

March 29, 2016

**DELIVERED ELECTRONICALLY**

Ontario Securities Commission  
20 Queen Street West, 22nd Floor  
Toronto, ON M5H 3S8

**Attention:** Secretary of the Commission

Dear Sirs and Mesdames:

**DW SEF LLC — Application for Exemption**

DW SEF LLC (the “Applicant” or “DW SEF”) is currently carrying on business as a recognized swap execution facility (“SEF”) in Ontario pursuant to an interim order under section 147 of the *Securities Act* (Ontario) (the “OSA”) dated May 8, 2015 exempting DW SEF from the requirement to be recognized as an exchange under subsection 21(1) of the OSA (the “Interim Order”).

DW SEF hereby applies to the Ontario Securities Commission (the “OSC” or the “Commission”) for an order under section 147 of the OSA exempting DW SEF from the requirement to be recognized as an exchange under section 21 of the OSA (the “Exemption Order” or the “Subsequent Order”).

The OSA and all regulations, rules, policies and notices of the OSC made thereunder are collectively referred to herein as the “Legislation”.

**Exemption Criteria**

OSC Staff has prescribed criteria that it will apply when considering applications by foreign-based stock exchanges for exemption from registration and recognition. These criteria are set out in a document entitled “Criteria for Exemption of a Foreign Exchange Trading OTC Derivatives from Recognition as an Exchange”, attached as Appendix A to the draft order. For convenience, this Application is divided into the following Parts:

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3. Regulation of Products
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#### **Part I — Background**

The Applicant is a limited liability company organized in the State of Delaware and permanently registered as a SEF with the U.S. Commodity Futures Trading Commission (the "CFTC"). In addition to being registered as a SEF in the United States, DW SEF is regulated by the OSC pursuant to the Interim Order.

DW SEF is wholly-owned by Tradeweb Global LLC, a Delaware limited liability company, 99.9% of which is owned by Tradeweb Markets LLC ("Tradeweb Markets"). The owner of the remaining 0.1% of Tradeweb Global is Tradeweb Global Holding LLC, which is also wholly-owned by Tradeweb Markets. Thomson Reuters Corporation has a majority ownership interest in Tradeweb Markets. Certain banks and broker-dealers, in aggregate, have a minority interest in Tradeweb Markets.

Since 1998, Tradeweb Markets has built a global web-based electronic network of thousands of banks, asset managers, pension funds and insurance companies to buy and sell government bonds and other fixed income and derivative instruments in 22 markets across seven currencies in more than 50 countries.

Like DW SEF, TW SEF LLC ("TW SEF") is also a wholly-owned, indirect subsidiary of Tradeweb Markets LLC. DW SEF and TW SEF both have a board of directors that are composed of the same directors. DW SEF and TW SEF both have a senior management team that is composed of the same officers, including the Chief Executive Officer and Chief Compliance Officer. DW SEF and TW SEF both use the services of certain employees of Tradeweb Markets LLC to carry out the day-to-day operations of DW SEF and TW SEF. DW SEF and TW SEF have separate agreements with the National Futures Association ("NFA") for regulatory services, separate front-office staff (other than senior management), and a very different business model. The technology that supports the DW SEF trading platform is wholly separate from the technology that supports the TW SEF trading platform.

With the passage of the *Dodd-Frank Wall Street Reform and Consumer Protection Act* of 2010 (the "Dodd-Frank Act"), and the implementation of the regulations thereunder, many aspects of the over-the-counter ("OTC") swaps market are being regulated for the first time. Particularly, the U.S. *Commodity Exchange Act* (the "CEA"), as modified by Title VII of the Dodd-Frank Act, established a new category of derivatives organized markets: the trading systems or platforms which allow many Participants (as defined below) to enter into and trade swaps by responding to sale or purchase offers which are listed thereon or which facilitate such transactions. Accordingly, as part of this structural change in the derivatives marketplace, Tradeweb Markets established DW SEF to provide a CFTC-regulated trading platform for the trading of swaps in wholesale size. DW SEF offers an anonymous central limit order book, as well as a voice-assisted request-for-quote market for interest rate swaps.

The Applicant offers a platform for trading interest rate swaps. DW SEF connects to the Chicago Mercantile Exchange (the "CME") and LCH.Clearnet Limited ("LCH"), each of which is registered with the

CFTC as a Derivatives Clearing Organization ("DCO"), to clear transactions executed on DW SEF's platform.

The Applicant offers two separate trading protocols to its Participants:

1. Order Book:

The Applicant offers an electronic trading facility to its Participants to trade swaps using a central limit order book ("Order Book") that meets the minimum trading functionality requirement in CFTC Regulation §37.3(a)(2) by providing an electronic trading facility, as defined in Section 1a(16) of the Commodity Exchange Act.

The Applicant provides an Order Book that includes an electronic network that matches orders in the facility. Participants in the Order Book have the ability to enter orders in an electronic form only via electronic access to the platform. Subject to DW SEF's Rules, (i) all orders are displayed immediately on the Order Book and (ii) all Participants have the ability to view and transact on all orders. DW SEF does not provide for the posting or displaying of indicative bids and offers. Orders are added to the Order Book by listed instrument and, where relevant, per DCO in price/time priority.

Subject to DW SEF's Rules, all orders are matched with each other and executed electronically through the SEF in accordance with an algorithm that gives first priority to orders at the best price and a time priority among orders entered at the same price. Subject to Participant size limits and preferences on order entry (as more fully described below), when the best bid price matches the best offer price in the same swap clearable at the same DCO, a trade occurs.

All listed instruments displayed on DW SEF that clear at the same DCO match continuously. Trades occur whenever bids match offers. DW SEF's price matching system seeks to match incoming orders with resting orders automatically. All new orders browse the contra queue for an order, or orders, with an equivalent trade level (e.g., price, rate, spread, yield). If such an order is found, the new order matches with the contra order.

Additionally, DW SEF permits Participants to impose the following conditions on order entry preferences:

- (i) *OCO (One Cancels the Other or Order Cancels Order)*. An "OCO" order involves the entry of two separate orders where the Participant intends that either one or the other be filled, but not both. If one order is filled, the other is automatically cancelled.
- (ii) *Rest or Kill (RoK)*. A "Rest or Kill" order must match with a contra order immediately upon entry to be executed. If not immediately matched, that order will be cancelled.
- (iii) *(Only) Best*. An "(Only) Best" order will remain in the Order Book only as long as it is alone at the best price, or matches the best price.
- (iv) *Leave*. Because DW SEF treats all orders as firm and actionable, every time a Participant submits a new order on one side of a listed swap, the default preference is for its previous order on that side of the listed swap to be replaced with the new order to ensure that the Participant is working only one order at a time on a given side of any listed swap. If, however, a Participant wants to leave multiple orders at different prices on one side of a listed swap, it may identify the orders as "Leave" orders.
- (v) *Hidden Size/Displayed Size*. A Participant's order in the Order Book can have a displayed size and a hidden size. All Participants' displayed sizes are matched and executed according to standard price/time priority. Once all displayed size is matched and executed at that best price, any hidden size is then displayed for matching and execution. However,

if in a particular trade all of a Participant's displayed size is consumed, preference will be given to other Participants' displayed orders (on the standard price/time priority) prior to any hidden order size.

On the DW SEF Order Book, Participants are also afforded an opportunity to "work-up" their trading. This protocol, also known generically as "join the trade," is a trading protocol that automatically opens after a bid is hit or an offer lifted on the Order Book. During the work-up period any interested Participant may transact additional volume at the same price established by the initial execution, as long as contra trading interest exists. The initial Participants to the trade have certain privileges in additional, follow-on trading in that instrument during work-up. Work-up thus provides Participants the option to submit orders of smaller size than perhaps desired, and then to increase the size during the work-up period.

## 2. Voice RFQ

DW SEF employs Execution Specialists. The term "Execution Specialist" means a Company employee with responsibilities that include providing assistance to Participants and trading customers in their (i) submission of block trades, package transactions and resubmitted cleared swaps, and (ii) issuance and response to voice RFQs for swaps. A voice RFQ is a method whereby a Participant or trading customer uses the voice functionality of DW SEF in order to transmit a request for quote to other Participants or trading customers (or the Execution Specialist of such Participants or trading customers) of DW SEF.

For required transactions, an Execution Specialist transmits the voice RFQ to at least three unaffiliated voice RFQ recipients (which transmission the Execution Specialist may initially make to other Execution Specialists acting for such different Participants or trading customers) for one-sided (bid or offer quote) or two-sided (both bid and offer) quotes for a particular swap for a specified notional amount. For purposes of a voice RFQ, "unaffiliated" means a voice RFQ recipient that is neither an affiliate of the Participant or trading customer on whose behalf the voice RFQ is requested nor an affiliate of another voice RFQ recipient of such voice RFQ. Upon receipt by the Execution Specialist of an actionable firm bid or offer in response to a voice RFQ from a voice RFQ recipient, the Execution Specialist communicates to the RFQ requester any firm bid or offer pertaining to the same swap resting on the Order Book together with such voice RFQ response, and provides the voice RFQ requester with the ability to execute against any such orders.

## Additional Information

DW SEF offers trading in interest rate swaps ("IRS") and swap packages in US dollars and Canadian dollars.

USD-denominated semi-bond fixed v. 3-month LIBOR outright swaps, as well as in the following packages:

- Outright swaps;
- Spreads vs. US Treasuries (a "US Spreadover")
- Outright swap vs. outright swap
- US Spreadover vs. US Spreadover; and
- Outright butterflies.

DW SEF offers USD-denominated Basis Swaps, including:

- Spot-dated and forward-dated 3-mo LIBOR vs. 1-mo LIBOR;
- Spot-dated and forward-dated 6-mo LIBOR vs. 3-mo LIBOR;
- Spot-dated and forward-dated Overnight Index Swaps; and
- Spot-dated and forward-dated Fed Funds vs. 3-mo LIBOR.

DW SEF also offers CAD-denominated semi-bond fixed vs. 3-month CDOR outright swaps, as well as in the following packages:

- Outright swaps;
- Spreads vs. Government of Canada benchmark bonds (a “Canada Spreadover”);
- Outright swap vs. outright swap;
- Canada Spreadover vs. Canada Spreadover; and
- Outright butterflies.

For USD-denominated and CAD-denominated interest rate swaps, all instruments are centrally cleared either at LCH or CME, both of which are CFTC-registered DCOs.

DW SEF also offers certain equity derivatives on the electronic Order Book. Specifically, (i) total (and price) return swaps on broad-based equity indices, and (ii) cash-settled equity index forwards are offered by DW SEF. Equity derivatives are not centrally-cleared; by definition, they are bilateral, non-cleared instruments. DW SEF does not support Voice Execution Specialists with regard to equity derivatives.

Furthermore, DW SEF allows access to Participants (as defined below), Authorized Users (as defined below) and Independent Software Vendors (“ISVs”). The term “Independent Software Vendor” or “ISV” is defined in DW SEF Rule 101 as “a Person that makes available to Participants or Trading Customers a system or platform offering smart order routing, front-end trading applications, an aggregator platform or a combination of the foregoing but that does not provide Participants or Trading Customers the ability to effect transactions on such system or platform.”

DW SEF has established a series of impartial and transparent criteria for potential Participants that DW SEF’s participation committee is responsible for implementing in a fair and non-discriminatory manner. DW SEF’s fee structure applicable to Participants provides for comparable fees to Participants receiving comparable access to and services from the SEF. Participants may designate Authorized Users to access the SEF in accordance with applicable Rules (as defined below).

To be eligible for access as an ISV, an applicant must satisfy the conditions set forth in Rule 303(e) and enter into an ISV Agreement with DW SEF. DW SEF Rule 303(e) provides that an ISV may access DW SEF if it satisfies DW SEF’s “technological integrity requirements and not adversely affect the Company’s ability to comply with the CEA and CFTC Regulations.” If an ISV meets the aforementioned requirements, then it is granted access to DW SEF. DW SEF must implement ISV access criteria, including applicable fees under the ISV Agreement, in a fair and non-discriminatory manner. DW SEF’s fee structure applicable to ISVs provides for comparable fees to ISVs receiving comparable access to and services from the SEF.

Currently, there are no ISVs connected to DW SEF.

DW SEF has jurisdiction over each Participant, Authorized User, clearing member, trading customer, person authorized to access the SEF (directly or through an ISV or introducing agent) or any other person accessing the SEF or entering any order and/or RFQ or response to an RFQ into the SEF or executing a block trade or re-submitted cleared swap pursuant to the Rules.

In the United States, market participants are required to trade certain interest rate swaps (“made available to trade swaps” or “MAT Swaps”) on SEFs registered with the CFTC. As an initial matter, such MAT Swaps are also required to clear at a DCO registered with the CFTC.

As stated above, DW SEF is a SEF registered with the CFTC and provides clearing services through two CFTC-registered DCOs: LCH and CME.

MAT Swaps are fungible between SEFs, meaning if a market participant enters into a MAT Swap on DW SEF, the market participant is not required to unwind or exit that MAT Swap on DW SEF; the market participant may use another SEF. However, the MAT Swap is not fungible among multiple DCOs, meaning the MAT Swap cannot clear at one DCO and then transfer to another. Market participants must access a SEF using their CFTC-registered futures commission merchant ("FCM") and have an account for MAT Swaps at such FCM. DW SEF provides connectivity to multiple FCMs. Market participants can access SEFs from locations in the U.S. and on a global basis depending on local regulatory requirements. The above generally describes the market structure of which DW SEF is a part.

As a SEF, DW SEF offers market participants a trading platform that permits Participants (as defined in DW SEF Rule 101, which includes swap dealers) and Trading Customers (as defined in DW SEF Rule 101, which includes customers of FCMs) to enter into and trade certain MAT Swaps and other swaps by responding to sale or purchase offers which are listed on the trading platform or block trade transactions facilitated via the trading platform. DW SEF offers an anonymous central limit order book, as well as a voice-assisted request-for-quote market for MAT Swaps. Trading Customers are customers of FCMs and not swap dealers. DW SEF has jurisdiction over Participants and Trading Customers per DW SEF Rule 301, which provides that, "any person initiating or executing a transaction on or subject to the rules of the SEF directly or through an intermediary, any person for whose benefit such a transaction is initiated or executed and any clearing member with respect to such a transaction" is subject to DW SEF's rules.

In terms of "order interaction," the voice-assisted request-for-quote functionality does not involve order interaction, instead as described in DW SEF Rule 404.B. (Voice RFQ), a Participant or Trading Customer contacts an Execution Specialist who transmits a Voice RFQ for MAT Swaps to at least three unaffiliated Voice RFQ recipients. Upon receipt by the Execution Specialist of an actionable firm bid or offer (or non-firm bid or offer) in response to a Voice RFQ from a Voice RFQ recipient, the Execution Specialist communicates to the Participant or Trading Customer any bid or offer pertaining to the same Swap resting on the central limit order book ("**CLOB**") (discussed below) together with such Voice RFQ response, and provides the Voice RFQ requester with the ability to execute against any such Orders.

In terms of "order interaction" on the CLOB, as described in DW SEF Rule 404.A.(d) (Order Books (Minimum Functionalities)), matching bids and offers entered into the CLOB match continuously in price then time priority. A matched trade in the CLOB also triggers a Work-Up Session, as defined in DW SEF Rule 404.A.(d)(i). A Work-Up Session is intended to promote Order Book liquidity by affording certain execution priorities to the Work-Up Session initiators and, secondarily, to traders whose Orders are executed in whole or in part during a Work-Up Session.

DW SEF would like to carry on business in Ontario pursuant to the Subsequent Order. The Applicant wishes to be able to provide access to its trading platform to various banks, swap dealers and investment banks based in Ontario.

## **Part II — Application of Exemption Criteria to DW SEF**

### **1. REGULATION OF THE EXCHANGE**

#### **1.1 Regulation of the Exchange**

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

DW SEF is regulated by the CFTC and has obtained permanent registration with the CFTC to operate a SEF. DW SEF is obliged under CFTC rules to have requirements governing the conduct of its participants, to monitor compliance with those requirements and to discipline participants.

## 1.2 Authority of the Foreign Regulator

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

The CFTC's oversight of DW SEF as well as the sophisticated information systems, regulations and compliance functions that have been adopted by the Applicant ensure users are adequately protected in accordance with international standards.

Per the CFTC's "Core Principles and Other Requirements for Swap Execution Facilities" (available at <http://www.cftc.gov/idc/groups/public/@newsroom/documents/file/federalregister051613b.pdf>) (the "Core Principles"), the Applicant is required to comply with the Core Principles and all applicable CFTC regulations. As part of the CFTC's routine SEF registration review process, DW SEF underwent a comprehensive review of its SEF application for permanent registration, including detailed questions regarding the Rules (as defined below), compliance, and operations. During this registration review process, the Applicant had one or more on-site compliance inspections by the CFTC. On January 22, 2016, the CFTC granted permanent registration to DW SEF, however the CFTC will continue to oversee DW SEF's compliance with its Core Principles through Rule Enforcement Review, as discussed below.

The Core Principles also require that the SEF provide information to the CFTC to demonstrate its compliance with the CFTC's rules. Upon receipt of a request from CFTC Staff, DW SEF's Compliance Department commence an inquiry or investigation. The CFTC routinely performs inspections of trading facilities through what is termed a "Rule Enforcement Review" ("RER"). DW SEF anticipates that, as a routine matter, it will be subject to a RER.

DW SEF is a self-regulatory organization ("SRO") and, as such, is obligated to discharge its duties under the CEA, which includes the power to investigate, bring regulatory actions, and penalize market participants that violate the rules of DW SEF. Pursuant to those requirements, Chapter 7 of the Rules sets forth DW SEF's discipline and enforcement procedures. Pursuant to a DW SEF enforcement action, DW SEF can fine and suspend a market participant from participation on DW SEF where there is a finding of a violation of the Rules, specifically where a market participant has violated customer protection (investor protection) provisions of the Rules.

Furthermore, the CFTC has investigative and enforcement powers over the Applicant. If the CFTC finds that DW SEF has violated the CEA or the CFTC regulations, the CFTC can bring an enforcement action to de-register DW SEF and/or seek civil monetary penalties for such violations.

## 2. GOVERNANCE

### 2.1 Governance

**The governance structure and governance arrangements of the exchange ensure:**

- a. **effective oversight of the exchange,**
- b. **that business and regulatory decisions are in keeping with its public interest mandate,**

DW SEF's compliance with CFTC regulations ensures that its business and regulatory decisions are in keeping with its public interest mandate. DW SEF maintains fair, vigorous and effective regulation.

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

- (I) **appropriate representation of independent directors, and**
- (II) **a proper balance among the interests of the different persons or companies using the services and facilities of the exchange,**

The CFTC has proposed rules that would require SEFs to have a certain percentage of directors that qualify as "Public Directors." The proposed definition of a Public Director is intended to ensure that such directors are independent from the SEF and its members. The CFTC has not yet finalized this requirement. The criteria for a person to be considered to be a Director or committee member are set forth in Chapter 2 of the Rules (as defined below).

DW SEF is headed by a board of managers (the "Board") who manage the Applicant in accordance with the LLC Agreement. The compensation of non-executive members of the Board is not linked to the business performance of the Applicant.

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

Rule 214 outlines the Applicant's conflict of interest policy which identifies and provides a framework for the management of conflicts of interest.

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

DW SEF has adopted and impartially enforces a comprehensive set of rules for the operation and conduct of the exchange (collectively, the "Rules", and each a "Rule"), which are available online at <http://www.tradeweb.com/uploadedFiles/Exhibit%20M-1%20DW%20SEF%20Rulebook.pdf>. The Rules, in conjunction with the DW SEF LLC Agreement (the "LLC" Agreement), U.S. regulatory requirements and Delaware law govern the DW SEF. The Rules and LLC Agreement are available on the CFTC website ([www.cftc.gov](http://www.cftc.gov)).

DW SEF is headed by a board of managers (the "Board") who manage the Applicant in accordance with the LLC Agreement.

DW SEF's Board is composed of four Directors, Lee H. Olesky, William E. Hult, Scott D. Zucker and John Cahalane. Messrs Olesky, Hult and Zucker also serve as officers of the Applicant.

The LLC Agreement and Rules, in conjunction with the applicable laws of the State of Delaware establish the responsibilities of the Board and its officers. In general, the day-to-day management activities are the responsibility of the officers of the Applicant, who are directly accountable to the Board and appointed by the Board.

The Board is able to provide effective governance through its Chief Executive Officer ("CEO"), President and senior management. Pursuant to section 3.2 of the LLC Agreement, the Board exercises control and management of the business of the Applicant, with all required powers. The Board may, and has, delegated authority to the officers of the Applicant pursuant to the LLC Agreement.

Board meetings must take place no less than quarterly. A majority of members must be present to constitute a quorum, and the vote of a majority of members present at a meeting at which a quorum is present shall be the act of the Board. Between meetings, the Board may authorize actions by way of written consent, provided all members of the Board sign the consent and agree on the action to be taken.



The Board includes no fewer than the minimum number or percentage of public directors required by CFTC regulations ("Public Directors"). The compensation of Public Directors and other non-executive members of the Board shall not be linked to the business performance of the Applicant. For an individual to be considered a Public Director, the individual must meet the qualifications of a Public Director specified by CFTC regulations, the CEA and other applicable laws in effect for the period of service; principally, such regulations define a Public Director as having no material relationship with a contract market. Currently, DW SEF does not have Public Directors.

The LLC Agreement provides that DW SEF will indemnify Board members, managers, officers and employees of the Applicant for damages arising out of the management or conduct of the business, unless such damages result from any violation of law, gross negligence or willful misconduct by the indemnified party.

Rule 214 provides rules for minimizing and resolving conflicts of interest. Under Rule 214, no member of the Board or any committee or panel member may knowingly participate in such body's deliberations or vote on any significant action if such member: (i) is a named party in interest; (ii) is an employer, employee or fellow employee of a named party in interest; (iii) has a family relationship with a named party in interest; or (iv) has any other significant, ongoing business relationship with a named party in interest. Rule 214 also establishes a process for resolving conflicts of interest and requires documentation of all conflicts.

Rule 213 limits the use and disclosure of material, non-public information gained in connection with a Board member's participation on the Board or any committee of the Board for any purpose other than the performance of his or her official duties as a member of the Board or such committee. In addition, the Applicant maintains policies regarding the use of data collected in connection with its regulatory obligations. The Applicant does not disseminate data to the public. However, the Applicant transmits data to the appropriate Swap Data Repository ("SDR") duly registered with the CFTC. Pursuant to the CEA and CFTC regulations, the SDR publicly disseminates certain data.

## 2.2 Fitness

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

Rule 210 outlines the eligibility requirements for serving as a board member, officer or member of a committee or panel. A person may not serve if:

- (i) he/she has been found within the past three years by a final decision of a self-regulatory organization, an administrative law judge, a court of competent jurisdiction or the CFTC to have committed a disciplinary offense;
- (ii) he/she has entered into a settlement agreement within the past three years in which any of the findings or, in absence of such findings, any of the acts charged, included a disciplinary offense;
- (iii) he/she has currently suspended from trading on any contract market, are suspended or expelled from membership with any self-regulatory organization, are serving any sentence of probation or owes any portion of a fine imposed pursuant to either (A) a finding by a final decision of a self-regulatory organization, an administrative law judge, a court of competent jurisdiction or the CFTC that such person committed a disciplinary offense, or (B) a settlement

agreement in which any of the findings or, in absence of such findings, any of the acts charged, included a disciplinary offense;

- (iv) he/she are currently subject to an agreement with the CFTC or any self-regulatory organization not to apply for registration with the CFTC or membership in such self-regulatory organization;
- (v) he/she are currently subject to or has had imposed on him within the past three years a CFTC registration revocation or suspension in any capacity for any reason, or has been convicted within the past three years of any of the felonies listed in section 8(a)(2)(D)(ii) through (v) of the CEA; or
- (vi) he/she are currently subject to a denial, suspension or disqualification from serving on a disciplinary committee, arbitration panel or governing board of any self-regulatory organization.

All employees of the Applicant are required to comply with the Tradeweb Employee Handbook (U.S.) (the "Handbook"), which includes the Tradeweb Markets Code of Conduct. Applicable to all officers, directors, members and employees of the Applicant, the purpose of the Handbook is to reaffirm the highest ethical standards of legal and ethical conduct in daily business practice. All employees are required to read the Handbook and acknowledge that they have received and read the Handbook and understand their obligations to comply.

The Applicant collects information to verify - at least annually - that Participants, Board members and members of disciplinary panels meet the applicable fitness standards. Those reports are submitted to the CCO and a report reflecting that information is provided to the CFTC.

### **3. REGULATION OF PRODUCTS**

#### **3.1 Review and Approval of Products**

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

The Applicant maintains certain procedures for listing new swaps for trading on the SEF. Management considers the following factors with respect to determining if a swap could be traded on the SEF:

- (a) whether there are ready and willing buyers and sellers for the swap;
- (b) the frequency or size of transactions;
- (c) the trading volume;
- (d) the number and types of participants;
- (e) the bid/ask spread;
- (f) the frequency or size of bilateral transactions in this or similar swaps;
- (g) the trading volume of bilateral transactions in this or similar swaps; or
- (h) the usual number of resting firm or indicative bids and offers.

After considering the factors above, DW SEF's management determine whether a swap could be traded on the SEF. The Applicant may elect to list a new swap without approval of the CFTC. This self-certification process requires the Applicant to submit swap information electronically to the CFTC the day preceding the swap's listing. The CFTC may request additional information to confirm the new swap meets CEA requirements and CFTC regulations.

As an alternative to self-certification, the Applicant can elect to request prior CFTC approval of a new swap before listing such swap for trading by submitting a request to the CFTC containing the following:

- (a) A properly completed cover sheet;
- (b) A copy of the new swap's rules, including all rules relating to the new swap's terms and conditions;
- (c) An explanation and analysis of the product and its compliance with applicable provisions of the CEA and CFTC regulations, including documentation relied upon to establish the basis for compliance with applicable law;
- (d) A description of any agreements or contracts with third parties to support trading of the swap on the Exchange;
- (e) The certifications required for product approval of a commodity that is a security future or a security futures product as defined in the CEA;
- (f) A request for confidential treatment, if applicable, that complies with CFTC regulations.
- (g) A check or money order payable to the CFTC;
- (h) A certification that DW SEF has posted a notice of pending product certification, and a copy of the submission, on the Applicant's public website; and
- (i) Any additional evidence requested by the CFTC staff.

The request is submitted electronically to the CFTC and is deemed approved 45 days after receipt unless it is rejected on the grounds that the terms and conditions of the swap violate the CEA or CFTC regulations.

With respect to the criteria for self-certification of a new swap and the circumstances in which DW SEF would request prior CFTC approval rather than self-certify, DW SEF would likely use the self-certification process. The CFTC stated publicly its intent to "stay" the submissions, whether submitted for approval or self-certified, which would make the submission subject to review regardless of process chosen for roughly equivalent time periods. The primary difference between the two processes is that the CFTC's stay of the self-certification subjects the submission to public comment for 30 days.

The management and product teams of DW SEF regularly receive input from its customers on the products to offer for trading outside of the MAT process. Therefore, DW SEF bases these decisions on market interest, as well as the commercial viability, potential profitability, and operational requirements of a new product.

To date, DW SEF has determined to offer non-MAT Swaps for trading. Specifically, DW SEF offers the trading of Canadian Dollar-Denominated Interest Rate Swaps ("CAD IRS"). As set forth in DW SEF Rule 403, DW SEF made the applicable filing as required by CEA and CFTC Regulations. CAD IRS transacted on DW SEF are cleared at LCH. In addition, DW SEF offers the trading of certain Broad-Market Equity Index Swaps. As set forth in DW SEF Rule 403, DW SEF made the applicable filing as

required by CEA and CFTC Regulations. The Broad-Market Equity Index Swaps are not cleared by a DCO.

### 3.2 Product Specifications

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

Chapter 6 of the Rules sets forth the Applicant's business conduct standards and specifically prohibits several forms of abusive trading practices. The abusive trading practices set forth in the Rules are those that DW SEF actively monitors through its surveillance program on a trading day plus one basis. These trading practices are used because they reflect the trade practices that the National Futures Association ("NFA") (DW SEF's Regulatory Services Provider ("RSP"), as discussed below), the CFTC, and CFTC-regulated entities have historically used and continue to use to monitor trading through their respective surveillance programs. In addition, the SEF Core Principles require that DW SEF, "establish and enforce trading, trade processing, and participation rules that will deter abuses and it shall have the capacity to detect, investigate, and enforce those rules". CFTC Regulation 37.203(a) specifies that DW SEF must:

prohibit customer-related abuses, including, but not limited to, trading ahead of customer orders, trading against customer orders, accommodation trading, and improper cross trading. Specific trading practices that shall be prohibited include front-running, wash trading, pre-arranged trading...fraudulent trading, money passes, and any other trading practices that a swap execution facility deems to be abusive. A swap execution facility shall also prohibit any other manipulative or disruptive trading practices prohibited by the Act or by the Commission pursuant to Commission regulation.

The Applicant conforms with the usual conventions, customs and practices as set forth by the International Swaps and Derivatives Association, as well as CFTC regulations, for trading swaps on DW SEF. Moreover, DW SEF ensures conformity with commercial customs and practices for trading by utilizing market standards for reference data and definitions.

### 3.3 Risks Associated with Trading Products

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

DW SEF permits trading only in swaps based on underlying markets such as those for currencies, interest rates and default indices that are large and highly liquid and thus are inherently unlikely candidates for manipulation.

The RSP, NFA, conducts product specific monitoring for all SEF products. The product specific monitoring procedures vary depending on whether the specific swap is physically delivered or cash-settled.

In respect of cash-settled swaps linked to a commodity index that are listed for trading on or pursuant to the SEF Rules, the RSP monitors the pricing of the index against which the swap will be settled.

The SEF does not list swaps that are physically delivered. If the SEF lists such a product in the future, the Applicant or RSP will monitor the swap's terms and conditions as they relate to the underlying market.

To achieve sufficient monitoring of cash-settled swaps linked to a price or index derived from prices of products listed for trading on another venue, DW SEF must have either Rules or agreements that allow DW SEF to have access to information on the activities of its Participants on such other venue(s).

Rule 408 states that to reduce the potential threat of market manipulation or congestion, the SEF shall adopt for each of the contracts listed on the platform, as is necessary and appropriate, position limitations or position accountability levels for speculators. DW SEF does not currently have position limits or position accountability levels set for any contract because it has determined that, at this time, setting position limits or accountability levels for contracts on DW SEF is not necessary and appropriate. This is due to the fact that the contracts do not have a deliverable supply. Instead, the contracts are cash settled and such settlement does not depend on the supply of physical commodities or related securities. Further, the contracts are not subject to minimum position limits under statute or CFTC regulations. The CFTC has not yet imposed any position limits or accountability levels for swaps. DW SEF will establish appropriate position limits and/or position accountability levels should the CFTC promulgate such limits related to the contracts.

Rule 409 provides for the adoption of position accountability levels for swaps that are not subject to a position limit pursuant to Section 4(a) of the CEA. DW SEF sets such levels prudently below the level at which position concentrations present a market integrity concern. Any position accountability rules established by the SEF must require traders to provide, upon request by the market regulation team (the "Market Regulation Team"), information about their positions in excess of the relevant position accountability threshold and to consent to halt any further increases in its positions.

The Core Principles require SEFs to adopt for each contract, as necessary and appropriate, position limits or position accountability levels for speculative positions at or below the CFTC-set limits. The CFTC has not set position limits and, therefore, DW SEF does not currently have position limits. In addition, DW SEF does not currently have positional accountability limits. DW SEF does not offer swaps that are physically settled.

#### **4. ACCESS**

##### **4.1 Fair Access**

- (a) The exchange has established appropriate written standards for access to its services including requirements to ensure**
  - (i) participants are appropriately registered as applicable under Ontario securities laws, or exempted from these requirements.**

DW SEF does not provide direct access to a participant in Ontario (an "Ontario User") unless the Ontario User represents that it is appropriately registered as an applicant under Ontario securities laws or is exempt from or not subject to those requirements, and qualifies as an eligible contract participant under Section 1a(18) of the CEA (an "ECP").

DW SEF requires Ontario Users to notify DW SEF if their registration under Ontario securities laws has been revoked, suspended, or amended by the OSC, or if they are no longer exempt from or become subject to those requirements. Following notice from the Ontario User and subject to applicable laws, DW SEF will promptly restrict the Ontario User's access to DW SEF if that user is no longer appropriately registered.

DW SEF makes available to Ontario Users appropriate training for each person who has access to trade on DW SEF.

DW SEF does not provide access to an Ontario User to trading in products other than swaps, as defined in section 1(a) of the CEA, without prior OSC approval.

**(ii) the competence, integrity and authority of systems users, and**

DW SEF maintains access requirements that are fair, transparent and reasonable. Entities are entitled to register with the Applicant in one of several categories, depending on their business operations and desired activities. Chapter 3 of the Rules provides clear and transparent access criteria and requirements for:

- a) persons granted trading privileges under the Rules and who may permit authorized users ("Participants");
- b) persons that make available to Participants a system or platform offering smart order routing, front-end trading applications, an aggregator platform or a combination of the foregoing ("Independent Software Vendors");
- c) any natural person who is an agent or employee of a Participant authorized by such Participant to access the SEF, and in the case of a liquidity providing participant that has authorized a computer or system to access the SEF via an application programming interface, the natural person such Participant has designated to be responsible for such computer or system's activity on the SEF ("Authorized Users"); and
- d) any Participant's Authorized Users.

**(iii) systems users are adequately supervised.**

Rule 303 provides that a person seeking to act as an Independent Software Vendor may not be a Participant and must satisfy DW SEF's technological integrity requirements and not adversely affect the Applicant's ability to comply with the CEA or CFTC regulations. Rule 305 provides clear and transparent criteria and requirements for Authorized Users who access the SEF.

Rule 303 sets forth the qualification standards for Participants, including that an applicant must represent that it qualifies as an ECP and must itself be a member of or have entered into an arrangement with a DCO or registered clearing agency to clear swaps that it executes on or pursuant to the Rules. Specific requirements pertaining to the relevant access categories are outlined below.

**(b) The access standards and the process for obtaining, limiting and denying access are fair, transparent and applied reasonably.**

Entities that wish to register with the Applicant are required to complete a written application/agreement which is standardized for each category. The application/agreement forms are designed to ensure that applicants are appropriately identified, are qualified to trade in their jurisdiction, have adequate financial resources, have a client relationship with a registered clearing participant, and have exhibited proper conduct in other capital markets activities. The Applicant reviews constating documentation and financial statements (if applicable to the category of registration), and confirms legal and regulatory compliance in the home jurisdiction (including any registration or licensing requirements for trading in derivatives for clients). Staff of the legal department review all written applications for participant status. In the event that an application was refused, or was granted under conditions, an applicant has a right of appeal to the pursuant to Chapter 7 of the Rules.

Under Rule 303, in order to be eligible for admission as a Participant and to maintain continued access to the SEF, the applicant must be in compliance with all recordkeeping requirements set forth in the Rules

as well as the applicable law. Pursuant to Rule 503, all Participants must maintain all records required by the CEA, CFTC or the Rules including all records of trading, activity in the underlying commodity and activity in related markets. All such books and records shall be made available for inspection by, and copies thereof shall be delivered to, the Applicant and its authorized representatives upon request.

An Authorized User is an employee of a Participant that is appointed by the Participant. Each Participant that is not a natural person is required to appoint an Authorized User. Participants may appoint additional Authorized Users, in which case the Participant must specify whether the Authorized User is entitled (i) to exercise Trading Privileges on behalf of the Participant subject to the terms and conditions of the Rules, or (ii) to access the SEF on "view only" basis.

Rule 305 requires non-natural person Participants to appoint at least one employee as an Authorized User, which is a status that is subject to limitation, suspension, or revocation provided it is acting in its reasonable discretion in an impartial, transparent, fair, and non-discriminatory manner. A Participant may revoke an Authorized User authorization or User ID by providing written notice of the revocation to DW SEF. DW SEF will then revoke and disable the person's access to the SEF. The Participant is obligated to ensure that the affected Authorized User cannot access the SEF and the affected person cannot use its User ID. DW SEF must promptly, and within one Business Day of receiving notice of such event, disallow the entry of Orders or RFQs, responses to RFQs, or submission of Block Trades, Package Transactions, Cross Trades or Resubmitted Cleared Swaps by such person. Rule 305 applies DW SEF's rules to Authorized Users and makes Participants responsible for actions of its Authorized Users. Participants are obligated to have procedures for day-to-day monitoring of its Authorized Users.

**(c) The exchange does not unreasonably prohibit, condition or limit access by a person or company to services offered by it.**

Rule 303 provides the Applicant's access criteria, which is applied in an impartial manner through the application process described in Rule 303 and the appeal process described in Rule 204. Failure of an applicant to demonstrate a capacity to comply with the requirements of the Rules or of applicable law may lead to a denial of the application under Rule 302(b). Applicants have the right to appeal a denial or conditional grant of their application under Rule 303(g). Other provisions in the Rules, including Rules 302, 305 and 307, describe the Applicant's authority to revoke, suspend or limit the access of a Participant or Authorized User.

Moreover, Participants may informally raise complaints with the CFTC in the event they have not been provided with proper access to DW SEF.

- (d) The exchange does not**
- a. permit unreasonable discrimination among participants, or**
  - b. impose any burden on competition that is not reasonably necessary and appropriate.**

DW SEF does not restrict access or impose burdens on access in a discriminatory manner within each category or class of Participants or between similarly situated categories or classes of Participants.

DW SEF's Rules and policies have been designed to avoid unreasonable restraints of trade or the imposition of any material anti-competitive burden on the SEF. The Applicant has not adopted any rule or taken any action with the intent or result of restraining trade. DW SEF does not require Participants to acquire an equity interest in the Applicant and access is available and granted to a broad number of Participants.

- (e) **The exchange keeps records of each grant and each denial or limitation of access, including reasons for granting, denying or limiting access.**

The Applicant keeps records of each grant and each denial or limitation of access, including reasons for granting, denying or limiting access.

## **5. REGULATION OF PARTICIPANTS ON THE EXCHANGE**

### **5.1 Regulation**

**The exchange has the authority, resources, capabilities, systems and processes to allow it to perform its regulation functions, whether directly or indirectly through a regulation services provider, including setting requirements governing the conduct of its participants, monitoring their conduct, and appropriately disciplining them for violations of exchange requirements.**

DW SEF is an SRO and has SRO obligations.

Rule 301 requires any Participants, Authorized Users and other Person accessing the SEF to abide by the Rules and consent to the Applicant's jurisdiction when entering orders or executing trades on or pursuant to the Rules of the SEF. Rule 302(b) provides DW SEF with the right to deny the trading privileges of any person (i) if such person is unable to demonstrate a capacity to adhere to all of the Rules and applicable law; or (ii) for other causes as the Applicant may reasonably decide. Rule 302(c) provides that DW SEF may suspend, condition or revoke the trading privileges of any person that fails to meet any of the qualification requirements for trading privileges, fails to meet any condition placed on such trading privileges, violates any agreement with the Applicant, or has summary action taken against it by DW SEF. Under Rule 718, the CCO may, if practicable, summarily suspend, revoke, limit, condition, restrict or qualify the trading privileges of a Participant or Authorized User. The hearing and appeals process described in Rule 718 ensure that any limitations on access are applied in a fair and impartial manner. Additional information on hearings is contained in Section 7 of this Application.

DW SEF's compliance resources ensure that it can conduct audit trail reviews, trade practice surveillance, market surveillance, real-time market monitoring and complete any inquiries or investigations in a timely manner. The Applicant's compliance staffing and resources include: the CCO, additional employees in the Market Regulation Team and the resources available through the RSP, NFA.

By way of a Regulatory Services Agreement ("RSA"), DW SEF has retained the NFA as a RSP.

NFA performs trade practice surveillance using automated systems and reviews trades on a routine basis for suspicious activity, including potential violations of the Rules (as defined below). NFA conducts market surveillance using automated systems to detect market manipulation, price distortions, and where possible, disruptions of the cash-settlement process. NFA's Market Regulation Department is primarily responsible for performing investigatory work relating to inquiries and investigations. NFA may also conduct an inquiry of DW SEF's members or authorized traders to obtain factual information regarding potential irregularities or exceptions. At DW SEF's request, NFA will perform inquiries, investigations, write reports of findings, and administer and litigate disciplinary proceedings. NFA meets with DW SEF's Chief Compliance Officer (the "CCO") on at least a monthly basis to discuss new inquiries and investigations and to provide an update on the status of inquiries and investigations. NFA prepares monthly exception reports, which it maintains, and are provided to DW SEF upon request. NFA also enforces DW SEF's audit trail and recordkeeping requirements through periodic review of all members subject to DW SEF's recordkeeping requirements. NFA receives and promptly reviews financial and related information from DW SEF's members for compliance with DW SEF's minimum financial standards.



DW SEF has established a comprehensive set of Rules and procedures to ensure the financial integrity of transactions entered into on the SEF. Chapter 10 of the Rules establishes the Applicant's requirements for clearing transactions. Where the CFTC has determined that the clearing requirement under applicable law applies to a certain type or class of swap, then DW SEF must submit all such swaps traded on or pursuant to the Rules of the SEF to a DCO, unless DW SEF ascertains that applicable law exempts one or both of the parties to the swap from such clearing requirement.

DW SEF Participants are required to submit financial and related information to the RSP to ensure compliance with minimum financial standards. Pursuant to Rule 506, each Participant must notify DW SEF immediately upon becoming aware that it fails to satisfy the minimum financial requirements applicable to it, including the requirement to qualify as an ECP. As RSP, NFA is primarily responsible for reviewing financial and related information for compliance with the SEF's minimum standards.

Chapter 7 of the Rules describes DW SEF's disciplinary and enforcement procedures and demonstrates the Applicant's capacity to detect and investigate rule violations. The Market Regulation Team, in conjunction with the RSP, conduct inquiries and investigations relating to real-time surveillance, trade practices and market surveillance. The RSP commence an investigation upon the receipt by the Applicant of a request from CFTC staff or upon the discovery or receipt of information by the RSP or the Applicant that indicates a possible basis for finding that a violation has occurred or will occur. Rules 706 through 721 govern disciplinary proceedings, including the initiation, litigation, and resolution of such proceedings. Pursuant to Rule 503, DW SEF and its RSP have the right to inspect the systems, equipment and software of Participants and Authorized Users. Rule 702 requires Participants and Authorized Users to produce books and records related to a Rule, inquiry or investigation as requested by the Market Regulation Team (including the staff of the RSP).

DW SEF performs trade practice surveillance, market surveillance and real-time market monitoring to analyze the data collected by the SEF and determine whether any Rule violations have occurred.

To perform trade practice surveillance, NFA utilizes an automated surveillance system known as the Sophisticated Warning Analysis Profiling System ("SWAPS"). NFA reviews trades conducted on the SEF on a routing basis to determine whether suspicious activity, including any potential violations of the Applicant's rules have occurred. SWAPS monitors for fraudulent trading, trading practices that DW SEF deem abusive and any other manipulative or disruptive trading practice prohibited by applicable law. In particular, SWAPS monitors for the following types of transactions:

(a) Front-Running:

Taking a swaps position based upon non-public information regarding an impending transaction by another person in the same or related swap.

(b) Wash Trading:

Entering into, or purporting to enter into, transactions to give the appearance that purchases and sales have been made, without incurring market risk or changing the trader's market position.

(c) Pre-Arranged Trading:

Trading between authorized traders in accordance with an expressed or implied agreement or understanding in a form that is not permitted within CEA, CFTC or DW SEF rules or regulations.

(d) Fraudulent Trading:

Intentional deceptive trading for personal financial gain.

(e) Money Pass:

Non-competitive trading between authorized traders where a profit is passed from one trader to the other.

For trades involving intermediation, SWAPS monitors for:

(a) Trading Ahead of Customer Orders:

Taking a swaps position based upon non-public information regarding an impending transaction by another person in the same or related swap.

(b) Trading Against Customer Orders:

Directly or indirectly taking the opposite side of a customer's order into a broker's own account or into an account in which a broker has an interest, without open and competitive execution of the order on an exchange (also called Trading Against).

(c) Accommodation Trading:

Non-competitive trading entered into by a trader, usually to assist another with illegal trades.

(d) Improper Cross Trading:

Offsetting or noncompetitive match of the buy order of one customer against the sell order of another, a practice that is permissible only when executed in accordance with the CEA or CFTC rules.

(e) Request For Quote ("RFQ"):

For transactions where participants utilize an RFQ system, NFA monitors for instances where the RFQ was not transmitted to the minimum number of required participants and where the requester and requestees are affiliated or commonly controlled by each other.

SWAPS uses the Applicant's audit trail data to create profiles at the exchange, member, authorized trader and counterparty levels. The profiles include information related to: notional swap values, the types of swap products, the number of trades, accounts traded, trade counter-parties, average trade quantity, estimated profit and loss, average order size and trade exception history. In addition, NFA identifies all authorized traders that are logged on for an unusual amount of time.

NFA also uses an automated system to perform market surveillance of the activity on the Applicant's SEF in order to detect manipulation, price distortions and disruptions of the delivery or cash-settlement process. The system monitors and analyzes position holdings and includes information on large trader positions by tenor, including any large net change. The system also generates alerts whenever:

- (a) an account is identified as a large trader for the first time for any swap listed for trading;
- (b) a large trader position exceeds the reportable level in a particular swap listed for trading; and
- (c) a large trader position exceeds speculative position limits or accountability levels.

Upon receiving large trader positions from the Applicant, NFA's system aggregates all positions held by related parties. Once compiled, NFA monitors large trader positions for concentrations of ownership and potential collusive or concerted activity by market participants. NFA maintains a database containing the names and addresses of account controllers which it queries to determine possible affiliations.

In addition to the automated system, NFA utilizes outside quote vendors and market data providers to monitor and review various market situations and relationships. This review includes:

- (a) the basis relationship between a SEF product and the corresponding cash market;
- (b) the price relationship between the SEF product and any related swaps and/or futures products on different exchanges;
- (c) the basis relationship between different tenors in the same asset class;
- (d) historical price information; and
- (e) market news regarding SEF products and related products being monitored and reviewed by NFA on behalf of the DW SEF.

NFA reviews block trades, busted trades and any trades negotiated outside the trading engine that are subsequently reversed to determine whether they were executed in conformity with DW SEF Rules and CFTC regulations.

Trade surveillance is bolstered by real time monitoring of overall activity in the market. The Applicant provides NFA with real-time, view-only market monitor screens so it may act as a "second set of eyes" regarding real time monitoring by viewing trading activity, tracking specific participants, and monitoring pricing and volume.

NFA, as a vendor used by DW SEF, reports potential violations of the Rules to DW SEF. DW SEF then, as an SRO, determines how to proceed with such reports, which may include a report to the CFTC. NFA does maintain discretionary authority to commence its own disciplinary process against market participants on DW SEF if, in the course of conducting an investigation, NFA discovers a violation of an NFA Compliance Rule. NFA is required to confer with DW SEF prior to such investigation.

DW SEF meets with NFA on a regular, monthly basis to discuss the number and type of exception reports in the preceding month, the resolution of such exception reports, and the status of any preliminary inquiries related to exception reports. The NFA produces a monthly report to DW SEF detailing the exception reports and the docket of outstanding matters. DW SEF and the NFA also have weekly meetings of the technology groups, which occasionally include participants outside of the technology groups for substantive input. DW SEF and the NFA also convene ad hoc meetings and teleconferences as needed to address technical, operational, or regulatory issues.

## 6. RULEMAKING

### 6.1 Purpose of Rules

- (a) **The exchange has rules, policies and other similar instruments (Rules) that are designed to appropriately govern the operations and activities of participants and do not permit unreasonable discrimination among participants or impose any burden on competition that is not reasonably necessary or appropriate.**

DW SEF maintains a comprehensive set of rules and policies designed to govern the operation of the SEF. Chapter 5 of the Rules lays out the obligations of Participants on DW SEF. Chapters 3, 4 and 6 of the Rules govern trading privileges and conduct.

- (b) The Rules are not contrary to the public interest and are designed to**
- a. ensure compliance with applicable legislation,**
  - b. prevent fraudulent and manipulative acts and practices;**
  - c. promote just and equitable principles of trade;**
  - d. foster co-operation and co-ordination with persons or companies engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in the products traded on the exchange,**
  - e. provide a framework for disciplinary and enforcement actions, and**
  - f. ensure a fair and orderly market.**

DW SEF has established and enforces compliance with its trading, trade practice and participation Rules. This includes rules related to the terms and conditions of swaps traded or processed on or through the SEF (Rule 401 and Chapter 9 of the Rules), access to the SEF (Chapter 3 of the Rules), audit trail requirements (Rule 505), disciplinary procedures (Chapter 7 of the Rules) and mandatory trading requirements (Rule 501). The Rules are designed to ensure compliance with applicable law, and any person subject to the Rules consents to be bound by applicable law.

As a condition to trading on the SEF, each Participant is required to enter into either a SEF addendum to the DW SEF user agreement or a SEF addendum to the DW SEF markets dealer subscriber agreement, as the case may be, in which the Participant undertakes to comply with the Rules of the SEF. Rule 301 requires any Participants, Authorized Users and other Persons accessing the SEF to abide by the Rules and consent to the Applicant's jurisdiction when entering orders or executing trades on or pursuant to the Rules of the SEF.

Chapter 6 of the Rules sets forth DW SEF's business conduct standards and specifically prohibits several forms of abusive trading practices. The prohibited conduct and trading practices include: front-running (Rule 612), wash trading (Rule 613), impermissible pre-arranged trading (Rule 614), fraudulent acts (Rule 603), fictitious trading (Rule 604), money passes (Rule 614), market disruption (Rule 605), market manipulation (Rule 606) and disruptive trading practices (Rule 607). The procedures for prevention of abusive trading practices is described in section 5 of this Application.

The Applicant has also adopted broad Rules requiring Participants to adhere to just and equitable principles of trade (Rule 602) and prohibiting Participants or Authorized Users from committing acts detrimental to the welfare of the Applicant (Rule 609). Chapter 6 also includes Rules regarding misstatements (Rule 608), supervision (Rule 610), disclosing orders and RFQs (Rule 611) and recordkeeping (Rule 615).

Section 5.1 of this Application details the exception reports generated by SWAPS, while this Section 6.1 details prohibited conduct and trading practices set forth in the Rules. The discrepancy is due to the fact that some violations of the Rules can be detected through SWAPS, while other violations are detected through other non-automated surveillance methods. DW SEF's response in Section 5.1 above notes such non-automated surveillance methods:

- The NFA reviews block trades, busted trades and any trades negotiated outside the trading engine that are subsequently reversed to determine whether they were executed in conformity with DW SEF Rules and CFTC regulations; and
- Trade surveillance is bolstered by real-time monitoring of overall activity in the market. The Applicant provides the NFA with real-time, view-only market monitor screens so it may act as a "second set of eyes" regarding real time monitoring by viewing trading activity, tracking specific participants, and monitoring pricing and volume.

The DW SEF Rules provide the framework for ensuring a fair and orderly market. Pursuant to Rule 605, orders entered into the platform for the purpose of upsetting the equilibrium of the market in any Contract or creating a condition in which prices do not or will not reflect fair market values are prohibited, and any Participant who makes or assists in entering any such order with knowledge of the purpose thereof or who, with such knowledge, in any way assists in carrying out any plan or scheme for the entering of any such order, will be deemed to have engaged in an act detrimental to DW SEF.

In the event of an emergency, Rule 412 provides for Emergency Rules granting the Applicant authority to intervene as necessary to maintain markets with fair and orderly trading and to prevent or address manipulation or disruptive trading practices, whether the need for intervention arises exclusively from the DW SEF market or as part of a coordinated, cross-market intervention.

## **7. DUE PROCESS**

### **7.1 Due Process**

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

- (a) parties are given an opportunity to be heard or make representations, and**

Chapter 7 of the Rules and the RSA provide the framework for the SEF's disciplinary procedures. These procedures are designed to allow the Applicant to discipline, suspend or expel any person that violates the Rules.

*Enforcement Staff.* The Market Regulation Team is responsible for enforcing the Rules and conducting investigations into alleged violations of the Rules. The Market Regulation Team consists of the CCO, three additional employees and the staff of NFA responsible for providing services to the Applicant pursuant to the RSA. The Regulatory Oversight Committee reviews the size and allocation of regulatory resources and number of regulatory personnel to ensure that DW SEF has adequate enforcement staff.

*Disciplinary Panels.* Pursuant to Rule 710, each disciplinary panel ("Disciplinary Panel") is composed of three individuals selected by the CCO. Except in cases limited to the timely submission of accurate records, each Disciplinary Panel is chaired by an individual who would not be disqualified from serving as a Public Director. All members of a Disciplinary Panel must meet the fitness standards provided in Rule 210. In addition, no member of the Market Regulation Team may serve on a Disciplinary Panel.

*Notice of Charges.* If the Market Regulation Team authorizes disciplinary proceedings, it will prepare a notice of charges in accordance with Rule 706. The notice of charges will: (i) state the acts, practices or conduct in which the respondent is alleged to have engaged; (ii) state the Rule alleged to have been violated or about to be violated; (iii) advise the respondent of its right to a hearing and its right to be represented by legal counsel or any other representative of its choosing (other than a Director, Officer, DW SEF employee, member of the Disciplinary Panel or any person substantially related to the disciplinary proceedings such as a material witness or other respondent) in all succeeding stages of the

disciplinary process; (iv) state the period of time within which the respondent can request a hearing on the notice of charges, which will not be less than 20 days after service of the notice of charges; (v) advise the respondent that any failure to request a hearing within the period stated, except for good cause, will be deemed to constitute a waiver of the right to a hearing; and (vi) advise the respondent that any allegation in the notice of charges that is not expressly denied will be deemed to be admitted. Rule 708 provides the Applicant's procedures for service of the notice of charges.

*Right to Representation.* Rule 706(b) requires the notice of charges to advise the respondent of its right to be represented by legal counsel or any other representative of its choosing (other than a Director, Officer, DW SEF employee, member of the Disciplinary Panel or other person substantially related to the underlying investigation) in all succeeding stages of the disciplinary proceedings.

*Answer to Charges.* Rule 707 provides that if the respondent answers a notice of charges, the respondent must file its response within 20 days after being served the notice, or within such other time period determined appropriate by the CCO. Rule 707 also sets forth the requirements for the answer, the consequences of failing to file a timely answer, and the consequences of failing to deny the allegations described in the notice of charges.

*Admission or failure to deny charges.* Under Rule 707(d), if a respondent admits or fails to specifically deny any of the allegations in the notice of charges, the Disciplinary Panel shall find that the violations set forth in such allegations have been committed and shall impose a sanction for such violations. The Disciplinary Panel shall promptly notify the respondent in writing of any sanction imposed pursuant to Rule 707 and advise the respondent that the respondent may request a hearing on such sanction within 20 days of the respondent being served with such notice.

*Denial of Charges; Right to Hearing.* Pursuant to Rule 707(b), a respondent may request a hearing before a Disciplinary Panel in an answer to a statement of charges. A respondent may also request a hearing following the imposition of a sanction under Rule 707(d).

*Settlement offers.* Pursuant to Rule 709, a respondent or potential respondent may, at any time, submit a written offer to settle anticipated or instituted disciplinary proceedings. The Disciplinary Panel may accept the offer of settlement, but may not alter the terms of a settlement offer unless the respondent or potential respondent agrees.

*Hearings.* Rules 710, 711, 712 and 713 establish detailed procedures for forming a Disciplinary Panel, convening a disciplinary proceeding, reviewing evidence and conducting hearings. Under Rule 711, all hearings will be conducted before a Disciplinary Panel, which will be promptly convened following reasonable notice to each respondent.

*Decisions.* Pursuant to Rule 714, following a hearing, the Disciplinary Panel will issue an order rendering its decision based on the weight of the evidence. A decision by a majority of the disciplinary Panel will constitute the decision of the Disciplinary Panel. The Applicant will serve a copy of the order of the disciplinary panel to the respondent and the Market Regulation Team. The order will include: (i) the notice of charges or summary of the allegations; (ii) the answer, if any, or a summary of the answer; (iii) a brief summary of the evidence introduced at the hearing (or, where appropriate, incorporation by reference of the investigation report); (iv) findings of fact and conclusions concerning each allegation, including each specific Rule that the respondent is found to have violated; (v) the imposition of sanctions, if any, and the effective date of each sanction; and (vi) notice of the respondent's right to appeal pursuant to Rule 716.

*Right to appeal.* Rule 716 provides appeal procedures that allow the respondent to appeal an adverse decision of the Disciplinary Panel to an Appeals Panel (the "Appeals Panel"). The Appeals Panel's written order will be the final action of DW SEF and is not subject to internal appeal.

*Penalty.* Pursuant to Rule 717, the CCO may summarily impose a fine against a Participant or Authorized User that fails to (i) timely pay fees, costs, charges or fines, (ii) make timely and accurate submissions to

the Applicant of notices, reports or other information required by the Rules, or (iii) keep any books and records required by the Rules. The Applicant will set the amount of summary fines imposed pursuant to Rule 717, with the maximum fine not exceeding \$5,000 for each violation. The Market Regulation Team will give notice of any summary fine imposed pursuant to Rule 717 to each Participant or Authorized User subject to the fine. The notice will specify (i) the Rule violation for which the fine is being imposed, (ii) the date of the violation and (iii) the amount of the fine.

Under Rule 717, all summary fines must be paid or appealed pursuant to Rule 716 within 20 days of serving the notice of fine.

*Summary Actions.* If the CCO reasonably believes that immediate action is necessary to protect the best interests of the Applicant or the marketplace, the CCO may, in accordance with Rule 718, summarily suspend, revoke, limit, condition, restrict or qualify the trading privileges of a Participant or Authorized User and may take other summary action against a Participant or any of its Authorized Users in accordance with the Rules. Before taking such action, the CCO must consult with the Board.

Whenever practicable, the Market Regulation Team will provide prior written notice to the Participant, Authorized User or other person against whom the action is brought. If prior written notice is not practicable, DW SEF will give notice at the earliest possible opportunity pursuant to Rule 718(b). Such notice will state the action, the reasons for the action, and the effective time, date and duration of the action. Upon serving the notice, the Market Regulation Team will advise the recipient of its right to a prompt hearing before a Disciplinary Panel and its right to be represented by legal counsel or other representative at such hearing.

If a hearing is requested, the Disciplinary Panel will promptly convene a hearing to be conducted in accordance with Rule 713. After the hearing, the Disciplinary Panel will issue to the respondent a written order affirming, modifying or reversing the summary action. The order will include a description of the summary action taken, a summary of the evidence introduced at the reinstatement hearing, a statement of findings of fact and conclusions, a description of any action taken or to be taken by DW SEF and the effective date, time and duration thereof.

A respondent whose trading privileges are suspended, revoked, limited, conditioned, restricted or qualified pursuant to Rule 718 may apply for reinstatement through the process described in Rule 719.

- (b) it keeps a record of, gives reasons for, and provides for appeals or reviews of its decisions.

Pursuant to Rule 215, DW SEF maintains complete and accurate books and records of all activities relating to the business of DW SEF, including investigatory files, disciplinary files, and all books and records required to be maintained pursuant to the CEA and CFTC regulations. Chapter 7 of the Rules provides additional information on appeals from disciplinary proceedings.

## **8. CLEARING AND SETTLEMENT**

### **8.1 Clearing Arrangements**

**The exchange has or requires its participants to have appropriate arrangements for the clearing and settlement of transactions for which clearing is mandatory through a clearing house.<sup>1</sup>**

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<sup>1</sup> For the purposes of these criteria, "clearing house" also means "clearing agency".

Chapter 10 of the Rules sets forth DW SEF's clearing arrangements, which require Participants to have appropriate arrangements for the clearing and settlement of transactions. Rule 1004 governs swaps that have been rejected from clearing. Upon rejection, such swaps are deemed void *ab initio*, and the SDR is notified of same.

## 8.2 Risk Management of Clearing House

**The exchange has assured itself that the clearing house has established appropriate risk management policies and procedures, contingency plans, default procedures and internal controls.**

As stated above, DW SEF provides clearing at two CFTC-registered DCOs: LCH and CME. DW SEF offers clearing at these DCOs based on its customer demand, the fact that these are the only DCOs that clear swaps offered on DW SEF, the fact that DW SEF FCMs are connected to the DCOs, operational reasons, and other market conditions.

DW SEF lists interest rate swaps and credit default index swaps for which the CME and/or LCH act as a DCO. Each DCO is registered with and regulated by the CFTC. The Dodd-Frank Act requires DCOs to comply with core principles pertaining to compliance, financial resources, participant and product eligibility, risk management, settlement procedures, treatment of funds, default rules and procedures, rule enforcement, system safeguards, reporting, recordkeeping, public information, information sharing, antitrust considerations and legal risk.

The CME is one of the world's leading central counterparty clearing services for exchange-traded contracts and OTC derivatives transactions. The Applicant has satisfied itself that the CME applies robust risk management standards and applicable CFTC customer protection standards for all products it clears. In addition, the Applicant has satisfied itself that CME has in place advanced financial safeguards to protect and mitigate the consequences of a participant default.

LCH, owned by the London Stock Exchange Group, is a multi-asset class and multi-national clearing house, serving major exchanges and platforms as well as a range of OTC markets. LCH clears swaps in 17 currencies and clears more than 50% of the global interest rate swap market. The Applicant has satisfied itself that LCH maintains the highest standards of risk management to ensure the protection of markets.

All swaps traded on the DW SEF are settled in cash by the DCO. For example, the settlement amount for interest rate swaps is based on the net amount of interest owed between the swap counterparties. The amount of interest owed by each party is calculated on the basis of a reference interest rate applied over a period of time to a notional amount, where the referenced rates, period of time and notional amount are fixed by the relevant swap contract. Each reference rate may be constant or may be determined on the basis of the 1-, 3- or 6-month LIBOR or CDOR for U.S. dollar or Canadian dollar deposits, as well as such other reference rates as may be the subject of interest rate swap clearing by the CME and/or LCH.

As stated above, under the Dodd-Frank Act, DCOs must comply with DCO Core Principles. The CFTC performs periodic audits of DCOs in order to ensure they are in full compliance with the DCO Core Principles, which include the requirement for risk management, internal controls and contingency plans. In addition to the Applicant's response under Section 8.2 of this Application, it is noted that the rules of each DCO mandate that the organization have risk management policies and procedures in place, as is required by the CFTC. Additionally, DCOs participate in annual industry-wide business continuity disaster recovery testing, the results of which provide further comfort related to appropriate policies and procedures by the DCO.



## 9. SYSTEMS AND TECHNOLOGY

### 9.1 Systems and Technology

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

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

DW SEF provides an electronic platform for trading interest rate swaps using a central limit order book with advanced functionality and a voice RFQ system. DW SEF developed this technology in compliance with the "Principles for the Oversight of Screen-Based Trading Systems for Derivative Products" developed by the Technical Committee of IOSCO. Tradeweb Markets maintains an IT Compliance Department headed by the Information Security Officer (the "ISO") responsible for implementation and enforcement of all operational and informational security controls for all production systems and IT infrastructure. The ISO is also responsible for logical and physical security controls, internal and external audits, business continuity and disaster recovery training and awareness programs for DW SEF.

Due to the proprietary and confidential nature of the data and information generated, processed and transmitted on a daily basis, the Applicant has a series of policies, standards and procedures related to the protection of data, information and relevant systems from threats such as errors, internal and external security attacks, theft, fraud, privacy, violations, embezzlement, sabotage and natural or manmade disasters. The Applicant's system infrastructure including telecommunication, power, environmental controls, and all network components including but not limited to servers, routers, switches and firewalls classified as critical components needed for support of the production systems have been designed with full redundancy, availability and backup.

### 9.2 System Capability/Scalability

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

- a. makes reasonable current and future capacity estimates;

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

The Applicant maintains a closed network environment, protected by perimeter firewalls and routers which are programmed to allow connection only from authorized dealers and clients of DW SEF. Third party network monitoring, reporting, and analysis tools are used to monitor and log network activity on the firewall servers. In the event any anomalies are detected, an alert is sent to network personnel for review and resolution. On an annual basis, vulnerability assessments and penetration tests are conducted by an external vendor. The results are then reviewed, investigated and tracked for security anomalies and vulnerabilities and resolved by the network department. In addition, DW SEF personnel monitor the network flow for system capacity, utilization, traffic, network bandwidth and overall performance. Such network health checks are conducted in real time.

DW SEF makes reasonable current and future capacity estimates. More specifically, DW SEF personnel monitor the network flow for system capacity, utilization, traffic, network bandwidth and overall performance. Such network health checks are conducted in real time.

The Applicant's trading platform is fully redundant and replicated real-time in its two primary locations in New Jersey and London, England, which are designed to prevent interruptions in the performance of the system as a result of any abnormal conditions or disaster scenarios. DW SEF has implemented the following specific backup features for the system:

1. The network architecture supporting the Applicant's system has been designed to minimize single points of failure by providing equipment and route redundancy. Redundancy in the system provides for high systemic availability. The Applicant's systems have dimensioned sufficient bandwidth to handle peak volume. DW SEF maintains connections to the internet through two independent internet service providers ("ISPs") from its New Jersey headquarters and is able to reroute traffic between the ISPs in the event of an ISP outage.
2. The network architecture of the Applicant's systems is designed to allow for real-time replication between the DW SEF and its affiliate, Tradeweb Europe Limited, such that its systems can be operated from either location in case the other location becomes non-functional. In the event that either of the main facilities becomes inoperable the Participants would be rerouted to

the alternate site through the designated telecom points of presence (i.e., the Elmsford facility in the U.S. and the Heathrow facility in the United Kingdom).

3. DW SEF monitors the availability of the network architecture supporting its systems for normal operations, including monitoring of network traffic and congestion levels. Specific monitoring occurs with respect to: functionality and performance of servers and applications, messaging infrastructure, trade and post trade connectivity for Participants, and connectivity for remote access users. Appropriate escalation procedures are in place for resolving any performance or capacity issues.

4. The Applicant maintains an inventory of pre-configured hardware that may be used should network hardware fail. The hardware inventory is tested periodically in an effort to ensure that it will be operational upon installation.

5. The Applicant recommends that Participants put in place certain controls with respect to their internal operations related to their activity on the SEF. These recommended controls include: proper configuration of firewalls and network routers; appropriate limitations on access to the SEF; adequate security protocols for account and customer profiles, including password/PIN security; entitlement review of their user accounts; and development and implementation of data backup and recovery plans. Full backups are available off-site for up to six months.

The Applicant maintains backup systems and subsystems designed to prevent interruptions in the performance of any system function as a result of technical or other malfunctions, whether in the context of disaster recovery, business continuity, regular hardware failures, or otherwise. All data generated and stored in the Applicant's system is backed up on a daily basis. Furthermore, two times each week the backup tapes are transferred off-site to a secure location. Each location is provided with redundant network infrastructure components from multiple providers and is monitored on a regular basis for performance, response time, and any system failures.

The Applicant maintains reasonable procedures to review and keep current the development and testing methodology of these systems.

### **9.3 Information Technology Risk Management Procedures**

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

DW SEF has developed a program of risk analysis and oversight to identify and minimize sources of operational risk by implementing appropriate controls and procedures and through the development of reliable, secure and scalable automated systems. Under the oversight of the Board, the Market Regulation Team (including the RSP) implements the monitoring, surveillance and other enforcement functions. The Rules, in conjunction with the RSA, provide the framework for the Applicant's surveillance activities.

Pursuant to the RSA, NFA performs trade practice and market surveillance using SWAPS. SWAPS monitors trading activity on a trade day plus one ("T+1") basis. NFA uses SWAPS to monitor for certain types of suspicious transactions in connection with the time, size and percentage parameters that are set based on the Applicant's Rules or NFA standards, which are revised from time to time based on product offerings, market activities, trader profile information and DW SEF's procedures. NFA reviews all trades executed on the SEF or pursuant to the Rules.

The Applicant has primary responsibility for the SEF's real-time market monitoring. The Market Regulation Team reviews trading activity on the SEF, including Order Book trades, RFQs and responses

to RFQs. The Market Regulation Team receives and reviews reports of aberrational prices, excessive volume and other anomalies in trading on the SEF. NFA also performs real-time market monitoring of trading activity on the Applicant using a view-only market monitor screen through which it can track the activity of specific traders, monitor price and volume information and is alerted to any market messages.

Pursuant to Rule 407, DW SEF may cancel or adjust trades when necessary to mitigate market disrupting events caused by the improper or erroneous use of the SEF or by system defects or malfunctions. The Applicant may review a trade based on its independent analysis of market conditions or upon request from a Participant. In such circumstances, DW SEF notifies Participants pursuant to Rule 407 that a trade is under review.

DW SEF has adopted procedures and guidelines for implementing an emergency intervention in the market. Under Rule 412, an emergency means any occurrence or circumstance that, in the opinion of the Board, the CEO or the Chief Administrative Officer ("CAO"), requires immediate action and threatens or may threaten the fair and orderly trading in, or the liquidation of or delivery pursuant to, any swap traded pursuant to the Rules (an "Emergency").

In the event of an Emergency, the CAO or any individual designated by the CAO and approved by the Board may place into immediate effect a temporary emergency addition to the Rules which may provide for, or may authorize the Board or any committee thereof to undertake, actions necessary or appropriate to respond to the Emergency, including such actions as: (i) imposing or modifying position or price limits; (ii) extending, limiting or changing the trading hours in respect of one or more swaps; (iii) suspending or curtailing trading, or limiting trading to liquidation only, in any or all swaps; (iv) ordering the liquidation of swaps or the reduction of positions; (v) requiring additional margin to be collected; (vi) modifying or suspending any provision of the Rules; and/or (vii) taking market actions as may be directed by the CFTC.

If the CEO, CAO or a designee determines that emergency rules must be implemented, the decision must be reviewed by the Board as soon as practicable under the circumstances and may be revoked, suspended or modified by the Board.

DW SEF will promptly notify its Participants whenever the Applicant, the Board or any officer or designee implements an emergency rule. DW SEF will use reasonable efforts to notify the CFTC and OSC prior to implementing, modifying or terminating an emergency rule. If such prior notification is not possible or practicable, the Applicant will notify the CFTC and OSC as soon as reasonably practicable, but in all circumstances within 24 hours of the implementation, modification or termination of such emergency rule.

Any action taken in respect of an Emergency remains subject to the conflict of interest requirements set forth in Rule 214.

If the Emergency is related to a swap that is fungible with financial products traded on another platform, the Applicant will attempt to coordinate its response with any guidance received from the CFTC.

## **10. FINANCIAL VIABILITY**

### **10.1 Financial Viability**

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

The Applicant has adequate financial, operational and managerial resources to satisfy its financial responsibilities. DW SEF calculates its financial resources quarterly to ensure that the amount of such resources are sufficient (and sufficiently liquid) to cover its operating costs for a one-year period, as calculated on a rolling basis.

In addition, the Applicant maintains unencumbered, liquid financial assets (i.e., cash and/or highly liquid securities) equal to at least six months' operating costs. To the extent that any portion of its financial resources are not sufficiently liquid, DW SEF may include a committed line of credit or other, similar liquidity facility to meet this liquidity requirement. The Applicant may not, however, apply any such line of credit or liquidity facility towards the calculation of available financial resources sufficient to meet one year of projected operating costs.

## **11. TRADING PRACTICES**

### **11.1 Trading Practices**

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

Chapter 6 of the Rules sets forth DW SEF's business conduct standards and specifically prohibits several forms of abusive trading practices. The prohibited conduct and trading practices include: front-running (Rule 612), wash trading (Rule 613), impermissible pre-arranged trading (Rule 614), fraudulent acts (Rule 603), fictitious trading (Rule 604), money passes (Rule 614), market disruption (Rule 605), market manipulation (Rule 606) and disruptive trading practices (Rule 607). DW SEF has also adopted broad Rules requiring Participants to adhere to just and equitable principles of trade (Rule 602) and prohibiting Participants or Authorized Users from committing acts detrimental to the welfare of the Applicant (Rule 609). These trading practices ensure that the SEF is fair, properly supervised and not contrary to the public interest.

### **11.2 Orders**

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

Chapter 4 (Trading Standards) of the Rules specifies trading procedures to be followed by Participants when entering and executing orders traded or posted on the platform, including block trades. Such Rules are fair and equitable to all Participants.

### **11.3 Transparency**

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

Consistent with Rule 403, DW SEF publishes information on its website daily regarding prices, trading volume and other data as required by CFTC regulations. The Applicant also makes available a centralized pricing screen on the SEF providing a real-time view of resting orders and any indicative bids and offers. Also in accordance with Rule 403, DW SEF makes available to Participants an indicative, non-attributed pricing page on the SEF for certain types of swaps of the most commonly traded tenors within such type of swap.

Rule 403(a) requires the Applicant to transmit required swap creation data ("Required Swap Creation Data", as defined in CFTC regulation 45.1) for each swap executed or pursuant to the Rules to the appropriate SDR in the form and manner, and within the timeframe, required by the CEA and CFTC Regulations. The Applicant may provide such Required Swap Creation Data to Participants and Authorized Users no earlier than the time it transmits such information to an SDR and in a form that does not disclose the identities, or otherwise facilitate identification, of the parties to the swap.

DW SEF uses Depository Trust and Clearing Corporation as its SDR for all products.

## **12. COMPLIANCE, SURVEILLANCE AND ENFORCEMENT**

### **12.1 Jurisdiction**

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

Rule 301 requires any Participants, Authorized Users and other persons accessing the SEF to abide by the Rules and consent to the Applicant's jurisdiction when entering orders or executing trades on or pursuant to the Rules of the SEF. The Applicant is registered with and regulated by the CFTC in accordance with the CEA and applicable CFTC regulations.

### **12.2 Member and Market Regulation**

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

DW SEF has made adequate arrangements and has adequate resources to enforce its Rules. The Applicant's Board and Market Regulation Team (including the RSP) are responsible for detecting, investigating and taking disciplinary action with respect to violations of the Rules. There are three full-time equivalents operating as the Market Regulation Team.

DW SEF's compliance resources ensure that it can conduct audit trail reviews, trade practice surveillance, market surveillance, real-time market monitoring and complete any inquiries or investigations in a timely manner. The Applicant's compliance staffing and resources include: the CCO, additional employees in the Market Regulation Team and the resources available through the RSA with NFA.

NFA is primarily responsible for financial surveillance, daily market surveillance, daily trade practice surveillance and inquiries and investigations. The Applicant's employees within the Market Regulation Team are primarily responsible for real-time market monitoring. NFA also performs real-time market monitoring and provides services related to disciplinary proceedings. In addition, NFA maintains – in the manner specified by CFTC regulations – all records, including audit trail data, created in conjunction with providing regulatory services to DW SEF. NFA provides these records to DW SEF upon request.

Chapter 7 of the Rules describes DW SEF's disciplinary and enforcement procedures and demonstrates DW SEF's capacity to detect and investigate rule violations. In accordance with Rules 701 through 705, the Market Regulation Team conducts inquiries and investigations relating to real-time surveillance, trade practices and market surveillance. Rules 706 through 721 govern disciplinary proceedings, including the initiation, litigation, and resolution of such proceedings. For additional information on DW SEF's disciplinary and enforcement procedures, see section 7 of this Application.

Pursuant to Rule 703, the Market Regulation Team prepares a written investigation report regardless of whether the evidence gathered during an inquiry or investigation forms a reasonable basis to believe that a violation within the Applicant's jurisdiction has occurred or is about to occur or whether the evidence gathered results in closing the matter without further action or through a summary action. Any written investigation report contains the reasons for initiating the investigation (including a summary of the complaint, if any), all relevant facts and evidence gathered, and the analysis, conclusions and recommendation of the RSP. Under Rule 703, all investigations must be completed in a timely manner and, absent mitigating factors, no later than 12 months after the date that the investigation is opened.

For each potential respondent, the RSP will recommend either: (i) closing the investigation without further action; (ii) entering into a summary action; (iii) resolving the investigation through an informal disposition, including the issuance by the Market Regulation Team of a warning letter (provided that no more than one warning letter for the same potential violation may be issued to the same potential respondent during a rolling 12-month period); (iv) initiating disciplinary proceedings; or (v) negotiating a settlement. The RSP provides the CCO with an investigation report for a determination as to whether the investigation report is complete.

The RSP is responsible for performing the investigatory work relating to trade practice, market surveillance and real-time market monitoring inquiries and investigations. The RSP will commence an investigation upon the receipt by the Applicant of a request from CFTC staff or upon the discovery or receipt of information by the RSP or the Applicant that indicates a possible basis for finding that a violation has occurred or will occur. On a monthly basis, the RSP prepares reports detailing the number of inquiries and investigations opened or closed during the month, along with the specific allegations. Such inquiries and investigations are discussed at a monthly meeting between SEF and the RSP.

The Market Regulation Team is responsible for documenting any differences between actions taken by the Applicant and any recommendation made by NFA acting as RSP.

The CCO must fulfill the duties in Rule 212, which include establishing procedures for the remediation of non-compliance issues identified by the CCO through internal audit findings, among other sources. The CCO also prepares an Annual Compliance Report that includes a description of material compliance matters, including noncompliance issues identified through a compliance office review, look-back, internal or external audit finding, self-reported error, or validated complaint, and an explanation of how they were resolved. The CCO also conducts additional internal audits on an ad hoc basis in response to the CCO's oversight of DW SEF.

### 12.3 Availability of Information to Regulators

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

Pursuant to Rule 503, the Applicant and its RSP have the right to inspect the systems, equipment and software of Participants and Authorized Users. Rule 702 requires Participants and Authorized Users to produce books and records related to a Rule, inquiry or investigation as requested by the Market Regulation Team (including the staff of the RSP). DW SEF maintains records that are accessible to the OSC as they are to the CFTC. Should records be requested by the OSC, they will be furnished in a form and manner suitable to the OSC.

## 13. RECORD KEEPING

### 13.1 Record Keeping

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

DW SEF's recordkeeping program satisfies the relevant criteria set forth in CFTC regulation 1.31 and Part 45 of the CFTC regulations. The SEF retains all books and records on electronic storage media in a non-rewritable, non-erasable format that fulfill the criteria set forth in CFTC regulation 1.31(b).

Under Rule 309, the Applicant may, but is not obligated to, record conversations and retain copies of electronic communications between Officers, employees or agents of the Applicant, on the one hand, and Participants, Authorized Users and other Persons, on the other hand. Any such recordings or copies thereof are retained as required by applicable law.

DW SEF also maintains records relating to the swaps traded on or pursuant to the Rules of the SEF, including in particular an obligation to maintain full, complete, and systematic records, together with all pertinent data and memoranda, of all of the Applicant's activities with respect to swaps, including the real-time swap data reporting requirements set out in Part 43 of the CFTC's regulations as well as the swap creation data reporting requirements in Part 45 thereof. The RSP generates records relating to the provision of services pursuant to the RSA. Such records are maintained in accordance with the CEA and CFTC regulations, and will be provided to DW SEF upon request.

DW SEF maintains comprehensive audit trail data to accurately reconstruct all trading on the SEF. The Applicant has established comprehensive audit trail processes that capture trading information to facilitate their trade practice and market surveillance activities. The audit trail program is based on original source documents that are unalterable, sequentially identified records. The records reflect the terms of the order entered, the time of the order, a unique user identifier for the user entering the order and an account identifier. The system further reflects information regarding orders which are filled, unfilled or cancelled.

The audit trail also includes an electronic transaction history database that contains a history of all RFQs, orders and trades as well as the following: (i) all data entered into the trade entry/order matching system to allow the transaction to match and clear; (ii) the customer type indicator code; (iii) timing and sequencing data enabling each order to be reconstructed; (iv) if the trade is to be allocated, the identity of each account to which fills are allocated and information regarding order allocation including legal entity identifier of the agent; and (v) the legal entity identifier of the reporting counterparty. All audit trail data contained in the transaction database is organized in a manner that allows the Market Regulation Team to search, sort and present the information in order to reconstruct trading and identify potential violations. All data gathered as part of the audit trail is maintained in accordance with the CFTC's recordkeeping requirements and is kept in a manner that does not allow for unauthorized alteration, erasure or other potential loss.

NFA undertakes at least annual reviews for compliance with the SEF's audit trail and recordkeeping requirements. Such reviews include: reviewing randomly selected samples of front-end audit trail data for order routing systems; reviewing the process by which user identifications are assigned and user identification records are maintained; reviewing usage patterns associated with user identifications to monitor for violations of user identification rules; and reviewing account numbers and customer type indicator codes in trade records to test for accuracy and improper use.

Upon completion of such review, the RSP identifies to the Market Regulation Team Participants that have demonstrated deficiencies in complying with the SEF's audit trail requirements, and the Market Regulation Team may sanction such Participants for purposes of deterring additional violations. Such sanctions are subject to the restrictions on warning letters described in Rule 703.

CFTC regulation §1.31 requires books and records required to be kept under the CEA be kept for five years and be readily accessible for the first two years of the five year period, except records of swaps or related cash or forward transactions, which must be kept until the termination, maturity, expiration, transfer, assignment, or novation date of the transaction and for five years after the date. Records of oral communications required to be kept under CFTC regulation §1.31 must be kept for one year. All records must be open to inspection by any CFTC or United States Department of Justice representative, and be



provided promptly upon request in the form specified at the expense of the person required to keep the records. It also specifies that electronic records be kept in native file format and only CFTC-required records be stored on the medium employed.

Part 45 of the CFTC regulations sets forth swap data recordkeeping and reporting requirements for SDRs, DCOs, SEFs, swap dealers, major swap participants, and swap counterparties who are not swap dealers or major swap participants. Part 45 of the CFTC regulations set forth which data must be reported, requires creation of various identifiers (unique swap identifiers, legal entity identifiers, unique product identifiers) determines who the reporting counterparty is, addresses use of a third-party to facilitate reporting, and reporting errors and omissions.

Chapter 5 of the Rules (Obligations of Participants, Authorized Users and Trading Customers) requires Participants to maintain records in the manner prescribed by the CEA, CFTC Regulations and the Rules. Such books and records shall be made available to DW SEF or the RSP upon request.

## **14. OUTSOURCING**

### **14.1 Outsourcing**

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

Pursuant to the RSA, NFA serves as the SEF's RSP and performs certain surveillance, investigative, and regulatory functions as described in the Rules. DW SEF's Board monitors the sufficiency, effectiveness and independence of all facets of the Applicant's regulatory program, including ensuring that the RSP has the capacity and resources necessary to provide timely and effective regulatory services.

Pursuant to Rule 1108, the CCO has supervisory authority with respect to any functions performed by NFA pursuant to the RSA. The RSP and CCO hold monthly meetings to discuss new inquiries and investigations and provide a general update relating to the status of continuing inquiries and investigations. The RSP and the CCO also evaluate the staff and resources devoted to enforcement of the Rules.

DW SEF retains exclusive authority over regulatory decisions. Under Rule 407, the Applicant maintains exclusive authority over decisions to cancel or adjust the price of trades. The decision to issue disciplinary charges is made by the Market Regulation Team, and therefore, remains under the exclusive authority of the Applicant. Pursuant to Rule 303, DW SEF also retains exclusive authority to deny access to the SEF.

## **15. FEES**

### **15.1 Fees**

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

The Applicant charges consistent fees for all Participants that receive comparable access to the SEF. DW SEF is required pursuant to CFTC Regulation 37.202 to provide Participants with impartial access to DW

SEF, which includes: (i) establishing access criteria that are impartial, transparent and applied in a fair and non-discriminatory manner and (ii) establishing comparable fee structures for Participants receiving comparable access or services. DW SEF's executives and Board establish fees pursuant to these regulatory requirements and based on commercial considerations. While DW SEF is not required to disclose fees to the public, DW SEF does provide a notice to each Participant as to the fees and any discounts applicable to a transaction. DW SEF does offer certain liquidity provider discounts in a fair manner to participating liquidity providers based on relationship history (e.g., length of time as a liquidity provider; volume of liquidity provider activity).

## **16. INFORMATION SHARING AND OVERSIGHT ARRANGEMENTS**

### **16.1 Information Sharing and Regulatory Cooperation**

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

Pursuant to Rule 215, the Applicant: (i) keeps, or causes to be kept, complete and accurate books and records of accounts of DW SEF, including all books and records required to be maintained pursuant to the CEA and CFTC regulations; (ii) retains all such books and records for the life of each swap transacted pursuant to the Rules and five years following the termination of such swap, and must make such books and records readily accessible for inspection, in each case in the form and manner required under the CEA and CFTC regulations; and (iii) may disclose such books and records to any government agency, self-regulatory organization or other person if DW SEF believes such disclosure is necessary and appropriate in exercising a legal or regulatory function, whether or not a formal arrangement governing the disclosure exists or a request for information was made.

Rule 503 requires each Participant to prepare and maintain all books, ledgers and other records required by CFTC regulations and the Rules and make them available at the request of the Applicant, the CFTC or the United States Department of Justice. Pursuant to Rule 504, the Applicant and its RSP have the right to inspect the systems, equipment and software of Participants and Authorized Users. These rules are binding on all Participants and Authorized Users, pursuant to the SEF Addendum to the DW SEF User Agreement or the SEF Addendum to the DW SEF Markets Dealer Subscriber Agreement.

Rule 702 requires Participants and Authorized Users to produce books and records as requested by the Market Regulation Team, including the staff of the RSP.

Pursuant to Rule 1107, DW SEF has broad discretion to enter into information-sharing agreements to coordinate surveillance with other markets that trade financial instruments related to the swaps listed for trading on the SEF or pursuant to the Rules. The Applicant may enter into agreements or other arrangements or procedures to coordinate surveillance with domestic or foreign regulators, self-regulatory organizations, clearing organizations, exchanges, markets or other execution facilities to share information and provide other forms of mutual assistance for market surveillance, audits, investigations, enforcement actions and other regulatory purposes DW SEF deems necessary or appropriate or is required by applicable law.

Rule 215 provides that DW SEF can provide information and cooperate with regulatory bodies to fully meet the requirements of this section. Rule 215(c) states: the Applicant may disclose, to any government agency, self-regulatory organization or other person, information concerning or associated with a Participant or other person if the Applicant believes such disclosure is necessary and appropriate in exercising a legal or regulatory function, whether or not a formal arrangement governing the disclosure exists or a request for information was made.

## 16.2 Oversight Arrangements

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

Satisfactory information sharing and oversight agreements exist between the OSC and the Foreign Regulator pursuant to a memorandum of understanding ("MOU") between the OSC and CFTC that provides a comprehensive framework for consultation, cooperation and information-sharing related to the day-to-day supervision and oversight of cross-border regulated entities. The MOU came into effect on March 25, 2014.

## 17. IOSCO PRINCIPLES

### 17.1 IOSCO Principles

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

To the extent it is consistent with the laws of Delaware and the United States, as applicable, the Applicant adheres to the standards of the IOSCO, including those set out in the "Principles for the Regulation and Supervision of Commodity Derivatives Markets (2011)".

## **Part III — Submissions**

### **Further to the Interim Order, an order pursuant to section 147 of the OSA exempting DW SEF from the requirement to be recognized as an exchange under section 21 of the OSA which will revoke and replace the Interim Order.**

Since DW SEF provides certain Ontario residents with direct access to trading on DW SEF, while regulating their conduct as participants, it is considered by the OSC to be carrying on a business as an exchange in Ontario under the OSA. The Applicant is therefore be prohibited from carrying on business in Ontario unless it is recognized or exempt from recognition under section 21 of the OSA.

DW SEF is regulated by the CFTC and has obtained permanent registration with the CFTC to operate a swap execution facility. DW SEF is obliged under CFTC rules to have requirements governing the conduct of its participants, to monitor compliance with those requirements and to discipline participants, and DW SEF has retained NFA as a regulatory services provider.

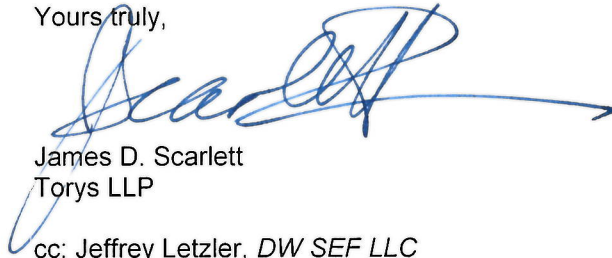
It is submitted that DW SEF satisfies all required criteria required for exemption. It is submitted that Ontario Users that trade in interest rate swaps and credit default swaps benefit from the ability to trade on the DW SEF platform, as they have access to these exchange-traded derivative products. DW SEF offers a transparent, efficient and liquid market for Ontario Users to trade in derivatives. Stringent CFTC oversight of the Applicant as well as the sophisticated information systems, regulation and compliance functions that have been adopted by the Applicant ensure that Ontario Users are adequately protected in accordance with international standards. We, therefore, submit that it would be in the public interest to grant relief from the requirement to be recognized as an exchange under the OSA.

## **Other Matters**

- 1) Enclosed is a certificate of verification of an officer of DW SEF confirming the truth of the facts contained herein.

2) The Applicant consents to the publication of this Application for public comment.

Yours truly,

A handwritten signature in blue ink, appearing to read "James D. Scarlett", with a long horizontal flourish extending to the right.

James D. Scarlett  
Torys LLP

cc: Jeffrey Letzler, *DW SEF LLC*  
Scott Zucker, *DW SEF LLC*  
Adam Freedman, *Torys LLP*

Enclosures

**VERIFICATION STATEMENT**

To: Ontario Securities Commission

The undersigned hereby authorizes the making and filing of the attached application by Torys LLP on its behalf and confirms the truth and accuracy of the information contained therein.

DATED at New York, New York this 29th day of March, 2016.

DW SEF LLC

By: 

Jeffrey T. Letzler  
Chief Compliance Officer, DW SEF LLC