading cleared swaps as principal, must obtain prior authorization from a Clearing Firm that will guarantee such Participant's or Sponsored Access Firm's cleared swaps to the Derivatives Clearing Organization, subject to applicable risk-based limits, or enter into an appropriate

arrangement with a person that has such an authorization from a Clearing Firm. Rule 1002(c) similarly provides that a Participant acting as broker for a customer must obtain from the customer confirmation from the customer that it has obtained prior authorization from a Clearing Firm that will guarantee customer's cleared swaps to the Derivatives Clearing Organization, subject to applicable risk-based limits, or enter into an appropriate arrangement with a person that has such an authorization from a Clearing Firm.

A Clearing Firm may at any time, upon written notice to GFI, revoke any authorization made by it to a Participant, Sponsored Access Firm, customer or Registered Trader. Such authorization will remain in effect for all cleared swaps for which orders were submitted to the Trading Platform prior to GFI's acknowledgement of the revocation. Upon the effectiveness of the revocation of an authorization, the right of the Participant, Sponsored Access Firm, customer or Registered Trader to enter into cleared swaps will automatically be terminated. Such a Participant, Sponsored Access Firm or customer must obtain another authorization from a Clearing Firm before its right to access the Trading Platform to trade cleared swaps will be reinstated.

Rule 1002(e) requires each Participant, Sponsored Access Firm, and customer to assist its Clearing Firm and the Derivatives Clearing Organization in the clearing of its cleared swaps.

Rule 1102 provides that clearing services provided by a Derivatives Clearing Organization with respect to any swap, and the rights and obligations of purchasers and sellers under cleared swaps, will be governed by the rules of the Derivatives Clearing Organization.

8.2 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.

GFI understands that the CFTC (and, in the case of LCH.Clearnet Limited, the Bank of England) subjects the risk management systems of each Derivatives Clearing Organization, including policies and procedures, contingency plans, default procedures and internal controls, to the same degree of scrutiny and oversight to which the risk management systems of GFI is subject. Furthermore, DCO Core Principle D requires that a Derivatives Clearing Organization manage the risks associated with discharging the responsibilities of a Derivatives Clearing Organization through the use of appropriate tools and procedures. LCH.Clearnet Limited is subject to similar requirements by its primary regulator. As such, GFI believes that each Derivatives Clearing Organization has established appropriate risk management policies and procedures, contingency plans, default procedures and internal controls.

9 SYSTEMS AND TECHNOLOGY

9.1 Systems and Technology

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

- (a) order entry,**

- (b) order routing,
- (c) execution,
- (d) trade reporting,
- (e) trade comparison,
- (f) data feeds,
- (g) market surveillance,
- (h) trade clearing, and
- (i) financial reporting.

9.2 System Capability/Scalability

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

- (a) makes reasonable current and future capacity estimates;
- (b) conducts capacity stress tests to determine the ability of those systems to process transactions in an accurate, timely and efficient manner;
- (c) reviews the vulnerability of those systems and data 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 plans;
- (e) ensures that the configuration of the system has been reviewed to identify potential points of failure, lack of back-up and redundant capabilities;
- (f) maintains reasonable procedures to review and keep current the development and testing methodology of those systems; and
- (g) maintains reasonable back-up, contingency and business continuity plans, disaster recovery plans and internal controls.

Background

Core Principle 14 (System Safeguards) requires SEFs to establish and maintain a program of risk analysis and oversight to identify and minimize sources of operational risk by developing appropriate controls and procedures and automated systems that are reliable and secure and have adequate scalable capacity. Core Principle 14 additionally requires SEFs to establish and maintain emergency procedures, backup facilities and a disaster recovery plan and periodically conduct tests to verify that the backup resources are sufficient. GFI has developed the Trading

Platform technology in compliance with Core Principle 14 and CFTC Regulations.

GFI subjects the Trading Platform's critical systems to regular stress tests based on reasonable current and future capacity estimates. The Trading Platform is also tested for a range of externalities which may damage or impair the operation of the system, including, but not limited to, vulnerability to internal and external threats, including physical hazards and natural disasters and safeguarded against unauthorized access, internal failures, human errors, attacks and natural catastrophes that might cause improper disclosures, modification, destruction or denial of service. In addition, the system is reviewed to identify potential points of failure, lack of back-up and redundant capabilities.

The IT Department assesses the risks of the technology infrastructure on an ongoing basis. The current operational risks are identified through Internal Audit's formal annual risk assessment process which is the basis for audits designed throughout the year. Each month, the Audit Committee meets to ensure the Internal Audit plan aligns with the ongoing IT risks of the organization. Additionally, various compliance and policy teams work closely with GFI's independent external auditors to ensure all IT infrastructure risks are properly identified and mitigated with corresponding controls. These controls are then tested by the compliance and policy teams and external consultants to validate their operational effectiveness. Further, IT infrastructure changes are actively tested by the Quality Assurance department prior to release into production.

Business Continuity and Disaster Recovery

In accordance with Core Principle 14, GFI maintains a Business Continuity Plan (the "BCP"). GFI's business continuity/disaster recovery program supports the continued performance of critical functions in the event the headquarters or primary data center is unavailable due to a significant business interruption. The business continuity/disaster recovery program has six objectives:

- (1) to ensure the continuity and recovery of the critical functions through the use of its secondary/disaster recovery facility;
- (2) to minimize the disruption to market participants and business partners;
- (3) to protect the firm's books and records;
- (4) to reduce the number and frequency of ad hoc decisions following a significant business interruption;
- (5) to educate employees on the contingency plans and their roles and responsibilities in executing those plans; and
- (6) to comply with regulatory requirements.

GFI maintains two remote sites contracted from leading disaster recovery service providers to be used in the event of a disaster. Both sites currently used are disaster-resistant "bunkered" sites, with redundant power sources, data communications, and hardware. The sites also have power generators that can maintain operations independent of local power availability. All electronic data (trade, positions and back office transactions) and risk management data are mirrored to the disaster recovery site in a real-time mode, so that all of the data necessary to recover the systems

is available at the remote site at any given time.

Under the BCP, every combination of alternate location and business function are tested at least annually. Any identified issues are noted in the post-test report for follow up action. The BCP will be revised as needed after any significant change to services provided or systems used by GFI, but not less than annually. Component and data center level failure scenarios are tested multiple times per year.

Systems Changes and Testing

GFI is obligated by CFTC Regulation 37.1401 to promptly notify the CFTC of any electronic trading halts and material system malfunctions, cyber security incidents or targeted threats that actually or potentially jeopardize automated system operation, reliability, security or capacity, and activations of GFI's business continuity-disaster recovery plan. Additionally, GFI must notify the CFTC of any material planned changes to the automated systems that are likely to have a significant impact on the reliability, security or adequate scalable capacity of such systems and planned changes to GFI's program of risk analysis and oversight.

Senior IT management must approve all planned changes to systems, whether the result of an incident, routine maintenance, or new application or infrastructure project. All changes have documented implementation and roll-back procedures.

Application changes are monitored and tracked via an issue and project tracking system. This system tracks the progress of the development and testing of application changes. Major changes and new applications are made into projects following the formal GFI delivery method, whereas minor or routine changes need only be scrutinized and approved by technology management.

Additional measures for IT systems are planned to reinforce resiliency. By understanding the capacity of each hardware and software component, a good approximation can be developed of capacity needs and back-up facilities to support anticipated loads.

GFI has an adequate information security program to protect data, assets and physical and environmental security. The goal of the information security program is to protect the confidentiality, integrity, and availability of GFI and its participants' information systems and data. The information security program includes:

- (1) Asset Management - Asset management enables efficient, cost-effective methods for supporting, securing, and planning for upgrades, migrations, staff training, and future technology installations.
- (2) Physical and Environmental Security - The information security program enables the management of access to data centers and data and requires approval (e.g., guards, ID badge) for entry into two vendor owned centers where all production systems and data housed. Both data centers define equipment security surrounding location, support utilities, cabling security, maintenance, and secure removal and re-use. Approval is required for the use of special software, hardware, presentation equipment and home laptop use.
- (3) Authorization, Authentication and Access Control - All computer systems have access controls that require the identity of the user requesting access (User-ID) and a confidential code, which is known only by the authorized user (password). Users are

required to keep passwords confidential at all times. All policies must be adhered to whether internally or remotely connecting. Access to modify production data, programs and operating system is limited and requires confidentiality on the firm's data.

(4) Internet, E-mail and Data Policy - All employees must comply with their internet and e-mail policies to ensure that confidential or non-public information is transmitted only in accordance with data policies. The information security program works to ensure that malicious computer viruses are not introduced into the environment through inappropriate internet use or the download of unauthorized software. All non-public data that traverses public networks is encrypted to ensure privacy. Data is stored on central file servers to allow offline and offsite access. Central file servers are backed-up nightly.

(5) Record Retention - GFI maintains records of transactions executed on its facility for at least five years. Customized checklists are provided based on document type (banking records, accounting records, etc.) to assist employees in determining retention requirements and directs departments on an annual purging process to ensure records are not maintained longer than required.

(6) Accountability, Compliance and Auditability - Adherence to security standards, reporting of violations and disciplinary action for non-compliant behavior is required. Logs for production system and application events are maintained and governs usage of firm equipment by requiring authorization. Policy also specifies non-disclosure of data and auditing policies (copying of proprietary data).

GFI also utilizes a capacity management process that encompasses the following:

(1) Monitoring the performance and throughput of IT systems and the supporting infrastructure components using industry standard monitoring products.

(2) Undertaking tuning activities to make the most efficient use of existing resources. The performance test environment is used to identify the tuning that will be most efficient.

(3) Understanding the demands currently being made for IT systems and producing forecasts for future requirements. The performance test environment is used to evaluate future capacity requirements.

(4) Establishing, maintaining, and verifying the performance and capacity baselines, which enable IT to provide services of the quality defined in the service level agreements (the "SLAs").

(5) Utilizing the performance test environment to establish and predict the resource and capacity requirements is crucial to meeting the SLAs.

Testing is completed throughout the system development cycle, leveraging industry standard approaches on the appropriate technology platforms using standard procedures including:

(1) Functional Testing: This focuses on new requirements and new code introduced into the system. This is the first stage of testing and is focused on ensuring new features have been implemented correctly. This type of testing is based upon both black box and white box techniques. Black box testing is defined as verifying the functionality of an

application using test cases built around specifications and requirements. White box testing is defined as verifying internal structures or workings of an application as opposed to its functionality.

(2) Regression Testing: This focuses on verification of existing functionality to ensure the introduction of new code has no adverse effects. This testing may be performed in conjunction with functional testing, although ideally begins when functional testing has completed.

(3) Integration Testing: This focuses on verification of the integrity of the interfaces and communication between applications, both internal and external. Integration testing does not cover the full scope of application functionality, but focuses on the flow of data throughout the system and the touch points with external systems and business partners. This testing begins once all functional and regression testing is complete.

(4) Production Parallel Testing: This typically takes place in parallel to member simulation testing, two to three weeks prior to production implementation, once functional, regression, and integration testing are complete. Production parallel testing involves replaying production activity through a quality assurance environment and comparing key system outputs at defined verification points against production outputs created for the same business day. This testing functions like a "system regression," focused on ensuring only explainable differences are found.

(5) Performance Testing: This focuses on analysis of responsiveness and stability of applications under a particular load. Analysis is performed on areas including, but not limited to, software, hardware, databases, networks, and messaging. Results are used as input into discussions regarding scalability, reliability, and resource usage. The role of quality assurance in this type of testing is ancillary to that of lead developers and architects.

(6) User Acceptance Testing: This focuses on verification of business functionality exercised by GFI market participants. The effort is coordinated with internal business representatives and external members to derive structured test scenarios to be executed either by members themselves or quality assurance staff per direction of members or business representatives. The expectation is that members sign-off on test results, indicating their readiness for production launch. This testing may be structured or "open." Structured tests could be carried out in quality assurance environments or a member test environment, such as simulation and usually have defined inputs and expected results in the form of test cases or scenarios. Open tests are generally carried out in the simulation environment, allowing members to execute scenarios of their choosing and at their convenience over a specified period of time prior to production launch.

Finally, GFI conducts regular external penetration tests via a third-party vendor to identify vulnerabilities in GFI's networks and systems and to measure the effectiveness of controls employed by GFI.

9.3 Information Technology Risk Management Procedures

The exchange has appropriate risk management procedures in place including those that handle trading errors, trading halts and respond to market disruptions and disorderly trading.

GFI's Rules prescribe the types of orders that may be entered into the Trading Platform. The Trading Platform also uses "reasonability limits" for most products to determine if an order is executable on the Order Book. GFI establishes the "reasonability limit" for a particular swap by first determining the "anchor price" for such swap. Each anchor price is set by GFI and is based on the price of the most recent prior trade made on or pursuant to the Rules, unless there have been no trades on a particular day or if a trade is made at the open of business, in which case the anchor price may be, at GFI's discretion: (i) the prior day's settlement price or (ii) if the price described in clause (i) occurred more than one business day before the date of the swap that is being reviewed, the price for such swap or an economically equivalent swap most recently reported by a Swap Data Repository. The determination as to when to shift the anchor price will be made by GFI.

Once GFI has established the anchor price for a particular swap, the "reasonability limit" for such swap is the amount by which the price of a swap may increase or decrease in one trading sequence from the anchor price.

Rule 538 describes GFI's procedures for cancelling or adjusting a trade as a result of an error. If GFI determines that the price of a trade is outside the "Non-Reviewable Range," the GFI may cancel or adjust the price of such trade if it believes that allowing the trade or trades to stand as executed could have a material, adverse effect on the integrity of the market or is necessary to mitigate market disrupting events caused by the improper or erroneous use of the Trading Platform or by system defects or malfunctions. Decisions will be made as soon as practicable after GFI becomes aware of an anomaly, error or other event and GFI will notify Participants, Sponsored Access Firms and the Swap Data Repository of any cancellations or adjustments.

The "Non-Reviewable Range" is defined as, with respect to a swap, any price that is not more than 10% higher or lower than the most recent price of: (A) a transaction in such swap effected pursuant to the Rules, other than a block trade or the swap that is under review; (B) if the swap is a cleared swap, the settlement price established therefor by a Derivatives Clearing Organization; or (C) if the prices described in clauses (A) and (B) occurred more than one business day before the date of the swap that is being reviewed, the price for such swap or an economically equivalent swap most recently reported by a Swap Data Repository. A swap with a price inside the Non-Reviewable Range stands as executed.

Under Rule 911 the GFI maintains the authority to declare an emergency and among other items detailed in Rule 911 suspend or curtail trading.

GFI provides various training materials and instruction manuals relating to the operation of the Trading Platform and operates an around-the-clock help desk to support customers.

See also Sections 9.1 and 9.2 above.

10 FINANCIAL VIABILITY

10.1 Financial Viability

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

Core Principle 13 (Financial Resources) requires a SEF to maintain financial, operational, and managerial resources exceeding the total amount that would enable the SEF to cover its operating costs for a one-year period, as calculated on a rolling basis. CFTC Regulation 37.1305 additionally requires a SEF to maintain unencumbered, liquid financial assets (i.e., cash and/or highly liquid securities) equal to at least six months' operating costs.

GFI has adequate financial, operational, and managerial resources to discharge each of its responsibilities. As required by CFTC Regulations, GFI maintains financial resources sufficient to cover its operating costs for a one-year period, as calculated on a rolling basis. GFI also maintains sufficient liquid financial resources equal to at least six months' operating costs.

11 TRADING PRACTICES

11.1 Trading Practices

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

Core Principle 4 (Monitoring of Trading and Trade Processing) requires SEFs to adopt rules relating to trading procedures, and to monitoring trading to prevent manipulation and price distortion. Chapter 5 of the Rules sets forth the trading practices on the Trading Platform, including trading hours (Rule 502), trading procedures (Rule 503) and use of Trader IDs (Rule 504).

In addition to central limit order book trading, the Trading Platform allows for multiple other execution methods, including request for quote ("RFQ") (Rule 508), Join the Trade sessions (Rule 507), voice execution and brokered trading (Rule 509) and block trading (Rule 601). The procedures for each execution method are fair, transparent and consistent with industry practices to ensure the trading practices on GFI are not against the public interest.. Below is a brief description of each method of execution:

Central Limit Order Book. Rule 507(a) provides that Orders entered for the electronic execution in the Order Book are generally ranked first by price (best to worst), and then by time (earliest to latest within each price level). Order size does not affect priority in the matching algorithm.

Request for Quote. GFI offers multiple RFQ functionalities, including RFQ-to-3, RFQ-to-1, RFQ-to-All and Matching.

- In RFQ-to-3, a Participant may submit an RFQ to three or more other Participants via voice brokerage or electronically through the Trading Platform. The recipient may respond with a quote.
- In RFQ-to-1, a Participant may submit an RFQ to one or more Participants via voice brokerage or electronically through the Trading Platform. The recipient may respond with a quote.

- In an RFQ-to-All session, a Participant may submit bids or offers at the Mid-Market Level that has been established for that RFQ-to-All session. Such bids and offers will be accepted in the order in which they are received by GFI. GFI will cancel any bids or offers in the Order Book that have been submitted by such Participant for the same swap.
- In a Matching session, a Participant may submit to all other Participants a request to transact at a Fixing Price or at the Mid-Market Level. Each Matching session is a time-limited, session-based, electronic trading protocol. The Order Book will continue to operate during a Matching session.

Voice Execution and Brokered Trading. As provided in Rule 509, SEF brokers may facilitate the execution of swaps by communicating via voice and/or entering electronically bids, offers and RFQs into the Trading Platform at the direction of Participants. Non-SEF brokers also may facilitate the execution of swaps. In any event, a swap effected via voice brokerage must comply with the requirements of CFTC Regulations relating to the execution of Required Transactions, as applicable.

Block Trading. Rule 601 provides that large transactions may be effected away from the Trading Platform so long as certain conditions are met. Such transactions also may be effected through the Trading Platform under certain circumstances.

As noted in Section 6.1(b)(vi), the CCO, Compliance Department and NFA implement GFI's monitoring, surveillance and other enforcement functions, and the ROC oversees this activity to ensure the trading practices on GFI are not against the public interest.

11.2 Orders

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

Pursuant to Rule 401(b), a Participant may set its own internal risk limits, including pre-trade limits on order size, price collars or bands around the current price, message throttles, daily price limits or other customized risk controls. GFI has no particular rules limiting the size of an order (that is, the number of contracts in a particular buy or sell order). Particularly large trades may be executed as Block Trades as long as the trade size meets certain minimum size requirements as determined by the CFTC. See Rule 601(a)(i).

Under Rule 505, Traders may submit orders containing one or more of the following designations:

- **Limit Orders** – Limit Orders are Orders to buy or sell a stated quantity at a specified price, or at a better price, if obtainable. Unless otherwise specified, any residual volume from an incomplete limit Order that is not withdrawn or executed is retained in the Order Book until the end of the day. All Limit Orders are removed from the Order Book at the end of the trading session.
- **All or None (AON)** – A Limit Order where only the entire submitted size is available for execution.

- Time-in-Force (TiF) Orders – Limit Orders that will be held within a specified time frame.
- Hidden (Reserve) Size – Limit Orders that are comprised of two components: a displayed size, which is a conventional Limit Order and a hidden (reserve) size, which is submitted as a new Limit Order when the initial, displayed Order is fully executed.
- One Cancels Other (OCO) – A Limit Order that is linked to one or more other Orders by the Participant, Sponsored Access Firm or Participant, with the linked Order being cancelled when any other Order in the same OCO group is fully or partially executed.
- Work the Balance – An Order submitted via hit/lift dialogue that directly aggresses an existing standing Order and any remaining size is placed as a standing Limit Order.
- Fill or Kill – An Order submitted via hit/lift dialogue that directly aggresses an existing standing Order. If the full size of the submitted Order is not met, the Order is cancelled.
- Contingent Orders - An instruction to submit an Order to, or cancel an existing Order in, the Order Book if the price of a given swap or other financial instrument is the same as, or is greater or less than, the price specified in the Contingent Order.

Rule 506 requires each Trader submitting an order into the Trading Platform to use his or her Trader ID and to include with each order the price, quantity, product, expiration date, CTI code, Clearing Firm, Derivatives Clearing Organization (if applicable), order type, buy or sell, account designation, and such reportable swap data as is known by the Participant, Sponsored Access Firm or Trader at the time it submits the order.

Pursuant to Rule 503, GFI may adopt additional trading procedures, including limits on the number and/or size of orders that may be submitted by a Participant or Sponsored Access Firm or Trader through the Trading Platform. All such procedures are fair and equitable to all market participants.

11.3 Transparency

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

Core Principle 10 (Recordkeeping and Reporting) requires SEFs to make public timely information on price, trading volume, and other trading data on swaps. Pursuant to Rule 409, GFI publishes on its website each day information regarding volume, price ranges, open interest and settlement prices provided that such prices reflect market conditions accurately. GFI also publishes on its website on a daily basis the total quantity of Block Trades that are included in the total volume of trading.

In addition, GFI reports swap data to a Swap Data Repository, (GFI connects to The Depository Trust & Clearing Corporation (“DTCC”) and Intercontinental Exchange (“ICE”) SDR’s) in accordance with CFTC Regulations. As required by CFTC Regulations, Rule 540 prohibits GFI from providing such swap data to Participants, Sponsored Access Firms and Registered Traders until the time it transmits such information to a Swap Data Repository, and GFI may only provide

such data in a form that does not disclose the identities, or otherwise facilitate identification, of the parties to the swap.

Pursuant to Rule 720, whenever GFI suspends, expels, fines, or otherwise disciplines or denies any person access, GFI must publicly disclose such action as required by CFTC Regulations.

12 COMPLIANCE, SURVEILLANCE AND ENFORCEMENT

12.1 Jurisdiction

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

Rule 311(a) provides that any person initiating or executing a transaction pursuant to the Rules, directly or through a Participant or Sponsored Access Firm, expressly consents to GFI's jurisdiction and agrees to be bound by and comply with the Rules in relation to such transactions, including, but not limited to, Rules relating to investigatory and disciplinary processes.

12.2 Member and Market Regulation

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

Core Principle 2 (Compliance with Rules) requires a SEF to establish and enforce trading, trade processing and participation rules that will deter abuses and have the capacity to detect, investigate and enforce those rules, including means to provide market participants with impartial access to the market and to capture information that may be used in establishing whether rule violations have occurred. CFTC Regulations require each SEF to maintain arrangements and sufficient compliance staff and resources to ensure that it can effectively enforce its rules. See CFTC Regulations 37.203(b) and (c) and 37.206(a).

In accordance with Core Principle 2 and CFTC Regulations, GFI has made appropriate arrangements to ensure that it has appropriate systems, resources and procedures for evaluating compliance with the Rules and legislative requirements and for disciplining market participants. The CCO and ROC monitor GFI's compliance resources and will engage additional personnel as deemed necessary on a temporary or permanent basis. GFI's ability to detect, investigate and take action with respect to violations of its Rules will be provided by the ROC, the CCO and NFA acting as GFI's regulatory services provider.

As provided in its charter, the ROC is responsible for monitoring the sufficiency, independence and effectiveness of GFI's regulatory program. See also Section 2.1(c).

For further details, see Section 5.

12.3 Availability of Information to Regulators

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

Under Rule 208(b), GFI is required to retain complete and accurate books and records of all activities relating to its business, and make such books and records available for inspection by the CFTC and the U.S. Department of Justice. Rule 905(b) allows GFI to share information with a regulatory authority (including the OSC) if GFI is requested or legally required to do so by such regulatory authority. GFI's CCO or his or her designee will respond to any requests by the OSC.

13 RECORD KEEPING

13.1 Record Keeping

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

Core Principle 10 (Recordkeeping and Reporting) requires a SEF to maintain records of all activities relating to its business, including a complete audit trail, for a period of five years. CFTC Regulation 37.1001 similarly requires a SEF to maintain records of all activities relating to its business, including a complete audit trail for all swaps executed on or subject to the rules of the SEF, investigatory files and disciplinary files.

Rule 208 requires GFI to keep, or cause to be kept, complete and accurate books and records of all activities relating to its business, including all books and records required to be maintained pursuant to the CEA and CFTC Regulations. As required by CFTC Regulations, GFI maintains complete and accurate books and records relating to its operations, audit trail information on all trades and disciplinary and enforcement actions.

Rule 401 requires GFI Participants to keep all records relating to GFI activity that are required by the Commission and Applicable Law to be kept, in such form and manner and for such period, as required by CFTC Rule and Applicable Law.

14 OUTSOURCING

14.1 Outsourcing

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

CFTC Regulation 37.204 allows a SEF to contract with a registered futures association to act as regulatory service provider for the SEF. Rule 913 permits GFI to enter into an agreement with a regulatory services provider to provide certain regulatory services. As noted in Section 5, GFI has entered into an RSA with NFA, pursuant to which NFA performs trade practice and market surveillance and real-time market monitoring of trading activity on the Trading Platform. As provided in Rule 913(b), GFI retains ultimate decision-making authority with respect to any powers or functions that are delegated to NFA.

GFI meets regularly with the NFA to address market activity which may be deemed inappropriate as a result of NFA's ongoing market surveillance activities. GFI has monthly meetings with the NFA in order to ensure compliance with surveillance rules and regulations. The NFA provides a quarterly report to GFI detailing the number and type of investigations done by the NFA, the parties involved and the resolution of the matter. Both internal and external reports allow GFI and

NFA to monitor NFA's activity as well as activity on GFI's market. GFI also has a Control Desk, a Compliance Department, and a Disciplinary Committee, each of which serve to enhance the trade practice surveillance and oversight in conjunction with the services of the NFA.

Depending upon product the being transacted, Markitwire and Thomson Reuters Trade Notification provide STP connectivity and ICE Clear Credit LLC, LCH Clearnet Ltd., LCH Clearnet LLC and CME, Inc. provide clearing and settling services to BGCDM.

15 FEES

15.1 Fees

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

CFTC Regulation 37.202 requires a SEF to provide comparable fee structures for market participants receiving comparable access to, or services from, the SEF. As provided in Rule 308, GFI charges comparable fees for all Participants that receive comparable access to the Trading Platform.

GFI does not restrict access or impose burdens on access in a discriminatory manner within each category or class of Participants or between similarly situated categories or classes of Participants. Pursuant to its Charter, the Participation Committee determines the standards and requirements, including financial requirements, for initial and continuing membership eligibility. The Participation Committee must approve any provision of the Rules that would result in different categories or classes of Participants receiving disparate access. The Participation Committee will not, however, recommend that the Board restrict access or impose burdens on access to the facilities of the SEF in a discriminatory manner, within each category or class of participants or between similarly situated categories or classes of participants. See also Rule 206(d).

GFI believes that its fee schedule is in line with current market practice and is provided to its participants. These fees do not create unreasonable barriers to access because of their uniform application to all Participants.

16 INFORMATION SHARING AND OVERSIGHT ARRANGEMENTS

16.1 Information Sharing and Regulatory Cooperation

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

Core Principle 5 (Ability to Obtain Information) and CFTC Regulation 37.504 requires a SEF to enter into and abide by the terms of all appropriate and applicable domestic and international information sharing agreements in order to carry out the SEF's self-regulatory and reporting responsibilities. GFI has broad discretion under Rule 912 to enter into information-sharing agreements to coordinate surveillance with other markets that trade financial instruments related

to the swaps listed on the Trading Platform. GFI may enter into additional agreements or other arrangements or procedures to coordinate surveillance with U.S. and non-U.S. regulators, self-regulatory organizations, clearing organizations, exchanges, markets or other execution facilities to share information and provide other forms of mutual assistance for market surveillance, audits, investigations, enforcement actions and other regulatory purposes deemed necessary or appropriate or required by law. As noted in Section 6.1(b)(iv), GFI is also a member of the Joint Audit Committee.

Even absent an information-sharing agreement, GFI may, under Rule 905, share Participants' and Sponsored Access Firms' information with certain persons, including but not limited to domestic and foreign regulatory authorities (including the OSC), Derivatives Clearing Organizations and other persons providing services to GFI.

16.2 Oversight Arrangements

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

The CFTC has entered into memorandum of understanding ("MOU") arrangements for cooperative enforcements with foreign regulatory authorities in numerous jurisdictions. The MOUs typically provide for access to non-public documents and information already in the possession of the regulatory authorities, and often include undertakings to obtain documents and to take testimony of, or statements from, witnesses on behalf of a requesting regulatory authority. The CFTC and the OSC are parties to an MOU that was entered into by the parties on March 25, 2014.

17 IOSCO PRINCIPLES

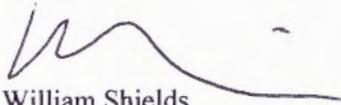
17.1 IOSCO Principles

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

The IOSCO Principles are designed to help ensure that physical commodity markets serve their fundamental price discovery and hedging functions while operating free from manipulation and abusive trading schemes. GFI believes that the Core Principles set forth in the CEA are consistent with the IOSCO Principles, and that the CFTC's SEF Regulations implement these principles in an effective manner. Therefore, GFI believes that it will be adhering to the IOSCO Principles to the extent that it complies with the Core Principles and the CFTC's SEF Regulations.

This application and exhibits herein constitute GFI's full application to be exempted from listing as an exchange. For the reasons set out in this application GFI submits that it meets the criteria for exemption and that it would not be prejudicial to the public interest for the OSC to grant the exemption. GFI consents to the publication of this application for public comment

Sincerely,

A handwritten signature in black ink, appearing to read 'William Shields', with a long horizontal flourish extending to the right.

William Shields
Chief Compliance Officer