

# SUBMISSION COVER SHEET

Confidential Treatment has not been requested

Organization Name: Javelin SEF, LLC

Organization Type: SEF

Registered Entity Identifier: 15-10

Submission Number: 1510-1616-2322-73

Submission Date: 10/16/15 04:23:22 PM

Submission Type: Rule - 40.6(a) Rule Certification

Submission Description: Rule amendments related to Phase 2 Questions, SEF Review Document and SDR reporting

Rule Numbers: 202, 205, 313, 505, 506, 512, 514, 516, 521, 522, 702, 706, 716, 721, 722, 723, 725, 728, 730 and 910



October 16, 2015

Submitted via CFTC Portal  
Office of the Secretariat  
U.S. Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street  
Washington, DC 20581

Re: Submission of Javelin SEF, LLC Rule Amendment (Submission No. 15-10)

To Whom It May Concern:

Pursuant to Section 5c(c) of the Commodity Exchange Act (“CEA”) and Section 40.6(a) of the regulations of the Commodity Futures Trading Commission (the “Commission”) Javelin SEF, LLC (“Javelin SEF”) hereby submits to the Commission rule amendments to its Rulebook.

Specifically, Javelin SEF has amended Rules 202, 205, 313, 505, 506, 512, 514, 516, 521, 522, 702, 706, 716, 721, 722, 723, 725, 728, 730 and 910 (“Rule Amendments”). The Rule Amendments will be effective October 30, 2015.

A concise explanation and analysis of the Rule Amendments is attached as Exhibit A. A marked copy of the Rule Amendments, which indicates the revisions with additions underscored and deletions overstruck as indicated, is attached as Exhibit B. A clean copy of the Rule Amendments is attached as Exhibit C.

Javelin SEF certifies that these rule amendments comply with the CEA and the Commission’s Regulations. Javelin SEF further certifies that this Submission has been concurrently posted on Javelin SEF’s website at <http://www.theJavelin.com>. No substantive opposing views were expressed with respect to Rule Amendments.

If you have any questions regarding this submission, please contact me at (646) 307-5931 or [suellen.galish@thejavelin.com](mailto:suellen.galish@thejavelin.com).

Sincerely,

/s/Suellen Galish  
Senior Managing Director  
General Counsel and  
Chief Compliance Officer

Attachments

cc: Mark Schlegel, Division of Market Oversight, Commodity Futures Trading Commission  
(Email: [MSchlegel@CFTC.gov](mailto:MSchlegel@CFTC.gov))

**Exhibit A**

**Explanation and Analysis of Javelin SEF Rule Changes**

The following is a concise explanation and analysis of the proposed rule amendments which includes the core principles and Commission regulations thereunder.

| <b>Rule</b> | <b>Explanation of Amendment(s)</b>   | <b>Applicable Core Principle and Commission Regulation</b>    |
|-------------|--|---|
| Rule 202    | Amendments made to clarify the appointment, term of service, fitness standards and composition of the board of Javelin SEF.  | Core Principle 2<br>Rule 37.200                               |
| Rule 205    | Amendments made to provide that the Compliance Department will screen candidates for eligibility pursuant to Regulation 1.63 prior to their appointment for committee or board service.  | Core Principle 2<br>Rule 37.200                               |
| Rule 313    | Amendments made to clarify (a) that an applicant that is denied participant status will be provided notice of their right to appeal that determination, and (b) how such determination will be delivered to the applicant.   | Core Principle 2<br>Rule 37.200<br>Rule 37.201<br>Rule 37.202 |
| Rule 505    | Amendments made to clarify how Javelin SEF handles resting orders in the electronic central limit order book.  | Core Principle 2<br>Rule 37.200<br>Rule 37.201                |
| Rule 506    | Amendments made to clarify (a) when a market participant is considered to be “controlled” by a third party that had trading discretion, (b) that a response to an RFQ is firm when communicated to RFQ requestor, (c) when an RFQ responder can modify or cancel an RFQ response, (d) to whom and RFQ to “all” is sent, (e) Participants with the ability to choose whether or not they wish to receive RFQ inquiries, and (f) how order interaction between the electronic central limit order book and the RFQ system will be displayed. | Core Principle 2<br>Rule 37.200<br>Rule 37.201                |
| Rule 512    | Amendments made to clarify that the limitation of liability are subject to the Commodity Exchange Act and the regulations thereunder.  | Core Principle 2<br>Rule 37.200                               |

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| Rule 514 | Amendments made to require disclosure of arrangements regarding control of trading to Javelin SEF.  | Core Principle 2<br>Rule 37.200<br>Rule 37.201   |
| Rule 516 | Amendments made to clarify to which swap data repository trades will be reported.   | Core Principle 2<br>Rule 37.200<br>Rule 37.201<br>Core Principle 9<br>Rule 37.900<br>Rule 37.901 |
| Rule 521 | Amendments made to clarify how Javelin SEF handles resting orders in the voice order book.  | Core Principle 2<br>Rule 37.200<br>Rule 37.201   |
| Rule 522 | Amendments made to (a) conform Rule 522 to changes made to Rule 505 and (b) clarify what information a Participant must communicate to an Authorized Employee when submitting an order for voice hybrid electronic trading in the electronic central limit order book or request for quote system.  | Core Principle 2<br>Rule 37.200<br>Rule 37.201   |
| Rule 702 | Amendments made to clarify when Javelin SEF will commence an investigation  | Core Principle 2<br>Rule 37.200<br>Rule 37.201<br>Rule 37.203<br>Rule 37.206                     |
| Rule 706 | Amendments made to clarify abusive trading practices that are prohibited on Javelin SEF by (a) clarifying what constitutes conduct detrimental to Javelin SEF, disruptive trading practices, market manipulation, prohibition of customer orders, and (b) adding new rules regarding accommodation trading, front running and pre-arranged trading. | Core Principle 2<br>Rule 37.200<br>Rule 37.201<br>Rule 37.203<br>Rule 37.206                     |

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| Rule 716 | Amendments provide for clarification of the process regarding the preparation of investigative reports.  | Core Principle 2<br>Rule 37.200<br>Rule 37.201<br>Rule 37.203<br>Rule 37.206 |
| Rule 721 | Amendment provide clarification regarding disciplinary hearing procedures.   | Core Principle 2<br>Rule 37.200<br>Rule 37.201<br>Rule 37.203<br>Rule 37.206 |
| Rule 722 | Amendment provide clarification regarding the contents of decision of the hearing panel and the timing of when the decision must be given the respondent   | Core Principle 2<br>Rule 37.200<br>Rule 37.201<br>Rule 37.203<br>Rule 37.206 |
| Rule 723 | Amendments clarify that offers of settlement must comply with Javelin SEF Rule 728   | Core Principle 2<br>Rule 37.200<br>Rule 37.201<br>Rule 37.203<br>Rule 37.206 |
| Rule 725 | Amendments provide clarification of the timing of when the decision of the appeal panel must be given to the respondent and include a statement of the respondent's right to appeal the CFTC.  | Core Principle 2<br>Rule 37.200<br>Rule 37.201<br>Rule 37.203<br>Rule 37.206 |
| Rule 728 | Amendment provide clarification regarding sanctions that disciplinary committees are authorized to impose, including (a) when restitution may be imposed and (b) sanctions must take into account a respondent's disciplinary history, be commensurate with the violations committed and sufficient to deter recidivism. | Core Principle 2<br>Rule 37.200<br>Rule 37.201<br>Rule 37.203<br>Rule 37.206 |

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| Rule 730 | New rule added to provide Javelin SEF will send notice of final action to the CFTC, pursuant to Regulation 9.11.                     | Core Principle 2<br>Rule 37.200<br>Rule 37.201<br>Rule 37.203<br>Rule 37.206 |
| Rule 910 | New rule added to provide that Javelin SEF will not use proprietary data or personal information for business or marketing purposes. | Core Principle 2<br>Rule 37.7  |

## EXHIBIT B

### Marked Copy of Rule Amendments

#### Rule 202. Board

1. The Board shall oversee the operation of Javelin SEF and shall have the authority to review, call for review, amend, suspend or overrule the decisions and actions of any Javelin SEF Committee. Without limiting the generality of the foregoing, the Board shall have the power to: (a) adopt, amend, implement and repeal Javelin SEF Rules, not contrary to applicable law or the Operating Agreement, as in the Board's judgment promotes the best interest of Javelin SEF, and (b) make interpretations of the Javelin SEF Rules, which shall be binding on all Persons subject to the jurisdiction of Javelin SEF.
2. Each member of the Board shall be appointed in accordance with the Operating Agreement and shall serve until his or her successor is duly appointed, or until his or her earlier resignation or removal, with or without cause.
3. Member of the Board, including Independent Members, shall be of sufficiently good repute, and where applicable, have sufficient expertise in financial services.
4. Member of the Board shall satisfy all fitness standards imposed by the CEA and CFTC regulations.
5. The Board shall be composed of at least 35% Independent Directors, who have been determined on the record to have no material relationship, as defined by 1.3(ccc) of the CFTC regulations, with Javelin SEF.

#### Rule 205. Disqualifications of Board and Committee Members

Prior to their appointment for Board and/or Committee service, the Compliance Department shall screen all nominees to determine their eligibility for service pursuant to CFTC Regulation 1.63. No Person may serve as a member of the Board or a Committee of Javelin SEF if such Person:

1. within the past three years was found by a Final Decision to have committed a Disciplinary Offense;
2. within the past three years entered into a settlement agreement in which any of the findings, or in the absence of such findings, any of the acts charged included a Disciplinary Offense;
3. is currently or has been barred, expelled from membership or suspended from trading on a self-regulatory organization, is serving any sentence of probation or owes any portion of a fine imposed as a result of either:
  - a. a settlement agreement in which any of the findings, or in the absence of such findings, any of the acts charged included a Disciplinary Offense; or
  - b. a Final Decision determining such Person committed a Disciplinary Offense;



4. is currently subject to an agreement with the CFTC or any self-regulatory organization not to apply for registration with the CFTC or membership in any self-regulatory organization;
5. is currently subject to or has had imposed on him or her within the prior three years a registration revocation or suspension in any capacity for any reason, or has been convicted within the prior three years of any of the felonies listed in section 8a(2)(D)(ii) through (iv) of the CEA; or
6. is currently subject to a denial, suspension or disqualification from serving on the disciplinary committee, arbitration committee or governing board of any self-regulatory organization as that term is described in section 3(a)(26) of the Securities Exchange Act of 1934.

**Rule 313. Process for Review of Denial or Change in Participant Status**

1. If Javelin SEF determines to (i) deny an application for Participant status or (ii) condition, suspend and/or terminate a Javelin SEF's Participant status ("Status Determination Notice"), then Javelin SEF shall promptly notify such Applicant or Participant ("Affected Person"), in writing at the address provided by such application or Participant for notices.
2. An Affected Person may, within five business days of the date of Status Determination Notice, send a written request to Javelin SEF requesting that Javelin SEF provide the reasons for the denial, conditioning or termination of Participant status. Within 10 business days after receiving such written request, Javelin SEF shall respond to such Affected Person and provide the reasons for denial, conditioning or termination of Participant status. Within 10 business days of receiving the response, the Affected Person may request in writing that the Participation Committee review the determination to deny, condition or terminate its Participant status ("Reconsideration Request").
3. Upon receipt of the Reconsideration Request the Participation Committee may, in its sole discretion, schedule a hearing (in-person or via teleconference), request additional information from the Applicant or Participant, or establish any other process that it believes is appropriate or necessary to consider the Reconsideration Request.
4. Within the later of 45 days of receiving a Reconsideration Request or 30 days from the date of the hearing is concluded the Participation Committee shall either confirm, reverse or modify the denial, conditioning or termination of the Affected Person and shall promptly send notice to the Affected Person. The decision of the Participation Committee is the final action of Javelin SEF and is not subject to any appeal within Javelin SEF and shall include a statement informing the Respondent of their right to appeal to the CFTC. No later than 30 days after the date of the Participation Committee's decision Javelin SEF shall cause the decision to be delivered to the Respondent, at their last known address, by: (i) hand delivery; (ii) deposit in the United States mail, postage paid, via registered mail or certified mail return receipt requested; (iii) deposit in nationally recognized overnight mail carrier; or (iv) sending of such documents by electronic mail with a confirmation copy promptly sent by United States mail.

## Rule 505. Entry of Orders on Javelin SEF's Central Limit Order Book

1. Acceptable Orders. The following types of orders may be entered into the central limit order book of the IRS Vertical of Javelin SEF.
  - a. Market Orders. A "Market Order" is an order to purchase or sell a Product at the best price obtainable in the central limit order book at the time the order is entered.
  - b. Limit Orders. A "Limit Order" is an order to purchase or sell a Product at a specified price or a better price obtainable in the central limit order book.
  - c. All or None Market Order. An "All or None Market Order" is an order to purchase or sell a Product that requires that the entire order is filled in a single transaction at the best price obtainable in the central limit order book at the time the order is entered.
  - d. All or None Limit Order. An "All or None Limit Order" is an order to purchase or sell a Product that requires that the entire order is filled in a single transaction at a specified price or a better price obtainable in the central limit order book.
  - e. Minimum or None Market Order. A "Minimum or None Market Order" is an order to purchase or sell a Product that requires that the minimum quantity of Product stated in the order is filled in a single transaction at the best price obtainable in the central limit order, at the time the order is entered.
  - f. Minimum or None Limit Order. A "Minimum or None Limit Order" is an order to purchase or sell a Product that requires that minimum quantity of Product stated in the order is filled in a single transaction at a specified price or better price obtainable in the central limit order book.
2. Entry of Orders. An order may be submitted directly by a Participant for its own account or on behalf of a Customer on whose behalf such Participant is authorized to act.
3. Price-Time Priority. All ~~prices~~orders received in the central limit order book are sorted based on a strict price-time priority protocol.
4. Matching of Orders. Orders submitted will be matched as follows.
  - a. Market Orders, All or None Market Orders and Minimum or Non Market Orders. Market orders will be matched against all pending ~~bids and offers~~ orders in the market in accordance with the price-time priority protocol.
    - i. If any portion of a Market Order is not filled, then the unfilled remainder of the order is immediately cancelled.
    - ii. If any portion of an All or None Market Order is not filled, then the unfilled remainder of the order is immediately cancelled.
    - iii. If any portion of a Minimum or None Market Order is not filled, then the unfilled remainder of the order is immediately cancelled.
  - b. Limit Orders, All or None Limit Orders and Minimum or None Limit Orders. Limit Orders, All or None Limit Orders and Minimum or None Limit Orders will be matched with ~~bids and offers~~ orders that have a price that is at or better than the price of the order, in accordance with the price-time priority protocol.
    - i. If any portion of a Limit Order is not filled, the unfilled portion of the order will remain in the market at the price and time that the order was entered.

- ii. If any portion of an All or None Limit Order is not filled, the order is cancelled at the end of the Trading Day.
  - iii. If the stated minimum of a Minimum or None Limit Order (“MON Limit Order”) is not filled, the order will be cancelled at the end of the Trading Day. If the stated minimum of the MON Limit Order is filled and the unfilled remainder of the MON Limit Order is less than the minimum size, then the unfilled remainder of the MON Limit Order is converted into an All or None Limit Order, which, if not filled, will be cancelled at the end of the Trading Day. If the unfilled remainder of the MON Limit Order is greater than the minimum size, then the unfilled remainder of the order will rest in the market at the price and time that the order was entered, and if unfilled will be cancelled at the end of the Trading Day.
5. Unfilled-Resting Orders.
- a. Resting orders are visible to all market participants and are firm and executable until such time that order is executed, modified or cancelled by either the Participant, pursuant to Rule 507, or as provided below.
  - b. After the close of trading each Trading Day, all unfilled-resting orders bids and offers will be automatically cancelled.
  - c. Upon a Participant’s logging out from the Javelin SEF Trading System during the Trading Day, all resting orders unfilled resting bids and offers entered by such Participant are automatically will be cancelled.
  - d. In the event that connectivity to a Clearinghouse is lost during a Trading Day all resting orders unfilled resting bids and offers designated for such Clearinghouse are will be automatically cancelled.
  - e. Resting orders are automatically cancelled upon the expiration of the pre-trade credit token provided by the Participant’s Clearing Member.

#### **Rule 506. Entry of Orders on Javelin SEF’s Request for Quote (“RFQ”) System**

1. Entry of Orders. Participants may submit RFQ inquiries on a disclosed or anonymous basis, as provided by the Javelin SEF Rules. RFQ inquiries shall be sent to the minimum numbers of counterparties required by law, and such minimum number of counterparties shall not include (a) affiliates of or controlled by the counterparty initiating the RFQ inquiry or (b) counterparties that are affiliates of or controlled by each other. A market participant is considered to be “controlled by” a third party to whom the market participant has granted trading discretion.
2. RFQ Inquiries. In sending a RFQ inquiry the sender of the RFQ inquiry may: (a) disclose the name of the counterparty, (b) not disclose the name of the counterparty, or (c) only disclose the name of the counterparty to the RFQ Responder whose quote is accepted.
3. RFQ Responses. In responding to an RFQ inquiry and RFQ Responder may: (a) disclose the name of the counterparty, (b) not disclose the name of the counterparty, or (c) only disclose the name of the counterparty if the quote is accepted by the counterparty that sent the RFQ inquiry. A response to an RFQ inquiry will be firm at the time it is communicated to the RFQ requestor.

Provided that an RFQ response has not been accepted, an RFQ responder can modify or cancel their RFQ response after two seconds.

4. RFQ Respondents. The sender of the RFQ inquiry may select to send an RFQ inquiry to “all” Javelin Participants. The list of “all” RFQ respondents includes those Javelin Participants who have elected to receive RFQ inquiries. During the onboarding process to Javelin SEF all Javelin Participants must elect whether or not to receive RFQ inquiries. This election may be amended at any time by providing appropriate documentation to Javelin SEF.
5. Order Interaction with Electronic Central Limit Order Book. When an RFQ response is displayed to the RFQ requestor, the Javelin SEF’s RFQ system also will display resting orders in Javelin’s electronic central limit order book for that product.

#### **Rule 512. Limitation of Liability and Prohibition on Claims**

ANY CLAIM BROUGHT AGAINST JAVELIN SEF (AND ANY OF ITS AFFILIATES, SUBSIDIARIES AND THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, CONSULTANTS, COMMITTEE MEMBERS AND MEMBERS) MUST BE BROUGHT IN COMPLIANCE WITH THIS RULE. LIMITATIONS ON LIABILITY OF THIS RULE SHALL BE SUBJECT TO JAVELIN SEF’S OBLIGATIONS ARISING UNDER THE COMMODITY EXCHANGE ACT AND CFTC REGULATIONS, INCLUDING PART 37. A PERSON THAT HAS BEEN FINALLY ADJUDICATED TO HAVE ENGAGED IN WANTON OR WILLFUL MISCONDUCT CANNOT AVAIL ITSELF OF THE PROTECTIONS OF THIS RULE.

1. PARTICIPANT UNDERSTANDS AND AGREES THAT JAVELIN SEF IS NOT A PARTY (EITHER DIRECTLY OR INDIRECTLY) IN ANY TRADE OR TRANSACTION CONDUCTED OR EXECUTED THROUGH JAVELIN SEF AND JAVELIN SEF IS NOT LIABLE FOR ANY REASON TO ANY PERSON (INCLUDING WITHOUT LIMITATION ANY PARTICIPANT, AND/OR CUSTOMER, AGENT, EMPLOYEE OF A PARTICIPANT) FOR THE ACT OR OMISSION OF ANY PERSON (INCLUDING, WITHOUT LIMITATION, ANY PARTICIPANT, AND/OR CUSTOMER, AGENT, OR EMPLOYEE OF A PARTICIPANT) ENTERING INTO ANY TRADES ON JAVELIN SEF.
2. NEITHER JAVELIN SEF, NOR ANY OF ITS AFFILIATES, SUBSIDIARIES AND THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, CONSULTANTS, COMMITTEE MEMBERS, MEMBERS AND SHAREHOLDERS (COLLECTIVELY “JAVELIN SEF REPRESENTATIVES”) SHALL BE LIABLE TO ANY PERSON FOR ANY LOSSES, DAMAGES, COSTS OR EXPENSES, INCLUDING, WITHOUT LIMITATION, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES REGARDING A CLAIM, BROUGHT DIRECTLY OR AS A THIRD-PARTY CLAIM REGARDLESS OF NATURE OF THE CAUSE OF ACTION, ARISING FROM:
  - a. ANY FAILURE, MALFUNCTION, FAULT IN DELIVERY, DELAY, OMISSION, SUSPENSION, INACCURACY, INTERRUPTION, TERMINATION OR OTHER CAUSE RELATED TO THE FURNISHING, MAINTENANCE, PERFORMANCE, OPERATION, USE, INABILITY TO USE ALL OR ANY PART OF THE SYSTEM OR SERVICES OF JAVELIN SEF, INCLUDING, WITHOUT LIMITATION, ORDER ENTRY/DELIVERY, TRADING BY ELECTRONIC MEANS, ELECTRONIC COMMUNICATION OF INFORMATION OR MARKET DATA, PRICE REPORTING SYSTEMS AND ALL SOFTWARE AND HARDWARE RELATED THERETO;

- b. ANY FAILURE, MALFUNCTION, FAULT IN DELIVERY, DELAY, OMISSION, SUSPENSION, INACCURACY, INTERRUPTION, TERMINATION OR OTHER CAUSE RELATED TO ANY SYSTEM OR SERVICES USED BY JAVELIN SEF TO SUPPORT SUCH SYSTEMS AND SERVICES PROVIDED BY JAVELIN SEF, INCLUDING, WITHOUT LIMITATION, THIRD PARTIES SUCH AS NETWORK PROVIDERS AND/OR INDEPENDENT SOFTWARE PROVIDERS;
  - c. ANY UNAUTHORIZED USE OR UNAUTHORIZED ACCESS TO ANY JAVELIN SEF SYSTEM, SERVICES, EQUIPMENT OR FACILITIES BY ANY PERSON;
  - d. EXCEPT FOR ORDER STATUS, ANY ERRORS OR INACCURACIES IN INFORMATION PROVIDED BY JAVELIN SEF;
3. TO THE EXTENT PERMITTED BY LAW THE TOTAL COMBINED LIABILITY OF JAVELIN SEF AND ITS AFFILIATES, SUBSIDIARIES, AND/OR ANY OF THE JAVELIN SEF REPRESENTATIVES SHALL NOT EXCEED (i) \$200,000 FOR ALL CLAIMS SUFFERED BY ALL PERSONS FROM ALL CAUSES IN A SINGLE CALENDAR MONTH; AND (ii) \$750,000 IN THE AGGREGATE FOR ALL CLAIMS SUFFERED BY ALL PERSONS FROM ALL CAUSES IN A SINGLE CALENDAR YEAR. IF THE NUMBER OF ALLOWED CLAIMS ARISING OUT OF ANY FAILURES OR MALFUNCTIONS IN A SINGLE CALENDAR MONTH CANNOT BE FULLY SATISFIED OF THE ABOVE DOLLAR LIMITATIONS, ALL SUCH CLAIMS SHALL BE LIMITED TO A PRO RATA SHARE OF THE MAXIMUM AMOUNT FOR THE RESPECTIVE PERIOD.
4. THERE ARE NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY AND WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE OR USE, PROVIDED BY JAVELIN SEF, OR ANY OF ITS AFFILIATES OR SUBSIDIARIES, TO ANY PERSON REGARDING ANY SYSTEM FURNISHED BY JAVELIN SEF (AND ITS AFFILIATES AND SUBSIDIARIES).
5. ANY ACTION, PROCEEDING OR SUITS BROUGHT AGAINST JAVELIN SEF OR ANY OF ITS JAVELIN SEF REPRESENTATIVES SHALL BE BROUGHT WITHIN ONE YEAR FROM THE DATE THAT THE CAUSE OF ACTION ACCRUED. ANY SUCH ACTION, PROCEEDING OR SUIT SHALL BE COMMENCED IN THE STATE AND FEDERAL COURTS LOCATED IN THE STATE, CITY AND COUNTY OF NEW YORK AND EACH PARTY EXPRESSLY WAIVES ANY OBJECTION TO VENUE THEREIN AND CONSENTS TO THE JURISDICTION OF SUCH COURTS. IN ANY SUCH ACTION, PROCEEDING, OR SUIT AGAINST JAVELIN SEF AND/OR THE JAVELIN SEF REPRESENTATIVES EACH PARTY WAIVES ANY RIGHT IT MAY HAVE TO A JURY TRIAL.

#### **Rule 516. SDR Reporting**

1. Each swap counterparty shall provide Javelin SEF information sufficient to enable Javelin SEF to report all swap creation data as required by applicable law.
2. Javelin SEF shall determine the identity of the reporting counterparty, as required by applicable law, and will, as soon as technologically practicable, report trades as follows: (a) all trades ~~executed via voice trading will be reported to DTCC Data Repository (US) LLC, (b) all trades executed electronically (including voice hybrid trades) and~~ cleared by the CME will be reported to the CME SDR, unless prior to the execution of the transaction Javelin has received and accepted written instructions from the reporting counterparty that direct Javelin to report all such trades to the DTCC Data Repository (US) LLC, and ~~(be) all trades executed electronically~~

~~(including voice hybrid trades)~~ and cleared by LCH. Clearnet, Ltd will be reported to DTCC Data Repository (US) LLC.

3. All Participants and their Customers agree that in the event that Javelin SEF cannot determine the reporting counterparty because either (a) both counter parties are swap dealers, (b) both counterparties are major swap participants, (c) both counterparties are a financial entities as defined by Section 2(h)(7)(C) of the CEA but not a swap dealer or a major swap participant, or (d) both counterparties are neither a swap dealer nor a major swap participants nor a financial entity as defined by Section 2(h)(7)(C) of the CEA, then Javelin SEF shall determine the reporting counterparty based upon the tiebreaker logic procedures described in the ISDA Dodd Frank Act-Swap Transaction Reporting Party Requirement Protocol.

#### **Rule 514. Agency Trading**

An Agent may enter orders, initiate RFQ inquiries or trade on Javelin SEF on behalf of a Principal pursuant to this Rule 514 and subject to applicable law.

1. Authorization. Each Agent shall have the prior authorization to act on behalf of a Principal and keep a record of such authorization. In addition, it is the Agent's responsibility to confirm that the person providing trading instruction on behalf of a Principal is authorized to do so. Each Agent that pursuant to a power of attorney, or otherwise, directly or indirectly is granted control of trading for a market participant, must promptly disclose such discretionary trading relationship(s) in writing to Javelin SEF.
2. Choice of Trading Method. Each Agent shall give the Principal the choice to trade in either the CLOB or the RFQ.

#### **Rule 521. Trade Execution on Javelin SEF via Voice Trading**

Participants may execute Trades on Javelin SEF by voice trading. Voice trading on Javelin SEF is a Trading Facility, as defined by section 1a(51) of the CEA, that enables multiple Participants to make bids and/or offers into Javelin SEF that are open to multiple Participants through the use of the telephone, instant message and electronic mail that are acceptable to Javelin SEF or through system functionality provided by Javelin SEF. Voice trading is facilitated by Authorized Employees who communicate to Participants engaged in voice trading the existence of bids and/or offers to multiple Participants and assists in the order execution of voice Trades. Voice trading is accomplished as follows.

1. Participants may submit ~~orders a bid or offer~~ to an Authorized Employee. All ~~orders bids and offers~~ communicated to Authorized Employees shall be considered to be firm at the time first communicated to the Authorized Employee and subsequently may be indicative. An Authorized Employee, in his or her discretion, may communicate with Participants to determine trading interest.
2. Promptly upon receipt of ~~a bid or offer an order~~ the Authorized Employee shall communicate, on an anonymous basis, such ~~bid or offer order~~ by posting an alert on the Javelin SEF system which shall be visible to all market participants.

3. Participants may cancel ~~orders firm bids or offers~~ at any time prior to trade execution by communicating such cancellation to an Authorized Employee, and such cancellation shall become effective upon the Authorized Employee's receipt of such cancellation. Order modification is not permitted. Instead, a customer may cancel an existing order and enter a new order.
4. Participants can determine if ~~bids and offers~~ orders are firm or indicative by communicating with an Authorized Employee. ~~Bids and offers~~ Orders shall be matched by Authorized Employees on a price time priority (the ~~order bid and/or offer~~ closest in price that is first in time is given priority).
5. The Authorized Employee shall promptly inform Participants when they are matched in a voice trade and Javelin SEF will process the Trade, as directed by the counterparties, through either Javelin's systems or by entering the Trade into MarkitWire
- 5-6. If the counterparties elect to process a Trade through MarkitWire, then such Trade, as determined by the counterparties, may be subject to affirmation.

#### **Rule 522. Trade Execution on Javelin SEF via Voice Hybrid Electronic Trading**

Participants may execute Trades on Javelin SEF by a hybrid of voice and electronic trading as follows.

1. Participants may submit ~~orders bids and/or offers~~ to Authorized Employees and direct that such ~~orders bids and/or offers~~ be submitted for execution via Javelin SEF's central limit order book or request for quote system. All ~~orders bids and offers~~ communicated to Authorized Employees shall be considered to be firm at the time first communicated to the Authorized Employee. An Authorized Employee, in his or her discretion, may communicate with Participants to determine trading interest.
2. All ~~orders bids and/or offers~~ that a Participant directs an Authorized Employee to enter into the central limit order book shall be promptly entered into the central limit order book pursuant to Javelin SEF Rule 505, and all resting orders will be supported as provided in Rule 505. All ~~orders bids and/or offers~~ that a Participant directs an Authorized Employee to enter into the request for quote system shall be promptly entered into the request for quote system pursuant to Javelin SEF Rule 506.
3. Participants must communicate the following information to the Authorized Employee when submitting a voice hybrid electronic order for execution via Javelin SEF's electronic central limit order book or request for quote system:
  - a. the name of Participant or the Sponsored Person, if applicable;
  - b. the name of the Authorized Trader on behalf of Participant or Sponsored Person, if applicable;
  - c. product name;
  - d. price;
  - e. quantity;
  - f. clearinghouse;
  - g. customer name, if applicable; and
  - h. account number.

4. Participants may cancel or modify ~~resting orders~~~~bids or offers~~ at any time prior to trade execution by communicating such cancellation or modification to an Authorized Employee and such cancellation or modification shall become effective upon the Authorized Employee's entry of the cancellation or modification of the order into the central limit order book or request for quote system, as applicable.
5. The Authorized Employee shall promptly inform Participants when ~~their order is executed~~~~they are matched in a Trade~~.

#### **Rule 702. Inquiries and Investigations**

Javelin SEF's Compliance Department will monitor compliance with the Javelin SEF Rules and ~~investigate any possible rule violations of which it becomes aware and will commence an investigation upon the discovery or receipt of information indicating that a reasonable basis exists to believe that a rule violation is about to occur or has occurred, and~~ recommend the commencement of Summary Proceedings and/or Disciplinary Proceedings as it deems appropriate. In addition to discovery or receipt of information that is an indication of a possible rule violation, Javelin SEF ~~may~~will commence an investigation upon the request of a regulator or law enforcement agency.

#### **Rule 706. Rule Violations**

The following conduct ~~and abusive trading practices by Javelin SEF's Participants and market participants (for the purposes of this Rule 706 collectively "Participant")~~ shall be a violation of Javelin SEF Rules and will result in the commencement of a Disciplinary Proceeding and/or Summary Proceeding.

1. Aiding and Abetting. Participants are prohibited from aiding and abetting any Person that is alleged to have violated, or about to violate, any Javelin SEF Rule or any provision of applicable law for which Javelin SEF has jurisdiction.
2. Conduct Detrimental to Javelin SEF. Participants are prohibited from engaging in conduct that is detrimental to the welfare of Javelin SEF. ~~Orders or RFQs entered into Javelin SEF for the purpose of upsetting the equilibrium of the market in any Product without the intent to reflect fair market values or creating a condition in which prices do not or will not reflect fair market values are prohibited, and any Participant or other person with Trading Privileges on Javelin SEF who makes or assists in entering any such order or RFQ with knowledge of the purpose thereof or who, with such knowledge, in any way assists in carrying out any plan or scheme for the entering of any such order or RFQ, will be deemed to have engaged in conduct detrimental to the welfare of Javelin SEF.~~
3. Disclosing of Customer Orders. Participants are prohibited from disclosing Customer orders to third-parties unrelated to the Customer order.
4. Disruptive Trading Practices. Participants are prohibited from engaging in any trading, practice or conduct that is disruptive of fair and equitable trading, ~~in violation of the CEA~~, which includes without limitation (i) violating a bid or offer, (ii) intentional or reckless disregard for orderly execution of Trades during the closing period, or (iii) bidding or offering with the intent to cancel the bid or offer before execution (i.e.; "spoofing").



5. Fictitious Trades. Participants are prohibited from engaging in fictitious Trades.
6. Fraud. Participants are prohibited from engaging in any fraudulent act or any scheme to defraud, mislead, or deceive in any activity related to their participation on Javelin SEF.
7. Market Manipulation. Participants are prohibited from directly or indirectly manipulating or attempting to manipulate the price of any Product~~engaging in, including the attempt to engage in, market manipulation.~~
8. Material Misstatements. No Participant shall knowingly make any material misstatement of fact to Javelin SEF including, without limitation, any member of Javelin SEF staff or a Javelin SEF Committee.
9. Non-Competitive Trades and Accommodation Trades. Except as otherwise provided by Javelin SEF Rules, Participants are prohibited from engaging in non-competitive ~~t~~Trades and accommodation trades.
10. Prohibition on Handling Customer Orders. Participants are prohibited from knowingly taking the opposite side of a Customer order for their own account, or an account in which they have a direct or indirect financial interest, or account over which they have discretionary trading authority. The prohibition against Customer orders shall not apply where the Customer order has been entered into the Javelin SEF Trading System immediately upon receipt and has been exposed to the market, as required by CFTC Regulations, prior to a Participant taking the opposite side of the customer order.
11. Trading Ahead of a Customer Order. Participants are prohibited from executing a trade on their own account while holding an executable Customer order for the same Product, which could be executed at the same or better price.
12. Violation of Applicable Law. Participants are prohibited from engaging in activity on Javelin SEF that violates applicable law.
13. Wash Trades. Participants are prohibited from engaging in wash ~~t~~Trades.
14. Withholding Customer Orders. Participants are prohibited from withholding Customer orders from the market for the benefit of any Person other than the Customer.
15. Violation of Javelin SEF Rules. Participants are prohibited from violating the Javelin SEF Rules.
16. Money passing. No Participant may enter an order with another party for the purpose of entering a Trade with another party that does not result in a net change in either party's open positions, but instead results in a profit to one party and a loss to the other party.
17. Strobing. No Participant may engage in high-frequency trading strategy that rapidly sends and cancels the same order many times to create the (false) appearance of liquidity.
18. Improper Cross-Trades. No Participant may enter cross-trades in violation of Javelin SEF Rule 523.
19. Laddering. No Participant shall use any high frequency trading strategy that seeks to intercept trading that would otherwise take place and extract profits from the system without participating in the transference of risk.
20. Front Running. Participants shall not engage in front running.

21. Pre-Arranged Trading. Except for the execution of block trades, as provided by Part 43 of the CFTC Regulations or as otherwise permitted by law, Participants are prohibited from engaging in pre-arranged trading.

#### **Rule 716. Investigative Reports**

1. Investigation. The Compliance Department shall maintain a log of all inquiries, investigations and their disposition. At the conclusion of each investigation the Compliance Department will prepare a written report of such investigation (“Investigative Report”). The Investigative Report will provide the following information: (i) whether there is reasonable cause to believe that a rule violation is about to occur or has occurred, (ii) a description of the facts supporting the Compliance Department’s determination, (iii) the Respondent’s disciplinary history, and (iv) the recommendations of the Compliance Department regarding whether disciplinary action should be pursued. All investigations will be completed in a timely manner.
2. Review of Investigative Reports by Chief Compliance Officer. All Investigative Reports will be reviewed by the Chief Compliance Officer to determine whether there is reasonable cause to believe that a rule violation is about to occur or has occurred. At the conclusion of such review if the Chief Compliance Officer determines that additional evidence or investigation is needed to determine whether a reasonable basis exists to believe that a rule violation is about to occur or has occurred, the Chief Compliance Officer may direct the Compliance Department to conduct such further investigation.
3. Recommendations of the Compliance Department. At the conclusion of its investigation the Compliance Department may make any of the following recommendations, which will be included in the Investigative Report:
  - a. that the investigation be closed without any further action;
  - b. that a staff Warning Letter be issued in lieu of recommending action by a Review Panel;
  - c. that the matter be submitted to a Review Panel with a recommended settlement~~settled~~ prior to preparation of a complaint; or
  - d. that a the matter be submitted to a Review Panel with a recommendation that a Complaint be issued.

#### **Rule 721. Hearing Procedures**

1. Hearing Panel Procedures. After the Complaint is served on the Respondent, the proceeding will be referred to the Hearing Panel. The Hearing Panel will have the authority to review and consider (i) any settlement offers made by the Respondent and (ii) any evidence presented at a hearing.
2. Hearing Procedures. Hearings shall be fair and shall be promptly convened after reasonable notice to the respondent. The following procedures will apply during a hearing.
  - a. The entire Hearing Panel shall be present during the hearing. The Chairperson of the Hearing Panel may adjourn, continue, or otherwise conduct the hearing.

- b. The Compliance Department will represent Javelin SEF at the hearing and may present evidence in support of its case.
- c. The Compliance Department shall have the burden of proof and shall prove alleged rule violations by a preponderance of the evidence.
- d. The Respondent may present evidence in support of his or her defense. If the Respondent fails to appear, the hearing may proceed without the Respondent.
- e. Each party will have the right to call and cross-examine witnesses.
- f. The formal rules of evidence do not apply. The Chairperson of the Disciplinary Panel will make all evidentiary and procedural determinations, including, without limitation, the admissibility and relevance of evidence. Javelin SEF staff may provide guidance to the Chairperson of the Disciplinary Panel conducting the hearing.
- g. After the conclusion of the hearing the Hearing Panel will issue a written decision, which it shall provide to all parties.
- h. The Hearing proceedings will be recorded in a format that can be transcribed.
- i. A summary record of the Hearing will be retained unless transcription of the Hearing proceedings is required pursuant to Rule 724 or CFTC Regulation 37.206(c)(2)(i)-(iii).

#### **Rule 722. Decision of the Hearing Panel**

As soon as reasonably practicable after the hearing, the Hearing Panel will issue a written decision and order rendering its determination based upon the weight of the evidence contained in the record of the hearing, and will serve a copy on the Compliance Department and the Respondent. A decision of the majority of the Hearing Panel shall constitute the decision of the Hearing Panel. The Hearing Panel's decision and order shall contain the following (i) a summary of the allegations contained in the Complaint; (ii) a summary of the Answer, including any affirmative defenses asserted; (iii) a brief summary of the documents, information, testimony and/or other tangible evidence admitted into evidence at the hearing; (iv) the Hearing Panel's findings and conclusions concerning each of the allegations charged in the Complaint, including each Javelin SEF Rule and provision of law the Respondent is found to have violated and a complete explanation of the evidentiary and other basis for Javelin's findings and conclusions with respect to each charge.; (v) the sanctions imposed, if any, and the effective date of each sanction; and (vi) notice of the Respondent's right to appeal. No later than 30 days after the date of the Hearing Panel's decision Javelin SEF shall cause the decision to be delivered to the Respondent, at their last known address, by: (i) hand delivery; (ii) deposit in the United States mail, postage paid, via registered mail or certified mail return receipt requested; (iii) deposit in nationally recognized overnight mail carrier; or (iv) sending of such documents by electronic mail with a confirmation copy promptly sent by United States mail. Unless a timely notice of appeal is filed pursuant to Javelin SEF Rules, the decision and order of the Hearing Panel will become a Final Decision.

#### **Rule 723. Offers of Settlement**

1. A Respondent may propose an offer of settlement at any time during the disciplinary process.
2. All offers of settlement shall be in writing, signed by the Respondent and contain proposed findings and sanctions agreed upon by the Respondent and the Compliance Department. A

Respondent may offer to settle a Disciplinary Proceeding without admitting or denying the findings contained in the Complaint, but must consent to the jurisdiction of Javelin SEF to impose sanctions on Respondent in connection with the Disciplinary Proceeding.

3. Respondent shall serve a copy of the offer of settlement on the Compliance Department and the Chairperson of the Review Panel or Hearing Panel, as applicable.
4. The Review Panel or Hearing Panel, as applicable, will review offers of settlement to determine if proposed settlement terms are in accord with Rule 728 (Sanctions), and may accept or reject the offer of settlement, but may not modify the terms of the offer without the Respondent's consent. In making its determination the Review Panel or Hearing Panel may provide the Compliance Department and the Respondent the reasons why the offer of settlement has been accepted or rejected.
5. All offers of settlement that have been accepted by the Review Panel or Hearing Panel shall be submitted to the Board for approval. If the offer of settlement is accepted by the Board it shall be a Final Action and shall be deemed to constitute a waiver of Respondent's right to hearing. The Compliance Department and Respondent shall receive prompt notice of the Board's determination to accept or reject the offer of settlement.
6. A Respondent may withdraw an offer of settlement any time prior to acceptance of such offer of settlement by the Board.
7. If the offer of settlement is not accepted by the Hearing Panel, Review Panel, or Board, as applicable, then the Disciplinary Proceeding shall continue as if the offer of settlement had not been made. All documents relating to such offer of settlement shall not become part of the record in such Disciplinary Proceeding. Neither the Compliance Department, nor the Respondent shall use an unaccepted offer of settlement for any purpose during any stage in the Disciplinary Proceeding, including, without limitation, as an admission of wrongdoing.

#### **Rule 725. Decision of the Appeal Panel**

As promptly as reasonably possible after the conclusion of oral argument, the Appeal Panel will issue a written decision, based upon the weight of the evidence before the Appeal Panel. The decision of the Appeal Panel will include a statement of the findings of fact and conclusion for each of the findings and sanctions made by the Hearing Panel. In its decision the Appeal Panel may affirm, modify or reverse, in whole or in part, the decision and order of the Hearing Panel, including the increasing, decreasing or elimination of sanctions or remedies imposed by the Hearing Panel. The Appeals Panel shall not set aside, modify or amend the Hearing Panel's decision unless it determines by majority vote that the Hearing Panel's decision was:

1. arbitrary, capricious, or an abuse of the Hearing Panel's discretion;
2. beyond the authority or jurisdiction of the Hearing Panel; or
3. based upon a clearly erroneous application or interpretation of CFTC Regulations or Javelin SEF Rules.

If the standards for setting aside, modifying or amending the Hearing Panel's decision and order have not been met, and a majority of the Appeal Panel believes that the Hearing Panel's decision and order

resulted from a specific error, impropriety, or deficiency in the hearing it may order, by majority vote, that a new hearing be held. In the event that the Appeal Panel determines that a new hearing be held, the Appeals Panel shall provide a copy of the Appeal Panel's decision to the Chairperson of the Regulatory Oversight Committee. No later than 30 days after the receipt of the Appeal Panel's decision, the Regulatory Oversight Committee shall appoint a new Hearing Panel and serve the Compliance Department and the Respondent with notice of such panel appointment.

No later than 30 days after the date of the Appeal Panel's decision Javelin SEF shall cause the decision to be delivered to the Respondent, at their last known address, by: (i) hand delivery; (ii) deposit in the United States mail, postage paid, via registered mail or certified mail return receipt requested; (iii) deposit in nationally recognized overnight mail carrier; or (iv) sending of such documents by electronic mail with a confirmation copy promptly sent by United States mail. The decision of the Appeal Panel shall be the Final Action of Javelin SEF and will not be subject to further appeal within Javelin SEF and shall include a statement informing the Respondent of their right to appeal to the CFTC.

#### **Rule 728. Sanctions**

1. Disciplinary Committees are authorized to impose the following sanctions upon a finding of a rule violation or pursuant to an offer of settlement:
  - a. a warning letter, as provided below;
  - b. a condition or limit Trading Privileges;
  - c. suspension or in lieu of a suspension, with the Respondent's consent, a fine as described in section 2 below;
  - d. restitution in accordance with 728(6);
  - e. expulsion; or
  - f. any combination of sanctions.
2. As an alternative to suspension a Respondent may choose to pay a fine to Javelin SEF, provided that the Disciplinary Committee that imposed such suspension consents to the imposition and amount of the fine. Javelin SEF may impose a fine in an amount not less than \$1,000 and up to \$100,000 for each disciplinary offense. Failure to pay an agreed fine within 30 days of the date from which the fine is due shall result in suspension and/or further disciplinary action.
3. The following restriction shall apply to the issuance of warning letters. No more than one warning letter, in lieu of stronger disciplinary action, shall be issued to a Respondent for the same rule violation during a rolling 12 month period.
4. The Regulatory Oversight Committee is authorized to impose the following sanctions in connection with a Summary Proceeding:
  - a. condition or limit Trading Privileges;
  - b. suspension of Trading Privileges;
  - c. expulsion; or
  - d. any combination of sanctions.
5. Javelin SEF may impose summary fines in an amount not less than \$1,000 and up to \$5,000 per offense. Failure to pay a fine within 30 days of date from which the fine is due shall result in the

accrual of interest on the fine at the prime rate. Failure to pay a fine within 60 days from the date that the fine was imposed may result in suspension and/or disciplinary action.

6. In the event of demonstrated customer harm, disciplinary sanctions will include full customer restitution, except where the amount of restitution or to whom it should be provided cannot be reasonably determined..
7. Sanctions imposed will take into account the Respondent's disciplinary history, shall be commensurate with the violation(s) committed and clearly sufficient to deter recidivism or similar violations.

**Rule 730. Notice of Final Action**

Contemporaneously with the delivery of a final action including, without limitation, a written decision of the Hearing Panel, offer of settlement accepted by the Board, a decision of the Appeal Panel, or access denial action Javelin SEF will send, pursuant to CFTC Regulation 9.11, a copy of such final action to the CFTC.

**Rule 910. Prohibited Use of Data Collected for Regulatory Purposes**

Javelin SEF shall not use for business or marketing purposes any proprietary data or personal information it collects or receives, from or on behalf of any person, for the purpose of fulfilling its regulatory obligations. Notwithstanding the foregoing, Javelin SEF may use such data or information for business or marketing purposes if the Person from whom it collects or receives such data or information clearly consents in writing to Javelin SEF's use of such data or information in such manner. Javelin SEF shall not condition access to Javelin SEF's market(s) or market services upon a Person's consent to Javelin SEF's use of proprietary data or personal information for business or marketing purposes. Where necessary for regulatory purposes, Javelin SEF may share such data or information with one or more SEFs or DCMs registered with the CFTC.

## EXHIBIT C

### Rule Amendments

#### Rule 202. Board

1. The Board shall oversee the operation of Javelin SEF and shall have the authority to review, call for review, amend, suspend or overrule the decisions and actions of any Javelin SEF Committee. Without limiting the generality of the foregoing, the Board shall have the power to: (a) adopt, amend, implement and repeal Javelin SEF Rules, not contrary to applicable law or the Operating Agreement, as in the Board's judgment promotes the best interest of Javelin SEF, and (b) make interpretations of the Javelin SEF Rules, which shall be binding on all Persons subject to the jurisdiction of Javelin SEF.
2. Each member of the Board shall be appointed in accordance with the Operating Agreement and shall serve until his or her successor is duly appointed, or until his or her earlier resignation or removal, with or without cause.
3. Member of the Board, including Independent Members, shall be of sufficiently good repute, and where applicable, have sufficient expertise in financial services.
4. Member of the Board shall satisfy all fitness standards imposed by the CEA and CFTC regulations.
5. The Board shall be composed of at least 35% Independent Directors, who have been determined on the record to have no material relationship, as defined by 1.3(ccc) of the CFTC regulations, with Javelin SEF.

#### Rule 205. Disqualifications of Board and Committee Members

Prior to their appointment for Board and/or Committee service, the Compliance Department shall screen all nominees to determine their eligibility for service pursuant to CFTC Regulation 1.63. No Person may serve as a member of the Board or a Committee of Javelin SEF if such Person:

1. within the past three years was found by a Final Decision to have committed a Disciplinary Offense;
2. within the past three years entered into a settlement agreement in which any of the findings, or in the absence of such findings, any of the acts charged included a Disciplinary Offense;
3. is currently or has been barred, expelled from membership or suspended from trading on a self-regulatory organization, is serving any sentence of probation or owes any portion of a fine imposed as a result of either:
  - a. a settlement agreement in which any of the findings, or in the absence of such findings, any of the acts charged included a Disciplinary Offense; or
  - b. a Final Decision determining such Person committed a Disciplinary Offense;

4. is currently subject to an agreement with the CFTC or any self-regulatory organization not to apply for registration with the CFTC or membership in any self-regulatory organization;
5. is currently subject to or has had imposed on him or her within the prior three years a registration revocation or suspension in any capacity for any reason, or has been convicted within the prior three years of any of the felonies listed in section 8a(2)(D)(ii) through (iv) of the CEA; or
6. is currently subject to a denial, suspension or disqualification from serving on the disciplinary committee, arbitration committee or governing board of any self-regulatory organization as that term is described in section 3(a)(26) of the Securities Exchange Act of 1934.

**Rule 313. Process for Review of Denial or Change in Participant Status**

1. If Javelin SEF determines to (i) deny an application for Participant status or (ii) condition, suspend and/or terminate a Javelin SEF's Participant status ("Status Determination Notice"), then Javelin SEF shall promptly notify such Applicant or Participant ("Affected Person"), in writing at the address provided by such application or Participant for notices.
2. An Affected Person may, within five business days of the date of Status Determination Notice, send a written request to Javelin SEF requesting that Javelin SEF provide the reasons for the denial, conditioning or termination of Participant status. Within 10 business days after receiving such written request, Javelin SEF shall respond to such Affected Person and provide the reasons for denial, conditioning or termination of Participant status. Within 10 business days of receiving the response, the Affected Person may request in writing that the Participation Committee review the determination to deny, condition or terminate its Participant status ("Reconsideration Request").
3. Upon receipt of the Reconsideration Request the Participation Committee may, in its sole discretion, schedule a hearing (in-person or via teleconference), request additional information from the Applicant or Participant, or establish any other process that it believes is appropriate or necessary to consider the Reconsideration Request.
4. Within the later of 45 days of receiving a Reconsideration Request or 30 days from the date of the hearing is concluded the Participation Committee shall either confirm, reverse or modify the denial, conditioning or termination of the Affected Person and shall promptly send notice to the Affected Person. The decision of the Participation Committee is the final action of Javelin SEF and is not subject to any appeal within Javelin SEF and shall include a statement informing the Respondent of their right to appeal to the CFTC. No later than 30 days after the date of the Participation Committee's decision Javelin SEF shall cause the decision to be delivered to the Respondent, at their last known address, by: (i) hand delivery; (ii) deposit in the United States mail, postage paid, via registered mail or certified mail return receipt requested; (iii) deposit in nationally recognized overnight mail carrier; or (iv) sending of such documents by electronic mail with a confirmation copy promptly sent by United States mail.



**Rule 505. Entry of Orders on Javelin SEF's Central Limit Order Book**

1. Acceptable Orders. The following types of orders may be entered into the central limit order book of the IRS Vertical of Javelin SEF.
  - a. Market Orders. A "Market Order" is an order to purchase or sell a Product at the best price obtainable in the central limit order book at the time the order is entered.
  - b. Limit Orders. A "Limit Order" is an order to purchase or sell a Product at a specified price or a better price obtainable in the central limit order book.
  - c. All or None Market Order. An "All or None Market Order" is an order to purchase or sell a Product that requires that the entire order is filled in a single transaction at the best price obtainable in the central limit order book at the time the order is entered.
  - d. All or None Limit Order. An "All or None Limit Order" is an order to purchase or sell a Product that requires that the entire order is filled in a single transaction at a specified price or a better price obtainable in the central limit order book.
  - e. Minimum or None Market Order. A "Minimum or None Market Order" is an order to purchase or sell a Product that requires that the minimum quantity of Product stated in the order is filled in a single transaction at the best price obtainable in the central limit order, at the time the order is entered.
  - f. Minimum or None Limit Order. A "Minimum or None Limit Order" is an order to purchase or sell a Product that requires that minimum quantity of Product stated in the order is filled in a single transaction at a specified price or better price obtainable in the central limit order book.
2. Entry of Orders. An order may be submitted directly by a Participant for its own account or on behalf of a Customer on whose behalf such Participant is authorized to act.
3. Price-Time Priority. All orders received in the central limit order book are sorted based on a strict price-time priority protocol.
4. Matching of Orders. Orders submitted will be matched as follows.
  - a. Market Orders, All or None Market Orders and Minimum or Non Market Orders. Market orders will be matched against all pending orders in the market in accordance with the price-time priority protocol.
    - i. If any portion of a Market Order is not filled, then the unfilled remainder of the order is immediately cancelled.
    - ii. If any portion of an All or None Market Order is not filled, then the unfilled remainder of the order is immediately cancelled.
    - iii. If any portion of a Minimum or None Market Order is not filled, then the unfilled remainder of the order is immediately cancelled.
  - b. Limit Orders, All or None Limit Orders and Minimum or None Limit Orders. Limit Orders, All or None Limit Orders and Minimum or None Limit Orders will be matched with

orders that have a price that is at or better than the price of the order, in accordance with the price-time priority protocol.

- i. If any portion of a Limit Order is not filled, the unfilled portion of the order will remain in the market at the price and time that the order was entered.
- ii. If any portion of an All or None Limit Order is not filled, the order is cancelled at the end of the Trading Day.
- iii. If the stated minimum of a Minimum or None Limit Order (“MON Limit Order”) is not filled, the order will be cancelled at the end of the Trading Day. If the stated minimum of the MON Limit Order is filled and the unfilled remainder of the MON Limit Order is less than the minimum size, then the unfilled remainder of the MON Limit Order is converted into an All or None Limit Order, which, if not filled, will be cancelled at the end of the Trading Day. If the unfilled remainder of the MON Limit Order is greater than the minimum size, then the unfilled remainder of the order will rest in the market at the price and time that the order was entered, and if unfilled will be cancelled at the end of the Trading Day.

5. Resting Orders.

- a. Resting orders are visible to all market participants and are firm and executable until such time that order is executed, modified or cancelled by either the Participant, pursuant to Rule 507, or as provided below.
- b. After the close of trading each Trading Day, all resting orders are automatically cancelled.
- c. Upon a Participant’s logging out from the Javelin SEF Trading System during the Trading Day, all resting orders entered by such Participant are automatically cancelled.
- d. In the event that connectivity to a Clearinghouse is lost during a Trading Day all resting orders designated for such Clearinghouse are automatically cancelled.
- e. Resting orders are automatically cancelled upon the expiration of the pre-trade credit token provided by the Participant’s Clearing Member.

**Rule 506. Entry of Orders on Javelin SEF’s Request for Quote (“RFQ”) System**

1. Entry of Orders. Participants may submit RFQ inquiries on a disclosed or anonymous basis, as provided by the Javelin SEF Rules. RFQ inquiries shall be sent to the minimum numbers of counterparties required by law, and such minimum number of counterparties shall not include (a) affiliates of or controlled by the counterparty initiating the RFQ inquiry or (b) counterparties that are affiliates of or controlled by each other. A market participant is considered to be “controlled by” a third party to whom the market participant has granted trading discretion.
2. RFQ Inquiries. In sending a RFQ inquiry the sender of the RFQ inquiry may: (a) disclose the name of the counterparty, (b) not disclose the name of the counterparty, or (c) only disclose the name of the counterparty to the RFQ Responder whose quote is accepted.

3. RFQ Responses. In responding to an RFQ inquiry and RFQ Responder may: (a) disclose the name of the counterparty, (b) not disclose the name of the counterparty, or (c) only disclose the name of the counterparty if the quote is accepted by the counterparty that sent the RFQ inquiry. A response to an RFQ inquiry will be firm at the time it is communicated to the RFQ requestor. Provided that an RFQ response has not been accepted, an RFQ responder can modify or cancel their RFQ response after two seconds.
4. RFQ Respondents. The sender of the RFQ inquiry may select to send an RFQ inquiry to “all” Javelin Participants. The list of “all” RFQ respondents includes those Javelin Participants who have elected to receive RFQ inquiries. During the onboarding process to Javelin SEF all Javelin Participants must elect whether or not to receive RFQ inquiries. This election may be amended at any time by providing appropriate documentation to Javelin SEF.
5. Order Interaction with Electronic Central Limit Order Book. When an RFQ response is displayed to the RFQ requestor, the Javelin SEF’s RFQ system also will display resting orders in Javelin’s electronic central limit order book for that product.

#### **Rule 512. Limitation of Liability and Prohibition on Claims**

ANY CLAIM BROUGHT AGAINST JAVELIN SEF (AND ANY OF ITS AFFILIATES, SUBSIDIARIES AND THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, CONSULTANTS, COMMITTEE MEMBERS AND MEMBERS) MUST BE BROUGHT IN COMPLIANCE WITH THIS RULE. LIMITATIONS ON LIABILITY OF THIS RULE SHALL BE SUBJECT TO JAVELIN SEF’S OBLIGATIONS ARISING UNDER THE COMMODITY EXCHANGE ACT AND CFTC REGULATIONS, INCLUDING PART 37. A PERSON THAT HAS BEEN FINALLY ADJUDICATED TO HAVE ENGAGED IN WANTON OR WILLFUL MISCONDUCT CANNOT AVAIL ITSELF OF THE PROTECTIONS OF THIS RULE.

1. PARTICIPANT UNDERSTANDS AND AGREES THAT JAVELIN SEF IS NOT A PARTY (EITHER DIRECTLY OR INDIRECTLY) IN ANY TRADE OR TRANSACTION CONDUCTED OR EXECUTED THROUGH JAVELIN SEF AND JAVELIN SEF IS NOT LIABLE FOR ANY REASON TO ANY PERSON (INCLUDING WITHOUT LIMITATION ANY PARTICIPANT, AND/OR CUSTOMER, AGENT, EMPLOYEE OF A PARTICIPANT) FOR THE ACT OR OMISSION OF ANY PERSON (INCLUDING, WITHOUT LIMITATION, ANY PARTICIPANT, AND/OR CUSTOMER, AGENT, OR EMPLOYEE OF A PARTICIPANT) ENTERING INTO ANY TRADES ON JAVELIN SEF.
2. NEITHER JAVELIN SEF, NOR ANY OF ITS AFFILIATES, SUBSIDIARIES AND THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, CONSULTANTS, COMMITTEE MEMBERS, MEMBERS AND SHAREHOLDERS (COLLECTIVELY “JAVELIN SEF REPRESENTATIVES”) SHALL BE LIABLE TO ANY PERSON FOR ANY LOSSES, DAMAGES, COSTS OR EXPENSES, INCLUDING, WITHOUT LIMITATION, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES REGARDING A CLAIM, BROUGHT DIRECTLY OR AS A THIRD-PARTY CLAIM REGARDLESS OF NATURE OF THE CAUSE OF ACTION, ARISING FROM:
  - a. ANY FAILURE, MALFUNCTION, FAULT IN DELIVERY, DELAY, OMISSION, SUSPENSION, INACCURACY, INTERRUPTION, TERMINATION OR OTHER CAUSE RELATED TO THE FURNISHING, MAINTENANCE, PERFORMANCE, OPERATION, USE, INABILITY TO USE ALL

- OR ANY PART OF THE SYSTEM OR SERVICES OF JAVELIN SEF, INCLUDING, WITHOUT LIMITATION, ORDER ENTRY/DELIVERY, TRADING BY ELECTRONIC MEANS, ELECTRONIC COMMUNICATION OF INFORMATION OR MARKET DATA, PRICE REPORTING SYSTEMS AND ALL SOFTWARE AND HARDWARE RELATED THERETO;
- b. ANY FAILURE, MALFUNCTION, FAULT IN DELIVERY, DELAY, OMISSION, SUSPENSION, INACCURACY, INTERRUPTION, TERMINATION OR OTHER CAUSE RELATED TO ANY SYSTEM OR SERVICES USED BY JAVELIN SEF TO SUPPORT SUCH SYSTEMS AND SERVICES PROVIDED BY JAVELIN SEF, INCLUDING, WITHOUT LIMITATION, THIRD PARTIES SUCH AS NETWORK PROVIDERS AND/OR INDEPENDENT SOFTWARE PROVIDERS;
  - c. ANY UNAUTHORIZED USE OR UNAUTHORIZED ACCESS TO ANY JAVELIN SEF SYSTEM, SERVICES, EQUIPMENT OR FACILITIES BY ANY PERSON;
  - d. EXCEPT FOR ORDER STATUS, ANY ERRORS OR INACCURACIES IN INFORMATION PROVIDED BY JAVELIN SEF;
3. TO THE EXTENT PERMITTED BY LAW THE TOTAL COMBINED LIABILITY OF JAVELIN SEF AND ITS AFFILIATES, SUBSIDIARIES, AND/OR ANY OF THE JAVELIN SEF REPRESENTATIVES SHALL NOT EXCEED (i) \$200,000 FOR ALL CLAIMS SUFFERED BY ALL PERSONS FROM ALL CAUSES IN A SINGLE CALENDAR MONTH; AND (ii) \$750,000 IN THE AGGREGATE FOR ALL CLAIMS SUFFERED BY ALL PERSONS FROM ALL CAUSES IN A SINGLE CALENDAR YEAR. IF THE NUMBER OF ALLOWED CLAIMS ARISING OUT OF ANY FAILURES OR MALFUNCTIONS IN A SINGLE CALENDAR MONTH CANNOT BE FULLY SATISFIED OF THE ABOVE DOLLAR LIMITATIONS, ALL SUCH CLAIMS SHALL BE LIMITED TO A PRO RATA SHARE OF THE MAXIMUM AMOUNT FOR THE RESPECTIVE PERIOD.
  4. THERE ARE NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY AND WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE OR USE, PROVIDED BY JAVELIN SEF, OR ANY OF ITS AFFILIATES OR SUBSIDIARIES, TO ANY PERSON REGARDING ANY SYSTEM FURNISHED BY JAVELIN SEF (AND ITS AFFILATES AND SUBSIDIARIES).
  5. ANY ACTION, PROCEEDING OR SUITS BROUGHT AGAINST JAVELIN SEF OR ANY OF ITS JAVELIN SEF REPRESENTATIVES SHALL BE BROUGHT WITHIN ONE YEAR FROM THE DATE THAT THE CAUSE OF ACTION ACCRUED. ANY SUCH ACTION, PROCEEDING OR SUIT SHALL BE COMMENCED IN THE STATE AND FEDERAL COURTS LOCATED IN THE STATE, CITY AND COUNTY OF NEW YORK AND EACH PARTY EXPRESSLY WAIVES ANY OBJECTION TO VENUE THEREIN AND CONSENTS TO THE JURISDICTION OF SUCH COURTS. IN ANY SUCH ACTION, PROCEEDING, OR SUIT AGAINST JAVELIN SEF AND/OR THE JAVELIN SEF REPRESENTATIVES EACH PARTY WAIVES ANY RIGHT IT MAY HAVE TO A JURY TRIAL.

**Rule 516. SDR Reporting**

1. Each swap counterparty shall provide Javelin SEF information sufficient to enable Javelin SEF to report all swap creation data as required by applicable law.
2. Javelin SEF shall determine the identity of the reporting counterparty, as required by applicable law, and will, as soon as technologically practicable, report trades as follows: (a) all trades

cleared by the CME will be reported to the CME SDR, unless prior to the execution of the transaction Javelin has received and accepted written instructions from the reporting counterparty that direct Javelin to report all such trades to the DTCC Data Repository (US) LLC, and (b) all trades cleared by LCH. Clearnet, Ltd will be reported to DTCC Data Repository (US) LLC.

3. All Participants and their Customers agree that in the event that Javelin SEF cannot determine the reporting counterparty because either (a) both counter parties are swap dealers, (b) both counterparties are major swap participants, (c) both counterparties are a financial entities as defined by Section 2(h)(7)(C) of the CEA but not a swap dealer or a major swap participant, or (d) both counterparties are neither a swap dealer nor a major swap participants nor a financial entity as defined by Section 2(h)(7)(C) of the CEA, then Javelin SEF shall determine the reporting counterparty based upon the tiebreaker logic procedures described in the ISDA Dodd Frank Act-Swap Transaction Reporting Party Requirement Protocol.

#### **Rule 514. Agency Trading**

An Agent may enter orders, initiate RFQ inquiries or trade on Javelin SEF on behalf of a Principal pursuant to this Rule 514 and subject to applicable law.

1. Authorization. Each Agent shall have the prior authorization to act on behalf of a Principal and keep a record of such authorization. In addition, it is the Agent's responsibility to confirm that the person providing trading instruction on behalf of a Principal is authorized to do so. Each Agent that pursuant to a power of attorney, or otherwise, directly or indirectly is granted control of trading for a market participant, must promptly disclose such discretionary trading relationship(s) in writing to Javelin SEF.
2. Choice of Trading Method. Each Agent shall give the Principal the choice to trade in either the CLOB or the RFQ.

#### **Rule 521. Trade Execution on Javelin SEF via Voice Trading**

Participants may execute Trades on Javelin SEF by voice trading. Voice trading on Javelin SEF is a Trading Facility, as defined by section 1a(51) of the CEA, that enables multiple Participants to make bids and/or offers into Javelin SEF that are open to multiple Participants through the use of the telephone, instant message and electronic mail that are acceptable to Javelin SEF or through system functionality provided by Javelin SEF. Voice trading is facilitated by Authorized Employees who communicate to Participants engaged in voice trading the existence of bids and/or offers to multiple Participants and assists in the order execution of voice Trades. Voice trading is accomplished as follows.

1. Participants may submit orders to an Authorized Employee. All orders communicated to Authorized Employees shall be considered to be firm at the time first communicated to the Authorized Employee and subsequently may be indicative. An Authorized Employee, in his or her discretion, may communicate with Participants to determine trading interest.

2. Promptly upon receipt of an order the Authorized Employee shall communicate, on an anonymous basis, such order by posting an alert on the Javelin SEF system which shall be visible to all market participants.
3. Participants may cancel orders at any time prior to trade execution by communicating such cancellation to an Authorized Employee, and such cancellation shall become effective upon the Authorized Employee's receipt of such cancellation. Order modification is not permitted. Instead, a customer may cancel an existing order and enter a new order.
4. Participants can determine if orders are firm or indicative by communicating with an Authorized Employee. Orders shall be matched by Authorized Employees on a price time priority (the order closest in price that is first in time is given priority).
5. The Authorized Employee shall promptly inform Participants when they are matched in a voice trade and Javelin SEF will process the Trade, as directed by the counterparties, through either Javelin's systems or by entering the Trade into MarkitWire
6. If the counterparties elect to process a Trade through MarkitWire, then such Trade, as determined by the counterparties, may be subject to affirmation.

**Rule 522. Trade Execution on Javelin SEF via Voice Hybrid Electronic Trading**

Participants may execute Trades on Javelin SEF by a hybrid of voice and electronic trading as follows.

1. Participants may submit orders to Authorized Employees and direct that such orders be submitted for execution via Javelin SEF's central limit order book or request for quote system. All orders communicated to Authorized Employees shall be considered to be firm at the time first communicated to the Authorized Employee. An Authorized Employee, in his or her discretion, may communicate with Participants to determine trading interest.
2. All orders that a Participant directs an Authorized Employee to enter into the central limit order book shall be promptly entered into the central limit order book pursuant to Javelin SEF Rule 505, and all resting orders will be supported as provided in Rule 505. All orders that a Participant directs an Authorized Employee to enter into the request for quote system shall be promptly entered into the request for quote system pursuant to Javelin SEF Rule 506.
3. Participants must communicate the following information to the Authorized Employee when submitting a voice hybrid electronic order for execution via Javelin SEF's electronic central limit order book or request for quote system:
  - a. the name of Participant or the Sponsored Person, if applicable;
  - b. the name of the Authorized Trader on behalf of Participant or Sponsored Person, if applicable;
  - c. product name;
  - d. price;
  - e. quantity;
  - f. clearinghouse;
  - g. customer name, if applicable; and

- h. account number.
- 4. Participants may cancel or modify resting orders at any time prior to trade execution by communicating such cancellation or modification to an Authorized Employee and such cancellation or modification shall become effective upon the Authorized Employee's entry of the cancellation or modification of the order into the central limit order book or request for quote system, as applicable.
- 5. The Authorized Employee shall promptly inform Participants when their order is executed.

#### **Rule 702. Inquiries and Investigations**

Javelin SEF's Compliance Department will monitor compliance with the Javelin SEF Rules and will commence an investigation upon the discovery or receipt of information indicating that a reasonable basis exists to believe that a rule violation is about to occur or has occurred, and recommend the commencement of Summary Proceedings and/or Disciplinary Proceedings as it deems appropriate. In addition to discovery or receipt of information that is an indication of a possible rule violation, Javelin SEF will commence an investigation upon the request of a regulator or law enforcement agency.

#### **Rule 706. Rule Violations**

The following conduct and abusive trading practices by Javelin SEF's Participants and market participants (for the purposes of this Rule 706 collectively "Participant") shall be a violation of Javelin SEF Rules and will result in the commencement of a Disciplinary Proceeding and/or Summary Proceeding.

1. Aiding and Abetting. Participants are prohibited from aiding and abetting any Person that is alleged to have violated, or about to violate, any Javelin SEF Rule or any provision of applicable law for which Javelin SEF has jurisdiction.
2. Conduct Detrimental to Javelin SEF. Participants are prohibited from engaging in conduct that is detrimental to the welfare of Javelin SEF. Orders or RFQs entered into Javelin SEF for the purpose of upsetting the equilibrium of the market in any Product without the intent to reflect fair market values or creating a condition in which prices do not or will not reflect fair market values are prohibited, and any Participant or other person with Trading Privileges on Javelin SEF who makes or assists in entering any such order or RFQ with knowledge of the purpose thereof or who, with such knowledge, in any way assists in carrying out any plan or scheme for the entering of any such order or RFQ, will be deemed to have engaged in conduct detrimental to the welfare of Javelin SEF.
3. Disclosing of Customer Orders. Participants are prohibited from disclosing Customer orders to third-parties unrelated to the Customer order.
4. Disruptive Trading Practices. Participants are prohibited from engaging in any trading, practice or conduct that is disruptive of fair and equitable trading, in violation of the CEA, which includes without limitation (i) violating a bid or offer, (ii) intentional or reckless disregard for orderly

execution of Trades during the closing period, or (iii) bidding or offering with the intent to cancel the bid or offer before execution (i.e.; “spoofing”).

5. Fictitious Trades. Participants are prohibited from engaging in fictitious Trades.
6. Fraud. Participants are prohibited from engaging in any fraudulent act or any scheme to defraud, mislead, or deceive in any activity related to their participation on Javelin SEF.
7. Market Manipulation. Participants are prohibited from directly or indirectly manipulating or attempting to manipulate the price of any Product.
8. Material Misstatements. No Participant shall knowingly make any material misstatement of fact to Javelin SEF including, without limitation, any member of Javelin SEF staff or a Javelin SEF Committee.
9. Non-Competitive Trades and Accommodation Trades. Except as otherwise provided by Javelin SEF Rules, Participants are prohibited from engaging in non-competitive trades and accommodation trades.
10. Prohibition on Handling Customer Orders. Participants are prohibited from knowingly taking the opposite side of a Customer order for their own account, or an account in which they have a direct or indirect financial interest, or account over which they have discretionary trading authority. The prohibition against Customer orders shall not apply where the Customer order has been entered into the Javelin SEF Trading System immediately upon receipt and has been exposed to the market, as required by CFTC Regulations, prior to a Participant taking the opposite side of the customer order.
11. Trading Ahead of a Customer Order. Participants are prohibited from executing a trade on their own account while holding an executable Customer order for the same Product, which could be executed at the same or better price.
12. Violation of Applicable Law. Participants are prohibited from engaging in activity on Javelin SEF that violates applicable law.
13. Wash Trades. Participants are prohibited from engaging in wash trades.
14. Withholding Customer Orders. Participants are prohibited from withholding Customer orders from the market for the benefit of any Person other than the Customer.
15. Violation of Javelin SEF Rules. Participants are prohibited from violating the Javelin SEF Rules.
16. Money passing. No Participant may enter an order with another party for the purpose of entering a Trade with another party that does not result in a net change in either party’s open positions, but instead results in a profit to one party and a loss to the other party.
17. Strobing. No Participant may engage in high-frequency trading strategy that rapidly sends and cancels the same order many times to create the (false) appearance of liquidity.
18. Improper Cross-Trades. No Participant may enter cross-trades in violation of Javelin SEF Rule 523.
19. Laddering. No Participant shall use any high frequency trading strategy that seeks to intercept trading that would otherwise take place and extract profits from the system without participating in the transference of risk.
20. Front Running. Participants shall not engage in front running.



21. Pre-Arranged Trading. Except for the execution of block trades, as provided by Part 43 of the CFTC Regulations or as otherwise permitted by law, Participants are prohibited from engaging in pre-arranged trading.

#### **Rule 716. Investigative Reports**

1. Investigation. The Compliance Department shall maintain a log of all inquiries, investigations and their disposition. At the conclusion of each investigation the Compliance Department will prepare a written report of such investigation ("Investigative Report"). The Investigative Report will provide the following information: (i) whether there is reasonable cause to believe that a rule violation is about to occur or has occurred, (ii) a description of the facts supporting the Compliance Department's determination, (iii) the Respondent's disciplinary history, and (iv) the recommendations of the Compliance Department regarding whether disciplinary action should be pursued. All investigations will be completed in a timely manner.
2. Review of Investigative Reports by Chief Compliance Officer. All Investigative Reports will be reviewed by the Chief Compliance Officer to determine whether there is reasonable cause to believe that a rule violation is about to occur or has occurred. At the conclusion of such review if the Chief Compliance Officer determines that additional evidence or investigation is needed to determine whether a reasonable basis exists to believe that a rule violation is about to occur or has occurred, the Chief Compliance Officer may direct the Compliance Department to conduct such further investigation.
3. Recommendations of the Compliance Department. At the conclusion of its investigation the Compliance Department may make any of the following recommendations, which will be included in the Investigative Report:
  - a. that the investigation be closed without any further action;
  - b. that a staff Warning Letter be issued in lieu of recommending action by a Review Panel;
  - c. that the matter be submitted to a Review Panel with a recommended settlement prior to preparation of a complaint; or
  - d. that the matter be submitted to a Review Panel with a recommendation that a Complaint be issued.

#### **Rule 721. Hearing Procedures**

1. Hearing Panel Procedures. After the Complaint is served on the Respondent, the proceeding will be referred to the Hearing Panel. The Hearing Panel will have the authority to review and consider (i) any settlement offers made by the Respondent and (ii) any evidence presented at a hearing.
2. Hearing Procedures. Hearings shall be fair and shall be promptly convened after reasonable notice to the respondent. The following procedures will apply during a hearing.
  - a. The entire Hearing Panel shall be present during the hearing. The Chairperson of the Hearing Panel may adjourn, continue, or otherwise conduct the hearing.

- b. The Compliance Department will represent Javelin SEF at the hearing and may present evidence in support of its case.
- c. The Compliance Department shall have the burden of proof and shall prove alleged rule violations by a preponderance of the evidence.
- d. The Respondent may present evidence in support of his or her defense. If the Respondent fails to appear, the hearing may proceed without the Respondent.
- e. Each party will have the right to call and cross-examine witnesses.
- f. The formal rules of evidence do not apply. The Chairperson of the Disciplinary Panel will make all evidentiary and procedural determinations, including, without limitation, the admissibility and relevance of evidence. Javelin SEF staff may provide guidance to the Chairperson of the Disciplinary Panel conducting the hearing.
- g. After the conclusion of the hearing the Hearing Panel will issue a written decision, which it shall provide to all parties.
- h. The Hearing proceedings will be recorded in a format that can be transcribed.
- i. A summary record of the Hearing will be retained unless transcription of the Hearing proceedings is required pursuant to Rule 724 or CFTC Regulation 37.206(c)(2)(i)-(iii).

#### **Rule 722. Decision of the Hearing Panel**

As soon as reasonably practicable after the hearing, the Hearing Panel will issue a written decision and order rendering its determination based upon the weight of the evidence contained in the record of the hearing, and will serve a copy on the Compliance Department and the Respondent. A decision of the majority of the Hearing Panel shall constitute the decision of the Hearing Panel. The Hearing Panel's decision and order shall contain the following (i) a summary of the allegations contained in the Complaint; (ii) a summary of the Answer, including any affirmative defenses asserted; (iii) a brief summary of the documents, information, testimony and/or other tangible evidence admitted into evidence at the hearing; (iv) the Hearing Panel's findings and conclusions concerning each of the allegations charged in the Complaint, including each Javelin SEF Rule and provision of law the Respondent is found to have violated and a complete explanation of the evidentiary and other basis for Javelin's findings and conclusions with respect to each charge.; (v) the sanctions imposed, if any, and the effective date of each sanction; and (vi) notice of the Respondent's right to appeal. No later than 30 days after the date of the Hearing Panel's decision Javelin SEF shall cause the decision to be delivered to the Respondent, at their last known address, by: (i) hand delivery; (ii) deposit in the United States mail, postage paid, via registered mail or certified mail return receipt requested; (iii) deposit in nationally recognized overnight mail carrier; or (iv) sending of such documents by electronic mail with a confirmation copy promptly sent by United States mail. Unless a timely notice of appeal is filed pursuant to Javelin SEF Rules, the decision and order of the Hearing Panel will become a Final Decision.

#### **Rule 723. Offers of Settlement**

1. A Respondent may propose an offer of settlement at any time during the disciplinary process.

2. All offers of settlement shall be in writing, signed by the Respondent and contain proposed findings and sanctions agreed upon by the Respondent and the Compliance Department. A Respondent may offer to settle a Disciplinary Proceeding without admitting or denying the findings contained in the Complaint, but must consent to the jurisdiction of Javelin SEF to impose sanctions on Respondent in connection with the Disciplinary Proceeding.
3. Respondent shall serve a copy of the offer of settlement on the Compliance Department and the Chairperson of the Review Panel or Hearing Panel, as applicable.
4. The Review Panel or Hearing Panel, as applicable, will review offers of settlement to determine if proposed settlement terms are in accord with Rule 728 (Sanctions), and may accept or reject the offer of settlement, but may not modify the terms of the offer without the Respondent's consent. In making its determination the Review Panel or Hearing Panel may provide the Compliance Department and the Respondent the reasons why the offer of settlement has been accepted or rejected.
5. All offers of settlement that have been accepted by the Review Panel or Hearing Panel shall be submitted to the Board for approval. If the offer of settlement is accepted by the Board it shall be a Final Action and shall be deemed to constitute a waiver of Respondent's right to hearing. The Compliance Department and Respondent shall receive prompt notice of the Board's determination to accept or reject the offer of settlement.
6. A Respondent may withdraw an offer of settlement any time prior to acceptance of such offer of settlement by the Board.
7. If the offer of settlement is not accepted by the Hearing Panel, Review Panel, or Board, as applicable, then the Disciplinary Proceeding shall continue as if the offer of settlement had not been made. All documents relating to such offer of settlement shall not become part of the record in such Disciplinary Proceeding. Neither the Compliance Department, nor the Respondent shall use an unaccepted offer of settlement for any purpose during any stage in the Disciplinary Proceeding, including, without limitation, as an admission of wrongdoing.

**Rule 725. Decision of the Appeal Panel**

As promptly as reasonably possible after the conclusion of oral argument, the Appeal Panel will issue a written decision, based upon the weight of the evidence before the Appeal Panel. The decision of the Appeal Panel will include a statement of the findings of fact and conclusion for each of the findings and sanctions made by the Hearing Panel. In its decision the Appeal Panel may affirm, modify or reverse, in whole or in part, the decision and order of the Hearing Panel, including the increasing, decreasing or elimination of sanctions or remedies imposed by the Hearing Panel. The Appeals Panel shall not set aside, modify or amend the Hearing Panel's decision unless it determines by majority vote that the Hearing Panel's decision was:

1. arbitrary, capricious, or an abuse of the Hearing Panel's discretion;
2. beyond the authority or jurisdiction of the Hearing Panel; or

3. based upon a clearly erroneous application or interpretation of CFTC Regulations or Javelin SEF Rules.

If the standards for setting aside, modifying or amending the Hearing Panel's decision and order have not been met, and a majority of the Appeal Panel believes that the Hearing Panel's decision and order resulted from a specific error, impropriety, or deficiency in the hearing it may order, by majority vote, that a new hearing be held. In the event that the Appeal Panel determines that a new hearing be held, the Appeals Panel shall provide a copy of the Appeal Panel's decision to the Chairperson of the Regulatory Oversight Committee. No later than 30 days after the receipt of the Appeal Panel's decision, the Regulatory Oversight Committee shall appoint a new Hearing Panel and serve the Compliance Department and the Respondent with notice of such panel appointment.

No later than 30 days after the date of the Appeal Panel's decision Javelin SEF shall cause the decision to be delivered to the Respondent, at their last known address, by: (i) hand delivery; (ii) deposit in the United States mail, postage paid, via registered mail or certified mail return receipt requested; (iii) deposit in nationally recognized overnight mail carrier; or (iv) sending of such documents by electronic mail with a confirmation copy promptly sent by United States mail. The decision of the Appeal Panel shall be the Final Action of Javelin SEF and will not be subject to further appeal within Javelin SEF and shall include a statement informing the Respondent of their right to appeal to the CFTC.

#### **Rule 728. Sanctions**

1. Disciplinary Committees are authorized to impose the following sanctions upon a finding of a rule violation or pursuant to an offer of settlement:
  - a. a warning letter, as provided below;
  - b. a condition or limit Trading Privileges;
  - c. suspension or in lieu of a suspension, with the Respondent's consent, a fine as described in section 2 below;
  - d. restitution in accordance with 728(6);
  - e. expulsion; or
  - f. any combination of sanctions.
2. As an alternative to suspension a Respondent may choose to pay a fine to Javelin SEF, provided that the Disciplinary Committee that imposed such suspension consents to the imposition and amount of the fine. Javelin SEF may impose a fine in an amount not less than \$1,000 and up to \$100,000 for each disciplinary offense. Failure to pay an agreed fine within 30 days of the date from which the fine is due shall result in suspension and/or further disciplinary action.
3. The following restriction shall apply to the issuance of warning letters. No more than one warning letter, in lieu of stronger disciplinary action, shall be issued to a Respondent for the same rule violation during a rolling 12 month period.
4. The Regulatory Oversight Committee is authorized to impose the following sanctions in connection with a Summary Proceeding:
  - a. condition or limit Trading Privileges;
  - b. suspension of Trading Privileges;

- c. expulsion; or
  - d. any combination of sanctions.
5. Javelin SEF may impose summary fines in an amount not less than \$1,000 and up to \$5,000 per offense. Failure to pay a fine within 30 days of date from which the fine is due shall result in the accrual of interest on the fine at the prime rate. Failure to pay a fine within 60 days from the date that the fine was imposed may result in suspension and/or disciplinary action.
  6. In the event of demonstrated customer harm, disciplinary sanctions will include full customer restitution, except where the amount of restitution or to whom it should be provided cannot be reasonably determined. .
  7. Sanctions imposed will take into account the Respondent's disciplinary history, shall be commensurate with the violation(s) committed and clearly sufficient to deter recidivism or similar violations.

**Rule 730. Notice of Final Action**

Contemporaneously with the delivery of a final action including, without limitation, a written decision of the Hearing Panel, offer of settlement accepted by the Board, a decision of the Appeal Panel, or access denial action Javelin SEF will send, pursuant to CFTC Regulation 9.11, a copy of such final action to the CFTC.

**Rule 910. Prohibited Use of Data Collected for Regulatory Purposes**

Javelin SEF shall not use for business or marketing purposes any proprietary data or personal information it collects or receives, from or on behalf of any person, for the purpose of fulfilling its regulatory obligations. Notwithstanding the foregoing, Javelin SEF may use such data or information for business or marketing purposes if the Person from whom it collects or receives such data or information clearly consents in writing to Javelin SEF's use of such data or information in such manner. Javelin SEF shall not condition access to Javelin SEF's market(s) or market services upon a Person's consent to Javelin SEF's use of proprietary data or personal information for business or marketing purposes. Where necessary for regulatory purposes, Javelin SEF may share such data or information with one or more SEFs or DCMs registered with the CFTC.