



Via Electronic Submission

May 4, 2016

Attention Secretary of the Commission
Ontario Securities Commission
20 Queen Street West, 22nd Floor
Toronto, Ontario
Canada MSH 358

Re: LatAm Sef, LLC-Application for Exemption from the Recognition as an Exchange.

Dear Sirs and Mesdames:

LatAm SEF, LLC ("**LatAm**") 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 LatAm from the requirement to be recognized as an exchange under Section 21 of the Act.

LatAm is a limited liability Swap Execution Facility (SEF) organized under the laws of the State of Delaware located at 115 Broadway, Suite 1303, New York, New York, 10006. LatAm is a U.S.-based multi-asset marketplace for swaps specializing in the Latin American Markets.

LatAm was formed in accordance with derivatives trading regulations under the Dodd-Frank Act and is currently operating as a CFTC approved SEF. LatAm provides compliant transaction workflow, addressing regulatory requirements at pre-transaction, execution, and post-transaction stages of the trade lifecycle.

We facilitate transactions in Latin American denominated interest rate swaps and non-deliverable forward contracts. We do not, at this time, utilize our central limit order book (CLOB) or request for quote (RFQ) to buy or sell a specific swap or other financial instrument to our participants. We, currently, execute intermediated brokered transactions.

LatAm executes derivatives, including, but not limited to TIE Swaps, UDI-TIE Swaps, UDI –LIBOR Swaps and TIE LIBOR Swaps, FX Forwards, LatAm NDF's, Spreads-CCS, Fixing Including Brazil, Argentina, Colombia, Peru and Chile, Swaptions, Options (Caps and Floor) and Asset swaps.

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.

For convenience, this Application is divided into the following parts and 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).

LatAm is registered with the Commodity Futures Trading Commission (“**CFTC**”) as a swap execution facility (“**SEF**”).¹ As a SEF, LatAm is subject to regulatory supervision by the CFTC, a U.S. federal regulatory agency. The CFTC reviews, assesses, 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. LatAm 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 LatAm and receives from LatAm routine reports relating to, among other things, swaps effected on LatAm’s electronic trading system (the “**Trading System**”) and LatAm’s financial profile. The CFTC also reviews an annual compliance report that is prepared and certified by LatAm’s Chief Compliance Officer (the “**CCO**”) each year. Such annual report describes, among other things, a description of LatAm’s policies and procedures (including the code of ethics and conflict of interest policies) and an assessment of LatAm’s compliance with the CEA and CFTC Regulations. Additionally, the CFTC undertakes periodic in-depth audits or “rule reviews” of LatAm’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 LatAm, interacts directly with LatAm. 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 LatAm to ensure they are not susceptible to manipulation.

LatAm 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

¹ Capitalized terms that are used but not defined in this Application have the meaning given those terms in LatAm’s Rulebook. Unless otherwise noted, all references herein to “Rules” refer to the rules set forth in LatAm’s Rulebook. (See SEF website: latamsef.com)

any proposed changes to LatAm's Rules, including interpretations or resolutions, must be either certified to the CFTC as being in compliance with the CEA and CFTC 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 LatAm, alter or supplement LatAm's Rules, suspend or revoke its registration, impose fines for violations of the CEA or CFTC Regulations and direct LatAm 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 taken by LatAm must be immediately reported to the CFTC.

As a registered SEF, LatAm 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 allow 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,

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

The Board has (6) six Directors of which (3) three are Public and (1) one is an alternate, all of whom are ultimately elected by LatAm's Nominating Committee. Please see Section 2.1(c) below for further details

on the composition of the Board.

According to the LLC Agreement, Directors may be removed from the Board at any time by LatAm's parent company. The LLC 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 LatAm.

In addition to the Board, LatAm has three standing committees: 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 LLC Agreement to create special committees of the Board.

Further, LatAm is required to have employees or agents who serve as Officers of LatAm. 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 LatAm when such Officers are acting within the scope of their authority. As provided in the LLC Agreement, the individual serving as CCO is prohibited from holding any other offices with LatAm.

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

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

LatAm's public interest mandate is derived from the CEA and CFTC Regulations. As noted above, LatAm'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 LatAm takes must conform to the CEA and CFTC Regulations. In that regard, all material changes to the manner in which LatAm 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 Directors

As noted above, the Board is currently comprised of (6) six Directors (includes (1) alternate), (3) three of whom qualify as Public Directors. The qualifications for Public Directorship are set forth in Section 2.1(e) below. As such the firm has the proper balance among its interests of the Participants and Customers using the services and facilities' of LatAm. LatAm adheres to CFTC Rule 1.64(b)(3), which requires that the Board's membership includes a diversity of membership interests, diversity of interest of LatAm, and is otherwise consistent with the CFTC's composition requirements.

As also noted below, the Nominating Committee currently monitors and assesses the independence of the Board.

Committees of the Board

As noted above, LatAm has the following standing committees:

Nominating Committee

The Nominating Committee of the Board consists of (3) three Directors, (2) of which are Public Directors. 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, which includes developing and recommending to the Board standards to be applied in making determinations as to the absence of material relationships between LatAm and a Director. The Nominating Committee also ensures that nominees to fill Board vacancies possess the ability to contribute to the effective oversight and management of LatAm, taking into account the needs of LatAm and such factors as the individual's experience, perspective, skills and knowledge of the industry in which LatAm operates.

Participation Committee

The Participation Committee of the Board consists of (3) three Directors, (2) of which are Public Directors 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 prospective Participant applications and;
- (iii) approving Rules that would result in different categories or classes of Participants receiving disparate access to the Trading System.

The Participation Committee may not, and may not permit LatAm 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 Regulatory Oversight Committee, (ROC), of the Board consists of (3) three Directors, all of which are Public Directors. The ROC oversees LatAm's regulatory program on behalf of the Board and has the authority to:

- (i) monitor LatAm's regulatory program for sufficiency, effectiveness, and independence and
- (ii) oversee all facets of LatAm's regulatory program, including:
 - (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 the size and allocation of LatAm’s regulatory budget and resources, and the number, hiring, termination and compensation of regulatory personnel;
- (3) reviewing the performance of LatAm’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 or compliance, as applicable; 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

LatAm has effective mechanisms in place to manage any conflicts of interest that may arise. CFTC Regulation 1.69 requires that LatAm maintain rules that have been approved by the CFTC to address the avoidance of conflicts of interest. The CFTC requires that LatAm’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 LatAm have procedures for determining whether such persons have a conflict, including disclosure of any potential conflict to LatAm. CFTC Regulation 1.69 further requires LatAm to document that the conflict determination procedures have been followed and the result of such determination. LatAm has adopted Rule 208 pursuant to such requirements. See, also, Rule 210, which states “all” books and records in accordance with CFTC regulation must be kept for a period of (5) five year of which includes the identification of and resolution(s) related to conflicts of interest.

Additionally, Core Principle 12 (Conflicts of Interest) requires LatAm 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 LatAm is able to make decisions without the undue influence of a LatAm member, an interested party or a trade group. Core Principle 15 requires LatAm’s CCO to “resolve any conflicts of interest that may arise” in consultation with the Board or other senior officer of LatAm. 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 LatAm provide fair, open, and impartial access; or
- (iii) conflicts between LatAm’s management and members of the Board.

These duties indicate that LatAm’s CCO is more than just an advisor to management and must have the ability to enforce compliance with the CEA and CFTC Regulations. LatAm’s Rules and policies and procedures provide the CCO with the necessary powers and duties to ensure compliance with the

above-mentioned Core Principles and CFTC Regulations.

LatAm 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 214 prohibits LatAm from using for business or marketing purposes any proprietary or confidential data that LatAm collects or receives from any Trading Privilege Holder for the purposes of fulfilling LatAm's regulatory obligations unless the Trading Privilege Holder from whom it collects or receives such data consents to its use of such data in such manner. Pursuant to Rule 809 and Rule 816, 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.

In the event a potential and or verified conflict of interest is presented, the Regulatory Oversight Committee will investigate and determine if the Director in question should recuse his or herself from any review or vote related to the subject of conflict or request the resignation of the Director from the Board.

Internally, LatAm has established a Code of Ethics in accordance with Core Principal 12 (Conflicts of Interest).

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

Directors, Officers and other LatAm employees are recruited for their particular positions based upon their skills and expertise. All LatAm Directors, 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.

Pursuant to Section 7.2 of the LLC Agreement, LatAm's members, Directors and Officers will not be held personally liable for the return of any portion of capital contributions made by LatAm's interest holders, and the return, if any, of such capital contributions will be made solely from LatAm's assets. LatAm's members, Directors and Officers will not be required to pay to LatAm or any interest holder any deficit in any interest holder's capital account upon dissolution of LatAm or otherwise.

As noted above, the Board is currently comprised of (3) three Public Directors. To qualify as a Public Director, an individual must be found, by action of the Board pursuant to Rule 202(3), to have no material relationship with LatAm. The Board must make such finding upon nomination or appointment of the Director and as often as necessary in light of all circumstances relevant for 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 LatAm if any of the following circumstances exist or have existed with the past year:

- such Director is or was an officer or an employee of LatAm, or an officer or an employee of an affiliate of LatAm; or
- such Director is or was a Participant of Sponsored Access Firm. Or a director, officer or employee of a Participant of Sponsored Access Firm

Any of the relationships as set forth above, 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", respectively.

Directors, Officers and other LatAm employees are recruited for their particular positions based upon their skills and expertise. All members of the Board and LatAm 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. The Board of Directors are not remunerated during their tenure. Board members are reimbursed for expenses associated with attending board meeting at the discretion of the Chairman.

Limitation of Liability and Indemnification

Section 7.2 of the LLC Agreement also provides that LatAm's members, Directors and Officers will not be liable, responsible or accountable, in damages or otherwise, to LatAm 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 LLC Agreement.

Section 7.3 of the LLC Agreement provides that LatAm will, to the fullest extent permitted by Delaware law, indemnify and hold harmless LatAm'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 LatAm or in furtherance of LatAm's interests or by reason of the fact that such person is or was an interest holder, member, director, Officer, employee or agent of LatAm, or is or was serving at LatAm'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 LLC Agreement. Any such indemnification shall only be from LatAm's assets or insurance and no interest holder shall be required to contribute capital to LatAm to satisfy any such indemnification.

In accordance with these provisions, LatAm purchases and maintains insurance, in amounts and with coverage at least equal to those typically maintained by similarly-situated companies, of behalf of its Directors, 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 Directors and Officers are over the age of majority and are of sound mind. All Directors and Officers possess the ability to contribute to the effective oversight and management of LatAm, taking into account the needs of LatAm and such factors as the individual's experience, perspective, skills and knowledge of the markets in which LatAm operates. This includes sufficient expertise, where applicable, in financial services and trading platform operations. All Directors, Officers are subject to background investigations upon nomination and annually thereafter, if deemed necessary by the CCO.

Pursuant to Rule 203(3) and in concert with CFTC Regulations an individual may not serve as a member of the Board or Officer if the individuals conduct is deemed unacceptable and will prohibit respective

individuals from becoming and or maintaining a seat on the Board as follows:

- any felony conviction;
- has been found guilty of a disciplinary offense by a self-regulatory organization, administrative law judge, a court of competent jurisdiction or the Commission;
- has entered into a settlement agreement within the past three years in which any of the findings or, in the absence of such findings, any of the acts charged included a disciplinary offense;
- currently is suspended from trading on any contract market, is suspended or expelled from membership with any self-regulatory organization, is serving any sentence of probation or owes any portion of a fine imposed pursuant to either:
 - (i) a finding by a final decision of a self-regulatory organization, an administrative law judge, a court of competent jurisdiction or the Commission that such person committed a disciplinary offense; or
 - (ii) a settlement agreement in which any of the findings or, in the absence of such findings, any of the acts charged included a disciplinary offense;
- currently is subject to an agreement with the Commission or any self-regulatory organization not to apply for registration with the Commission or membership in any self-regulatory organization;
- currently is subject to, or has had imposed on him within the prior three years, a Commission registration revocation or suspension in any capacity for any reason, or has been convicted within the prior three years of any of the felonies listed in section 8a(2)(D) (ii) through (iv) of the Act;
- currently is subject to a denial, suspension or disqualification from serving on the 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.

Rule 202(2) additionally provides that no Director may be subject to a statutory disqualification pursuant to Section 8a (2) or 8a (3) of the CEA.

Board members are required to annually execute the "Board Member Statement" on the anniversary of their respective appointments. As of the date of this filing, LatAm has determined that there is no evidence of any disqualifying attributes of the existing Board members.

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 LatAm. Section 723 of the Dodd-Frank Wall Street Reform and Consumer Protection Act requires SEF to submit any determination of all new products and changes to products to the CFTC for approval or self-certification. Self-certifications must be submitted to the CFTC at least ten (10) business days before the effective date of the rule, rule amendment and or engaging in the transaction of said product. Said rule or new product becomes effective ten (10) business day after receipt unless the CFTC notifies the SEF that it is staying the certification. If this occurs, the CFTC may take up to 90 days to review and provide a 30-day public comment period (to run concurrently) and notice of the comment period is posted on the CFTC website. Generally, the rule, amendment and or new products become effective at the end of the 90-day review period.

LatAm 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:

- (i) a cover sheet;
- (ii) a copy of the new product’s rules, including all rules relating to the new product’s terms and conditions;
- (iii) the intended listing date of the new product;
- (iv) a self-certification by the SEF that the new product complies with the CEA and CFTC Regulations;
- (v) 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
- (vi) a self-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:

- (i) a cover sheet;
- (ii) a copy of the product’s rules indicating deletions and additions;
- (iii) the date of intended implementation;

- (iv) a certification by the SEF that the product complies with the CEA and CFTC Regulations;
- (v) 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;
- (vi) a brief explanation of any substantive opposing views or a statement that no opposing views were expressed; and
- (vii) a certification that the SEF posted a copy of the new product submission on its website.

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

Required transactions are transaction involving a Swap that is subject to the trade execution requirement of Section 2(h) (8) of the Act. Required transactions are required to be cleared. Permitted transactions are transaction involving a Swap that is not a Required Transaction. LatAm currently engages in non-cleared permitted transactions only.

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.

Rule 708 sets forth LatAm's position limit and position accountability rules and aggregation standards. Pursuant to Rule 708(1), LatAm may set and enforce position limits or position accountability levels with respect to each swap as it deems necessary to reduce the threat of market manipulation or congestion. LatAm 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. Under Rule 708(6), any Trading Privilege Holder who exceeds a LatAm or CFTC position limit by entering into a transaction on the Trading System will be deemed in violation of the Rules. That said, at the time of this filing, the CFTC has proposed but not yet adopted, position limits for swaps. In accordance with Core Principal 6 " a SEF may set its position limitation at a

level no higher than the CFTC's". Therefore, LatAm has not deemed it necessary or appropriate to set position limits at this time. .

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

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

LatAm has transparent and non-discriminatory rules based on objective criteria governing eligibility for membership, which are available to the public on LatAm's website. Chapter 3 of the Rules sets out the admission and eligibility standards for all Trading Privilege Holders and Authorized Persons, all of which are designed to permit fair and open access while protecting LatAm and its market participants.

LatAm provides access to Trading Privilege Holders on a fair, non-discriminatory and open basis. See Rule 302. Trading Privilege Holder status, and access to, and usage of, the Trading System in such capacity is available to all market participants that meet the criteria set forth herein and validly engage in transactions. 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 LatAm in a discriminatory manner, within each category or class of Trading Privilege Holders or between similarly situated categories or classes of Trading Privilege Holders.

Core Principle 2 (Compliance with Rules) requires LatAm, inter alia, to have appropriate admission and continuing eligibility standards for members and participants. To be eligible for admission as a Trading Privilege Holder, an applicant must satisfy the following criteria (as set out in Rule 303(1)):

- deliver an executed participant agreement in which it affirms that it (i) is an Eligible Contract Participant as defined in CEA Section 1(a)18; and/or (ii) is an Intermediary that will act solely on behalf of persons that are Eligible Contract Participants;
- demonstrate business integrity and sound reputation;
- maintain adequate financial resources and credit;
- be validly organized, in good standing, and authorized by its governing body and, if relevant, documents of organization, to trade swaps;
- hold all registrations required under Applicable Law, if any, including any swap dealer, major swap participant, introducing broker, futures commission merchant, commodity pool operator, commodity trading advisor, associated person registration;
- not have filed for bankruptcy;
- not be prohibited from using the services of LatAm for any reason whatsoever;
- not be subject to statutory disqualification under Section 8a(2) of the CEA;
- be in compliance with any financial responsibility, recordkeeping and reporting requirements set forth under Applicable Law and Rule 402; and
- agree to abide by the Rules and consent to LatAm's jurisdiction.

Under Rule 304(1), applicants for Trading Privilege Holder status must also complete the following:

- File with the SEF an executed participant agreement provided by the SEF;
- If such Person is organized or located outside of the United States and enters into a written agreement appointing a third party as its U.S. agent for service of process for purposes of CFTC Regulation § 15.05, provide the SEF with a copy of the agreement;
- Agree to abide by the SEF Rules and Applicable Law;
- Consent to the jurisdiction of the SEF;
- Provide such information and documentation as may be requested by the SEF, and comply with the procedures established by the SEF for admission; and
- Satisfy such other criteria that the SEF may require.

Rule 305 describes the process in which LatAm reviews Trading Privilege Holder applications. In

determining whether to admit an applicant as a Trading Privilege Holder, LatAm evaluates, among other things, the applicant's disciplinary history and financial and operational soundness. If LatAm decides to admit an applicant as a Trading Privilege Holder, it will promptly notify the applicant in writing and state in such notice the date on which the applicant will become a Trading Privilege Holder.

LatAm may deny an applicant the right to be a Trading Privilege Holder or terminate an existing Trading Privilege Holder if such person is unable to satisfactorily demonstrate a capacity to adhere to Applicable Law or the Rules or for such other cause as LatAm reasonably may determine. In such an event, LatAm will promptly notify the applicant in writing of their rejection or termination.

A person whose application for Trading Privilege Holder status has been denied or granted conditionally pursuant to this Rule 305, and any Trading Privilege Holder whose access to the Trading System is revoked, suspended or limited pursuant to Rule 305, may appeal LatAm's decision. A determination to revoke, suspend or limit a person's access to the Trading System pursuant to Rule 305 will not take effect until the review procedures have been exhausted or the time for review has expired.

As provided in Rule 204, the Participation Committee reviews appeals of staff denials or conditions placed on Trading Privilege Holder applications. In reviewing appeals of staff denials of Trading Privilege Holder applications, the Participation Committee will not uphold any staff denial if the relevant application meets the standards and requirements established by the Participation Committee or the Board.

Pursuant to Rule 306, Trading Privilege Holders must designate at least one person that is authorized to access the Trading System on its behalf as an Authorized Person. Under Rule 306(3), an Authorized Person agrees to be bound by the duties and responsibilities of an Authorized Person and to be subject to, and comply with, the Rules.

Rule 306(4) requires each Authorized Person to have and use a unique Trader ID to access the Trading System. It is the responsibility of an Authorized Person and its sponsoring entity to ensure that it is registered with LatAm, and that such registration is accurate at all times. In no event may a person other than the Authorized Person to whom a Trader ID has been assigned exercise Trading Privileges or otherwise access the Trading System using such Trader ID.

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. LatAm'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 System. LatAm has not adopted any rule or taken any action with the intent or result of restraining trade. LatAm will not require Trading Privilege Holders to acquire an equity interest in LatAm, and access will be available to a broad number of Trading Privilege Holders.

Rule 302 provides that LatAm provides access to Trading Privilege Holders on a fair, non-discriminatory and open basis. Trading Privilege Holder status, and access to the Trading System in such capacity, is available to all market participants that meet the criteria set forth in the Rules and validly engage in swaps.

The Participation Committee Charter provides that the Participation Committee must determine the eligibility standards and requirements for initial and continuing membership status and approve Rules that

would result in different membership categories or classes receiving access to LatAm. The Participation Committee will not recommend that LatAm restrict access or impose burdens on access to the Trading System in a discriminatory manner, within each category or class of market participants or between similarly situated categories or classes of market participants.

As provided Rule 314(1), LatAm charges comparable fees to all persons that receive comparable access to the Trading System. LatAm does not restrict access or impose burdens on access in a discriminatory manner within each category or class of Trading Privilege Holders or between similarly situated categories or classes of Trading Privilege Holders.

Ontario Securities Laws

As noted above, a Trading Privilege Holder applicant must be validly organized, in good standing, and authorized by its governing body to trade swaps, including registration under the Ontario securities laws, as applicable. Similarly, an applicant must hold all registrations required under Applicable Law (which includes the Ontario securities laws). Once admitted, a Trading Privilege Holder must continue to comply with such eligibility criteria.

LatAm will not provide direct access to a Trading Privilege Holder 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 703 provides that each Trading Privilege Holders is responsible for establishing, maintaining and administering supervisory procedures that are reasonably designed to ensure that it’s Authorized Persons and its associated persons, if any, comply with the Rules. Trading Privilege Holders may be held accountable for the actions of their respective Authorized Persons and associated persons.

Pursuant to Rule 408, each Trading Privilege Holder must have at least one employee or agent designated as its administrator with respect to the use of the Trading System. Among other things, the administrator must (i) control access to the Trading System by the Trading Privilege Holder and (ii) be able to access and, if required, modify and withdraw any and all orders placed, or purported to be placed, by such Trading Privilege Holder. Rule 408 additionally provides that each Trading Privilege Holder is solely responsible for controlling and monitoring the use of all user identification codes and passwords to access the Trading System issued to its Authorized Persons.

As noted above, Rule 306(4) requires each Authorized Person and its sponsoring entity to ensure that it is registered with LatAm, and that such registration is accurate at all times.

Pursuant to Rule 401, each Trading Privilege Holders must, and must cause its Authorized Persons to:

- (1) use the Trading System in a responsible manner and not for any improper purpose;
- (2) use the Trading System only to conduct LatAm activity;
- (3) ensure that all activity conducted by the Trading Privilege Holder and its Authorized Persons on the Trading System or subject to the Rules is performed in a manner consistent with the Rules;
- (4) observe high standards of market conduct, fair dealing, and just and equitable

principles of trade while conducting or seeking to conduct any business connected with or concerning LatAm;

(5) be fully liable for all Orders and Transactions effected by the Trading Privilege Holder and its Authorized Persons on the Trading System or subject to the Rules, whether for its own account or for the account of its Customer;

(6) if such Trading Privilege Holder is a swap dealer or major swap participant, such Trading Privilege Holder is responsible for compliance with the mandatory trading requirement of CEA Section 2(h)(8);

(7) abide by the terms and conditions of any swap traded on the Trading System or subject to the Rules; and

(8) keep all Trader IDs, account numbers and passwords related to the Trading System confidential.

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 (5) five years. Accordingly, under Rule 210, LatAm 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

LatAm is a self-regulatory organization (“SRO”) with SRO responsibilities to enforce financial and sales practice requirements upon its members. LatAm monitors and enforces compliance with its Rules, including the Rules prohibiting abusive trade practices.

Rule 401 sets out duties and responsibilities of Trading Privilege Holders, including the requirement to use the Trading System in a responsible manner and not for any improper purpose, comply with all rules, cooperate with LatAm investigations, inquiries, audits, examination and proceedings, observe high standards of integrity, market conduct, commercial honor, fair dealing, and just and equitable principles of trade and abide by the terms and conditions of any swap traded on the Trading System. Trading Privilege Holders are also required to maintain complete and accurate books and records as well as monitor and enforce compliance with any internal risk limits.

Chapter 7 of the Rules contains LatAm’s business conduct and trade practice rules. The Rules proscribe several trade practices and other illicit conduct including: market abuse (Rule 702); conduct inconsistent with just and equitable principles of trade (Rule 704); misuse of the Trading System (Rule 705); withholding or withdrawing customer orders (Rule 706); fraudulent acts (Rule 707(1)); fictitious

transactions, improper cross-trading and accommodation trading (Rule 707(2)); market disruption (Rule 707(3)); market manipulation (Rule 707(4)); disruptive trading practices (Rule 707(5)); misstatements of material fact (Rule 707(6)); front-running (Rule 707(8)); wash sales (Rule 707(9)); money passing, pre-arranged, pre-negotiated and non-competitive trades (Rule 707(10)); and trading against customer orders (Rule 707(11)) and any other manipulative or disruptive trading practice prohibited by the Act or by the Commission pursuant to Commission regulation (Rule 707(12)). In addition, no Trading Privilege Holder may disclose an order prior to its entry into the Trading System other than to (i) an employee or agent of the same Trading Privilege Holder for the sole purpose of executing or recording such order, (ii) a LatAm official, or (iii) a regulatory or self-regulatory organization (Rule 707(8)).

As described in further detail below, LatAm's ability to detect, investigate and take action with respect to violations of its Rules is provided by the ROC, the Chief Compliance Officer (CCO) and the Market Operations and Compliance Departments.

LatAm ability to detect, investigate and take action with respect to violations of its Rules is provided by the ROC and the CCO (includes LatAm employees subject to CCO's supervision). As further describe below, LatAm conduct real-time market monitoring of its trading activity via its propriety trading system.

Regulatory Oversight

LatAm's self-regulatory program is overseen by the ROC. As noted in Section 2.1(c), the ROC's duties include monitoring LatAm's regulatory program for sufficiency, effectiveness, and independence and overseeing all facets of LatAm's regulatory program.

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

The CCO meets with the ROC regularly to summarize the activities performed by the Market Operations and Compliance Departments and highlight the status of any pending inquiries, investigations and disciplinary proceedings. The ROC is also responsible for reviewing the size and allocation of LatAm's regulatory budget and resources and the number, hiring, termination and compensation of regulatory personnel.

Real-Time Market Monitoring

The Market Operations and Compliance Departments have primary responsibility for real-time market monitoring, and review trading activity on the Trading System. The Departments conduct real-time monitoring through the Market Activity Log, which is a tool that dynamically tracks all transactional activity for the current trading session on a continuous basis and displays this activity in real-time. The Departments also receive and review reports of any unusual trading activities on the Trading System.

Pursuant to Rule 514, LatAm has authority to cancel (bust) trades when such action is necessary to mitigate market-disrupting events caused by the improper or erroneous use of the Trading System or by a malfunction or other technical error in the Trading System. LatAm may adjust trade prices or bust any trade if LatAm determines that allowing the trade to stand as executed may have a material, adverse effect on the integrity of the market. LatAm may determine to review a trade based on its independent analysis of market activity or upon request for review by a Trading Privilege Holder. Upon deciding to review a trade, LatAm will promptly issue an alert to all Trading Privilege Holders via the Trading System or electronic mail indicating that the trade is under review.

Trade Practice Surveillance

The Market Operations and Compliance Departments also perform trade practice and market surveillance using an automated surveillance system (“ATSS”). The Departments use the data captured by the ATSS 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 the Departments’ standards, which may be revised from time to time based on product offerings, market activities, trader profile information and LatAm’s procedures.

Investigations and Disciplinary Proceedings

Chapter 8 of the Rules sets forth LatAm’s disciplinary and enforcement process and demonstrates LatAm’s capacity to detect and investigate rule violations. The Compliance Department, in accordance with Rule 802, has the authority to initiate and conduct inquiries and investigations, prepare investigative reports, make disciplinary recommendations and prosecute violations. Rule 802 also provides the Compliance Department with the authority to collect information and documents and examine Trading Privilege Holders’ books and records during an investigation.

Also under Rule 802, 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 803(5), 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 LatAm 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 Rules 803(6) and 814(2) (d).

Chapter 8 of the Rules also sets out detailed procedures with respect to LatAm’s disciplinary proceedings, including the potential establishment of an optional Review Panel to review an investigation report (Rule 804), the preparation of a notice of charges (Rule 805), the answer to a notice of charges by a respondent (Rule 806), service of notice of charges (Rule 807), settlements (Rule 808), the establishment and operation of a Disciplinary Panel (Rule 809), convening hearings of disciplinary proceedings (Rule 810), the respondent’s right to review evidence (Rule 811), conducting hearings of the Disciplinary Panel (Rule 812), Disciplinary Panel decisions (Rule 813), the imposition of sanctions (Rule 814) and associated cost (Rule 815). Rule 816 sets out the procedures for filing appeals, including the creation of an Appeal Panel. LatAm may also impose summary fines relating to submission of records pursuant to Rule 817. LatAm also reserves the right to impose disciplinary sanctions in an emergency in accordance with Rule 818. The rights and responsibilities of a Trading Privilege Holder or Authorized Person after suspension or termination are governed by Rule 819. LatAm will provide written notice of disciplinary proceedings in accordance with Rule 820. Lastly, Rules 821, 822 and 823 provide guidance related to LatAm arbitration policy and procedures for initiating a claim.

Inspections

Pursuant to Rule 404, LatAm has the right to inspect systems, equipment and software operated by a Trading Privilege Holder or Authorized Person wherever located, to the extent the foregoing relate to the Trading Privilege Holder’s or Authorized Person’s participation or conduct on the Trading System. LatAm may also access the systems, equipment, software, and the premises on which the systems, equipment, and software are located, and any data stored in such systems or equipment, and copy and/or

reproduce such data as may be necessary to monitor such Trading Privilege Holder or Authorized Person. Rule 404 also provides that LatAm may request evidence of the Trading Privilege Holder's financial condition, including sufficient written evidence that such Trading Privilege Holder continues to qualify as an Eligible Contract Participant.

In addition, Rule 802(3) requires each person in LatAm's jurisdiction to produce books, records, papers, documents or other tangible evidence in such person's possession, custody or control within the time period required by the Compliance Department.

See Section 7 for more details.

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.**

LatAm maintains a set of written rules and procedures which is publicly available on LatAm's website. The Rules appropriately govern the operations and activities of market participants in the following chapters: Chapter 3 (Trading Privilege Holders); Chapter 4 (Trading Privilege Holder Obligations); Chapter 5 (Trading Practices); Chapter 6 (Reserved for Clearing when applicable); Chapter 7 (Business Conduct); Chapter 8 (Discipline and Enforcement); and Chapter 9 (Recordkeeping and Reporting). LatAm 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. LatAm's Rules and policies have been designed to avoid unreasonable discrimination among Trading Privilege Holders or impose any burden on competition that is not reasonably necessary or appropriate. See also the Section 15 below.

The CFTC undertakes periodic rule reviews of all SEFs, including LatAm. 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. LatAm's Rules are drafted to comply with such requirements. Pursuant to Rule 301, each Trading Privilege Holder and Authorized Person agrees to be bound by, and comply with the Rules and Applicable Law, in each case to the extent applicable to it. By consenting to LatAm's jurisdiction and agreeing to comply with the Rules and Applicable Law, such persons are brought within the scope of the Core Principles and applicable CFTC Regulations.

LatAm also has the authority to discipline market participants that do not adhere to Applicable Law. If a Trading Privilege Holder or Authorized Person fails to comply with the Rules or Applicable Law, LatAm

may at any time revoke, suspend, limit, restrict or qualify such person's Trading Privileges or pursue other sanctions in accordance with the procedures set forth in Chapter 8 namely Rules 801, 808, 809, 811, 818, 819, etc.

(ii) prevent fraudulent and manipulative acts and practices,

As noted in Section 5, LatAm has adopted Rules prohibiting trade practice violations and other illicit conduct, fraudulent acts, (Rule 707(1)), fictitious transactions (Rule 707(2)), market disruption (Rule 707(3)), market manipulation (Rule 707(4)), disruptive trading practices 707(5)), misstatement of material facts (Rule 707(6)), disclosing orders (Rule 707(7)), front running (Rule 707 (8)), wash sales (Rule 707(9)), money passing: prearranged, pre-negotiated and or non-competitive transactions, (Rule 707(10)), trading against customer orders, Rule 707(11)), and any other manipulative or disruptive trading practices prohibited by the ACT (Rule 707(12)).

(iii) promote just and equitable principles of trade,

Rule 704 prohibits conduct which is inconsistent with just and equitable principles of trade. Similarly, Rule 401(4) requires Trading Privilege Holders to observe high standards of integrity, market conduct, commercial honor, fair dealing, and just and equitable principles of trade while conducting or seeking to conduct any business connected with or concerning LatAm. Trading Privilege Holders are also required to cause their Authorized Persons 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. Under Rule 211, LatAm 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 System. LatAm may also enter into additional agreements or other arrangements or procedures to coordinate surveillance with domestic or foreign regulators, including the OSC, self-regulatory organization. Clearing organization, exchanges, markets or other SEF's 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 provided in Rule 213, LatAm has entered into agreements with technology services providers to provide technology services. However, LatAm retains ultimate decision making authority with respect to any functions that are contracted to a technology services provider. LatAm has also entered into clearing relationships with Derivatives Clearing Organizations to facilitate effective clearing of swaps through such Derivatives Clearing Organization, when applicable. To facilitate swap data reporting, LatAm has entered into a repository service agreement with a Swap Data Repository. LatAm's utilizes the services of DTCC a CFTC Swap Data Repository 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. Rule 212 similarly provides that LatAm *may* enter into an arrangement with a regulatory services provider, in the future

Even absent an information-sharing agreement, Rule 211(2) provides, for the purposes of fulfilling its regulatory obligations, LatAm may share Trading Privilege Holders' information in exercising a legal or regulatory function with certain persons, including government agencies such as the OSC, Derivatives Clearing Organizations, Swap Data Repositories and other persons providing services to LatAm.

Alternative Dispute Resolution

Rules 821 through 823 provide arbitration for the resolution of disputed between and or among Trading Privilege Holders. NFA will conduct such arbitrations pursuant to NFA's member arbitration rules.

LatAm's arbitration rules do not apply to disputes between Trading Privilege Holders or Customer that:

- are required by the rules of a Self-Regulatory Organization to submit to the dispute resolution procedure of the Self-Regulatory Organization; or
- have, by valid and binding agreement, committed to arbitrate or litigate in a forum other than the NFA.

(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 8 of the Rules sets forth LatAm's disciplinary and enforcement process, including the establishment of Disciplinary Panels, the imposition of sanctions and an appeals process.

(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. LatAm has adopted Rules conforming to such requirements to ensure a fair and orderly market. Chapter 7 of the Rules sets forth certain prohibited trading practices and specifically proscribes manipulation, price distortion and disruptive trading practices. Chapter 8 of the Rules describes LatAm's disciplinary and enforcement procedures, which include inquiries, investigations and disciplinary proceedings.

The CCO and the Market Operations and Compliance Departments implement LatAm's monitoring, surveillance and other enforcement functions, and the ROC oversees this activity. As noted above, LatAm conducts trade practice and real-time market monitoring. The Market Operations and Compliance Departments utilize an automated trade surveillance system known as ATSS that captures all trade and order data, including modifications and cancellations, and uses that data to perform trade practice and market surveillance services. The Departments also utilize the Market Activity Log to review LatAm's trades on a real-time basis to determine whether suspicious activity relating to applicable trading standards exists. The CCO oversees the Departments' performance.

Pursuant to Rule 901, LatAm captures and retains all transaction data so as to be able to reconstruct all transactions within a reasonable period of time and to provide evidence of any Rule violations. Specifically, LatAm maintains an electronic transaction history database, which includes a history of all Bids/Offer and transactions, and also includes the following: (i) all data that are input into the order entry system; (ii) the categories of Trading Privilege Holders for which each transaction is executed, including whether the Trading Privilege Holder executed the transaction for its own account; (iii) timing and sequencing data adequate to reconstruct trading activity; and (iv) identification of each Trading Privilege Holder to which fills are allocated. LatAm uses the electronic transaction history database to

reconstruct trading and identify possible Rule violations. LatAm will conduct an annual review of compliance with its audit trail and recordkeeping requirements and will identify Trading Privilege Holders that may have failed to comply with such requirements. Such persons will be subject to investigation by the Compliance Department for possible disciplinary action.

Pursuant to Rule 402, all Trading Privilege Holders must keep books and records of its trading on the Trading System (including trading on behalf of any customer), including records of its activity in the index or instrument used as a reference price, the underlying commodity and related derivatives markets, and make such records available, upon request, to LatAm and the CFTC or other regulatory authority, including the OSC.

As provided in Rule 512(1), orders on LatAm's central limit order book are subject to pre-trade credit checks. Rule 310 requires a Trading Privilege Holder that is party to an uncleared swap to establish satisfactory credit arrangements with its counterparty prior to entering into such swap on the Trading System.

As noted in Section 8.1 below, each Trading Privilege Holder 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 8 of the Rules describes LatAm's disciplinary procedures. Under Rule 805, 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.

To answer the notice of charges, Rule 806 requires a respondent to:

- (i) specify the allegations that the respondent denies or admits;
- (ii) specify the allegations that the respondent 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 808, the respondent may propose in writing an offer of settlement to anticipated or instituted disciplinary proceedings. All offers of settlement must be signed by the respondent or potential respondent and submitted to the Compliance Department. The Disciplinary Panel may accept the offer of settlement, but may not alter the terms of a settlement offer unless the respondent or potential respondent agrees. The respondent or potential respondent may withdraw his or her offer of settlement at any time before final acceptance by the presiding panel.

As provided in Rule 810, 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 809. 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 will draw panel members from the individuals appointed by the Board as potential members of Disciplinary Panels. The chairman of the Disciplinary Panel will be appointed by the CCO. No group or class of Trading Privilege Holders may dominate or exercise disproportionate influence on a Disciplinary Panel, and no member of the Disciplinary Panel may participate in deliberations or voting on any matter in which he or she has a financial, personal or other direct interest. A Disciplinary Panel may not include any person involved in adjudicating any other stage of the same proceeding. 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 811 to review certain books, records, documents, papers, transcripts of testimony and other evidence in the possession or under the control of LatAm 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 812, 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 LatAm that form part of the Compliance Department); and
- (iii) cross examine witnesses called by other parties.

Any person entitled, required, or called upon to attend a hearing before a Disciplinary Panel will be given reasonable notice, confirmed in writing, specifying the date, time, and place of the hearing, and the caption of the Disciplinary Proceedings. LatAm 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. Under Rule 810(1), a Disciplinary Panel may appoint an expert to attend any hearing and assist in deliberations if such expert is made subject to appropriate confidentiality requirements.

Rule 812(7) requires LatAm 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 will 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 813, 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. LatAm 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 814. Except for good cause, the Appeal Panel will only consider on appeal the record before the Disciplinary Panel, the written exceptions filed by the parties, and the oral or written arguments of the parties. The Appeal Panel may only consider new evidence when it is satisfied that good cause exists as to why the evidence was not introduced during a prior stage of the Disciplinary Proceeding. In connection with any appeal, the Compliance Department will furnish to the Appeal Panel a transcript of the hearing, any exhibits introduced at the hearing, the notice of appeal, and briefs filed to support and oppose the appeal.

After completing its review, the Appeal Panel may affirm, modify, or reverse any order of Disciplinary Proceedings under appeal in whole or in part, including increasing, decreasing, or eliminating any sanction or remedy imposed. The Appeal Panel may also impose any other sanction or remedies authorized by the Rules, or remand the matter to the same or a different Disciplinary Panel for further Disciplinary Proceedings. The Appeal Panel may order a new hearing for good cause, or if the Appeal Panel deems it appropriate.

Promptly following the appeal proceeding, the Appeal Panel will issue a written decision and provide a copy to the parties.

Summary Suspensions

Under Rule 818, LatAm may summarily suspend a Trading Privilege Holder's right to access the Trading System if LatAm reasonably believes such immediate action is necessary to protect the best interests of the marketplace. If practicable, LatAm will serve the party against whom such action is contemplated with prior written notice. If prior notice is not practicable, LatAm will give notice at the earliest possible opportunity to the person that is subject to such suspension.

A Trading Privilege Holder may request a hearing with respect to such suspension. 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 written decision will include the following information:

- (i) a description of, and reasons for, the summary action taken;
- (ii) a summary of the evidence produced at the hearing;
- (iii) a statement of findings of fact and conclusions;
- (iv) a determination that the summary action should be affirmed, modified, or reversed; and
- (v) a declaration of any action to be taken pursuant to the determination, and the effective date and duration of such action.

Applications and Access

Pursuant to Rule 305, LatAm may deny an applicant the right to be a Trading Privilege Holder, or terminate an existing Trading Privilege Holder if such Person is unable to satisfactorily demonstrate a capacity to adhere to Applicable Law or the Rules or for such other cause as LatAm reasonably may determine. In such event, LatAm must promptly notify the applicant in writing of their rejection or termination.

A person, whose application for Trading Privilege Holder status has been denied or granted conditionally,

and any Participant, Sponsored Access Participant of a Participant, or Intermediary of a Participant or Sponsored Access Participant, whose access to the Trading System is revoked, suspended or limited, may appeal LatAm's decision in accordance with the Rules. A determination of LatAm to revoke, suspend or limit a person's access to the Trading System will not take effect until the review procedures under the Rules have been exhausted or the time for review has expired.

Rule 204 additionally provides that the Participation Committee reviews appeals of staff denials of Trading Privilege Holder applications. In reviewing appeals of staff denials of Trading Privilege Holder applications, the Participation Committee will not uphold any staff denial if the relevant application meets the standards and requirements established by the Participation Committee or the Board.

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 210(1), LatAm keeps records of all records relating to disciplinary actions, appeals and Trading Privilege Holder applications and audit trail for all activities relating to the SEF business including all applicable electronic communications and such communications. All records will be maintained in a form and manner in which the CFTC finds acceptable.

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), LatAm has entered into an agreement with a Derivatives Clearing Organization, and has the capacity to route transactions to such Derivatives Clearing Organization in a manner acceptable to such Derivatives Clearing Organization.

Although currently, LatAm is engaged in permitted transactions that do not require clearing we have executed clearing agreement with the Chicago Mercantile Exchange, Inc. (CME) and LCH Clearnet Limited (LCH) in the event the CFTC requires permitted transactions be cleared.

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.

LatAm understands that the CFTC 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 LatAm 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. As such, LatAm believes that its 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. LatAm has developed the Trading System technology in compliance with Core Principle 14 and CFTC Regulations.

LatAm's information technology ("IT") governance scheme has been adopted to administer the security and assess the risk associated to the daily operation of the IT infrastructure. The IT governance scheme – referred to as the Information Security Management Systems ("ISMS") plan – is based on the ISO 27001 standard. The ISMS plan requires LatAm to, among other things, make reasonable current and future capacity estimates and manage risk accordingly. The ISMS plan consists of three maturity levels for the short, medium and long term. The current maturity level stretches from 0 to 12 months. At the end of this period, a risk assessment process will be performed and LatAm will proceed to level 2. The purpose of this cyclical process is to progressively diminish perceived and actual risk.

LatAm has additionally established the Risk Assessment and Treatment Process with the aim of identifying and minimizing the probability of material risks to any critical processes supported by the technology infrastructure. The Risk Assessment and Treatment Process is designed to identify activities related to risk and threat control and mitigation, and to identify people in charge of performing risk and threat control and mitigation, as classified by risk categories. The risk categories are Low, Medium, and High. This process administers 33 risk controls, with the goal of keeping all identified risks in the "Low" risk category. Additional risk controls will be included during the implementation of maturity level 2 of the ISMS plan. The components of LatAm's Risk Assessment and Treatment Process are independently audited.

LatAm subjects the Trading System's critical systems to regular capacity stress tests based on reasonable current and future capacity estimates. The Trading System 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. Such testing assists with determining our ability to continue to process transactions in an accurate, timely and efficient manner and ensure that the ongoing configuration of the system is reviewed to identify potential points of failure, back-up and redundant capabilities. LatAm maintains system procedures and protocols that are reviewed to ensure current methodology is utilized in the development and testing of the trading platform. LatAm's has established system safeguards to protect against unauthorized access, internal failures, human errors, attacks and natural catastrophes that might cause improper disclosures, modification, destruction or denial of service. LatAm's system is continuously monitored and is a closed network where access to the application is provided to authorized users only as indicated in Rule 306. The SEF has policies and procedures in place to ensure it is able to operate in the event of an internal or external interruption.

LatAm has also established an extensive Internal Audit Program, which is administered by the Information Security Committee. The Internal Audit Program adheres to the ISO 27001 standard, which (i) establishes auditing priorities and criteria and (ii) requires participation by both internal and external

auditors. The process is comprised of the following phases: planning; execution; reporting; findings analysis; recommendations; and corrective actions. Findings are recorded during the auditing, execution and reporting phases. During subsequent phases the findings are analyzed, responsible personnel are assigned, corrective actions are determined and the corrective actions are implemented. The process is followed and verified by the Information Security Committee until results are validated and the process is concluded.

Business Continuity and Disaster Recovery

In accordance with Core Principle 14, LatAm maintains a Business Continuity Plan (the “BCP”). LatAm’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.

LatAm maintains a remote site to be used in the event of a disaster. The site currently used is disaster-resistant site, with redundant power sources, data communications and hardware. The site also has 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 LatAm, but not less than annually. Component and data center level failure scenarios are tested multiple times per year.

Systems Changes and Testing

LatAm 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 LatAm’s business continuity-disaster recovery plan. Additionally, LatAm 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 LatAm’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 LatAm 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.

LatAm 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 LatAm 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 polices 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 - LatAm 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 direct 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 LatAm governs usage of firm equipment by requiring authorization. Policy also specifies non-disclosure of data and auditing policies (copying of proprietary data).

LatAm 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 function is like a “system regression,” focused on ensuring that 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 LatAm 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, LatAm conducts regular external penetration tests via a third-party vendor to identify vulnerabilities in LatAm’s networks and systems and to measure the effectiveness of controls employed by LatAm.

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.

As noted above, Rule 514 describes LatAm’s procedures for cancelling (busting) trades as a result of an error. LatAm has authority to cancel (bust) trades when such action is necessary to mitigate market-disrupting events caused by the improper or erroneous use of the Trading System or by a malfunction or other technical error in the Trading System. LatAm may adjust trade prices or bust any trade if LatAm determines that allowing the trade to stand as executed may have a material, adverse effect on the integrity of the market. LatAm may determine to review a trade based on its independent analysis of market activity or upon request for review by a Trading Privilege Holder or Authorized Person. Upon deciding to review a trade, LatAm will promptly issue an alert to all Trading Privilege Holders via the Trading System or electronic mail indicating that the trade is under review.

The Trading System has built-in alerts to critical events. When an alert is produced, an email detailing the error is automatically sent to support staff. Pursuant to Rule 209, LatAm has the authority to promptly respond to an “Emergency,” including the authority to suspend or curtail trading in any swap. Under Rule 209(1), the term “Emergency” means any occurrence or circumstance which, in the opinion of LatAm, requires immediate action and threatens or may threaten such things as the fair and orderly trading in, or the liquidation of, or delivery pursuant to, any swaps, including (i) any manipulative or

attempted manipulative activity; (ii) any actual, attempted, or threatened corner, squeeze, congestion, or undue concentration of positions; (iii) any circumstances which may materially affect the performance of swaps, including failure of the payment system or the bankruptcy or insolvency of any Trading Privilege Holder; (iv) any action taken by any governmental authority, or any other SEF or DCM, market or facility which may have a direct impact on trading on LatAm; and (v) any other circumstance which may have a severe, adverse effect upon the functioning of LatAm.

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

See also the 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.

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

In preparing these financial resources calculations, LatAm applies "haircuts" to the market value of certain resources where appropriate to reflect market and credit risk, and the ROC may require that the value of financial resources be calculated more frequently if the ROC determines that doing so is necessary or advisable. LatAm will submit periodic reports of its financial resources calculations to the CFTC.

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 System. Rule 512 provides a summary of the execution methods available on the Trading System.

The Trading System's central limit order book is a database of orders entered on the Trading System through an order entry ticket. Orders in the central limit order book are subject to pre trade credit checks, and execution via a manually executed trading method under which Authorized Persons can post orders and indicative orders, transact with orders and initiate negotiations with respect to indicative orders.

Orders for a swap in the central limit order book are displayed in price/time priority, placing (i) orders with the best price above those at the next best price; and (ii) orders with the same price in order of time received from oldest to most recent. Indicative orders may either feature size and/or price details or include no details on price and reflect a default size that is established by the Trading System. Indicative orders and orders must be subject to negotiation, modification and approval by an Authorized Person in order to become tradable firm orders.

The SEF procedures for each execution method are fair, transparent and consistent with industry practices to ensure that trading on LatAm is not against the public interest.

LatAm Execution Methods

LatAm SEF transacts permitted transaction only. Currently, our only activate execution method is Intermediated Transaction. All other execution methods, although offered, are not currently in use. Rule 512 describes LatAm's current methods of execution for non-cleared permitted transactions follows:

- **Central Limit Order Book.** The Central Limit Order Book is a database of Orders entered on the Trading System through an order entry ticket. Orders for a Swap in the Central Limit Order Book are displayed in price/time priority, placing (a) Orders with the best price above those at the next-best price; and (b) Orders with the same price in order of time received from oldest to most recent. Execution via a manually executed trading method under which Authorized Persons can post Orders and Indicative Orders, transact with Orders and initiate negotiations with respect to Indicative Orders. Indicative Orders may either feature size and/or price details or include no details on price and reflect a default size that is established by the Trading System. Indicative Orders must be subject to negotiation, modification and approval by an Authorized Person in order to become tradeable firm Orders.
- **Intermediated Transaction.** As per Rule 509, an execution method whereby an Introducing Broker that is a SEF Intermediary (i) arranges trades between two parties, each of which is a SEF Participant that has authorized the Introducing Broker to place orders and report trades to the SEF on their behalf, then (ii) submits those arranged trades to the SEF's Trading System for execution pursuant to the rules of the SEF. Intermediated Transaction is available only for Permitted Transactions, as that term is defined in Rule 508 and by CFTC Regulations.

Pursuant to Rule 502, LatAm provides public notice of LatAm's business days and the trading hours applicable for each swap. As noted below, LatAm may adopt additional trading practice procedures in accordance with Rule 504. LatAm also provides a user guide and other procedures and guidelines to market participants. The procedures for each execution method are fair, transparent and consistent with industry practices.

As noted in Section 6.1(b) (vi), the CCO and the Market Operations and Compliance Departments implement LatAm's monitoring, surveillance and other enforcement functions, and the ROC oversees this activity.

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.

As provided in Rule 504, LatAm may adopt procedures to:

- (i) establish limits on the number and/or size of orders that may be submitted by a Participant or Sponsored Access Participant or Authorized Person through the Trading System;
- (ii) establish limits on the number of swaps that may be traded by a Participant, customer or Sponsored Access Participant through the Trading System;
- (iii) establish limits on the maximum daily price fluctuations for swaps and provide for any related restriction or suspension of trading in such swaps;
- (iv) establish limits on how frequently a Participant or Sponsored Access Participant may refresh its bid or offer; or
- (v) establish a minimum tick increment.

LatAm currently has no particular rules limiting the size of an order (that is the number of contracts in a particular buy or sell order).

Rule 505(2) requires each person that submits an order into the Trading System to include with such order the following details: (i) Trader ID; (ii) Trading Privilege Holder ID; (iii) price or yield, quantity, maturity or expiration date; (iv) price and quantity of the swap; (v) side of the order; (vi) customer type indicator code; (vii) trading account and other relevant account; and (viii) certain information relating to swap data reporting, including whether such person is a swap dealer or major swap participant.

As noted in Section 9.3, LatAm provides various training materials and instruction manuals relating to the operation of the Trading System. All trading procedures described in such materials 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 413, LatAm publishes on its website each day information regarding volume, price ranges (based on non-cancelled bids, non-cancelled offers, and sales) subject to such prices accurately reflecting market conditions, and opening and closing prices. LatAm 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, LatAm reports swap data to a Swap Data Repository in accordance with CFTC Regulations. As required by CFTC Regulations, Rule 903(1) prohibits LatAm from providing such swap data to

persons with access to the Trading System (i) until the time it transmits such information to a Swap Data Repository or (ii) in a form that discloses the identities, or otherwise facilitates identification, of the parties to the swap.

Pursuant to Rule 820, whenever LatAm suspends, expels, fines, or otherwise disciplines or denies any person access, LatAm 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 301 provides that each Trading Privilege Holder, Authorized Person, Associated Person, Customer, ISV or other person accessing the Rules (i) is bound by, and must comply with, the Rules and Applicable Law, in each case to the extent applicable to it; (ii) consents to and is subject to the jurisdiction of LatAm with respect to all matters arising out of or relating to such status or its actions or omissions with respect to such status and use of or access to LatAm; (iii) agrees to assist LatAm in complying with its legal and regulatory obligations, cooperate with LatAm and any governmental authority (including the OSC) having jurisdiction over such person or LatAm, as applicable, in any inquiry, investigation, audit, examination or proceeding, and authorize such person to provide information regarding LatAm activity to any self-regulatory organization; and (iv) authorizes LatAm to provide information with respect to it to any governmental, regulatory or self-regulatory organization, including the OSC.

In the event that a Trading Privilege Holder withdraws, Rule 316(3) provides that the accepted withdrawal of a Trading Privilege Holder will not affect the rights of LatAm under the Rules or relieve the former Trading Privilege Holder of its obligations to LatAm or any other person (including any contractual obligations relating to any swaps entered into by such Trading Privilege Holder, or the payment of any LatAm fees, costs, or charges incurred prior to such withdrawal). Notwithstanding the accepted withdrawal of a Trading Privilege Holder, the withdrawn Trading Privilege Holder remains subject to the jurisdiction of LatAm for acts done and omissions made while a Trading Privilege Holder, and must cooperate in any disciplinary proceeding under the Rules as if such withdrawal had not taken place.

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, LatAm 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 LatAm's compliance resources and will engage additional personnel as deemed necessary on a temporary or permanent basis. LatAm's ability to detect, investigate and take action with respect to violations of its Rules will be provided by the ROC, the CCO and the Market Operations and Compliance Departments.

As provided in its Charter, the ROC is responsible for monitoring the sufficiency, independence and effectiveness of LatAm's regulatory program. See also the 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 210(2), LatAm may disclose to any person (including the OSC and other relevant regulatory authorities) information concerning or associated with a Trading Privilege Holder or other person that LatAm believes is necessary and appropriate in exercising a legal or regulatory function, whether or not a formal arrangement governing the disclosure exists or a request for information was made. See also Rule 211(2) with states LatAm may disclose to any Person or entity information concerning or associated with a Trading Privilege Holder or other Person that the SEF believes is necessary and appropriate for the purpose of fulfilling its regulatory obligations.

13 RECORDKEEPING

13.1 Recordkeeping

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 210(1) requires LatAm to keep, or cause to be kept, all books and records required to be maintained pursuant to the CEA and CFTC Regulations for at least five years. As required by CFTC Regulations, LatAm maintains complete and accurate books and records relating to its operations, audit trail information on all trades and disciplinary and enforcement actions.

Rule 402 requires LatAm Trading Privilege Holder keep all records relating to SEF activity that are required by the Commission and Applicable Law to be kept, in such form and manner for such a period, as required by CFTC Rules 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.

In accordance with Rule 213, LatAm has entered into agreements with technology services providers to provide technology services to LatAm. In accordance with the relevant service level agreements, technology services providers may perform certain functions under the Rules and LatAm provides information to the technology services provider in connection with the performance by the technology services provider of those functions. LatAm retains ultimate decision making authority with respect to any functions that are contracted to a technology services provider. LatAm meets quarterly with the technology service providers to ensure SEF protocols, policies and procedures are being met and to review any system related issues are resolved.

Depending upon the product the transaction, MarketWire and Thomson Reuters Trade Notification provide STP Connectivity and when required, clearing services may be provided by LCH or the CME.

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 Rule 314(1), LatAm charges comparable fees for all persons that receive comparable access to the Trading System.

LatAm believes that its fee schedule is in line with current market practice. These fees do not create unreasonable barriers to access because of their uniform application to all Trading Privilege Holders.

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. LatAm has broad discretion under Rule 211 to enter into information-sharing agreements or other arrangements or procedures to coordinate surveillance with other markets and with clearing organizations and governmental authorities. LatAm may enter into any arrangement with any governmental authority,

trading facility or clearing organization that LatAm considers such arrangement to be in furtherance of the operation or duties of LatAm.

Even absent an information-sharing agreement, LatAm may, under Rules 210(2) and 211(2), disclose to any person or entity (including the OSC and other regulatory bodies) information concerning or associated with a Trading Privilege Holder or other person that LatAm believes is necessary and appropriate in exercising a legal or regulatory function, whether or not a formal arrangement governing the disclosure exists or a request for information was made.

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 co-operative 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 as of 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. LatAm 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, LatAm 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 herein constitutes LatAm SEF, LLC full application to be exempted from the requirement to be recognized as an exchange. For the reasons set out in this application LatAm 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. LatAm consents to the publication of this application for public comment.

Cordially,



Sandra Armstrong
Chief Compliance Officer
LatAm SEF, LLC