

# SECURITIES AND EXCHANGE COMMISSION

## FORM SBSEF

### SECURITY-BASED SWAP EXECUTION FACILITY APPLICATION OR AMENDMENT TO APPLICATION FOR REGISTRATION

#### EXHIBITS INSTRUCTIONS

The following Exhibits must be filed with the Commission by an Applicant applying for registration as a security-based swap execution facility, or by a registered security-based swap execution facility amending its registration, pursuant to section 3D of the Act and the Commission's rules thereunder. The Exhibits must be labeled according to the items specified in this Form SBSEF.

The application must include a Table of Contents listing each Exhibit required by this Form SBSEF and indicating which, if any, Exhibits are inapplicable. For any Exhibit that is inapplicable, next to the Exhibit letter specify "none," "not applicable," or "N/A," as appropriate.

If the Applicant is a newly formed enterprise and does not have the financial statements required pursuant to Items 9 and 10 (Exhibits I and J) of this Form SBSEF, the Applicant should provide *pro forma* financial statements for the most recent six months or since inception, whichever is less.

#### LIST OF EXHIBITS

##### EXHIBITS – BUSINESS ORGANIZATION

1. Attach as **Exhibit A**, the name of any person who owns ten percent (10%) or more of the Applicant's stock or who, either directly or indirectly, through agreement or otherwise, in any other manner, may control or direct the management or policies of the Applicant.

Provide as part of Exhibit A the full name and address of each such person and attach a copy of the agreement or, if there is none written, describe the agreement or basis upon which such person exercises or may exercise such control or direction.

2. Attach as **Exhibit B**, a list of the present officers, directors, governors (and, in the case of an Applicant that is not a corporation, the members of all standing committees, grouped by committee), or persons performing functions similar to any of the foregoing, of the security-based swap execution facility or of any entity that performs the regulatory activities of the Applicant, indicating for each:
  - a. Name
  - b. Title
  - c. Dates of commencement and termination of present term of office or position
  - d. Length of time each present officer, director, or governor has held the same office or position
  - e. Brief account of the business experience of each officer and director over the last five years

- f. Any other business affiliations in the derivatives and securities industry
  - g. For directors, list any committees on which they serve and any compensation received by virtue of their directorship
  - h. Whether the person has been subject to a disciplinary action of any type noted in § 242.819(i) of Regulation SE and, if so, describe.
3. Attach as **Exhibit C**, a narrative that sets forth the fitness standards for the governing board and its composition.
4. Attach as **Exhibit D**, a narrative or graphic description of the organizational structure of the Applicant. Include a list of all affiliates of the Applicant and indicate the general nature of the affiliation. If the security-based swap execution facility activities of the Applicant are or will be conducted primarily by a division, subdivision, or other separate entity within the Applicant, describe the relationship of such entity within the overall organizational structure and attach as Exhibit D a description only as it applies to the division, subdivision, or separate entity, as applicable. Additionally, state any jurisdictions in which the Applicant or any affiliated entity is doing business, and its registration status in that jurisdiction, including pending registrations (*e.g.*, jurisdiction, regulator, registration category, date of registration). Provide the address for legal service of process for each jurisdiction, which cannot be a post office box.
5. Attach as **Exhibit E**, a description of the personnel qualifications for each category of professional employees employed by the Applicant or the division, subdivision, or other separate entity within the Applicant, as described in Item 4.
6. Attach as **Exhibit F**, an analysis of staffing requirements necessary to carry out the operations of the Applicant as a security-based swap execution facility and the name and qualifications of each key staff person.
7. Attach as **Exhibit G**, a copy of the constitution; articles of incorporation, formation, or association, with all amendments thereto; partnership or limited liability agreements; and existing by-laws, operating agreement, rules, or instruments corresponding thereto, of the Applicant. Include any additional governance fitness information not included in Exhibit C. Provide a certificate of good standing dated within one week of the date of this Form SBSEF.
8. Attach as **Exhibit H**, a brief description of any material pending legal proceeding(s), other than ordinary and routine litigation incidental to the business, to which the Applicant or any of its affiliates is a party or to which any of its or their property is the subject. For each such proceeding, include the name of the court or agency where the proceeding is pending, the date instituted, the principal parties involved, a description of the factual basis alleged to underlie the proceeding, and the relief sought. Include similar information as to any proceeding known to be contemplated by a governmental agency.

## **EXHIBITS —FINANCIAL INFORMATION**

9. Attach as **Exhibit I**:
  - a. (i) Balance sheet; (ii) Statement of income and expenses; (iii) Statement of cash flows; and (iv) Statement of sources and application of revenues and all notes or schedules thereto, as of the most recent fiscal year of the Applicant, or of its parent company, if applicable. If a balance sheet and any statement(s) certified by an

independent public accountant are available, that balance sheet and statement(s) should be submitted as Exhibit I.

- b. Provide a narrative of how the value of the financial resources of the Applicant is at least equal to a total amount that would enable the Applicant to cover its operating costs for a period of at least one year, calculated on a rolling basis, and whether such financial resources include unencumbered, liquid financial assets (*i.e.*, cash and/or highly liquid securities) equal to at least six months' operating costs.
  - c. Attach copies of any agreements establishing or amending a credit facility, insurance coverage, or other arrangement evidencing or otherwise supporting the Applicant's conclusions regarding the liquidity of its financial assets.
  - d. Representations regarding sources and estimates for future ongoing operational resources.
10. Attach as **Exhibit J**, a balance sheet and an income and expense statement for each affiliate of the security-based swap execution facility that also engages in security-based swap execution facility activities or is a national securities exchange as of the end of the most recent fiscal year of each such affiliate.
11. Attach as **Exhibit K**, the following:
- a. A complete list of all dues, fees, and other charges imposed, or to be imposed, by or on behalf of the Applicant for its security-based swap execution facility services that are provided on an exclusive basis and identify the service or services provided for each such due, fee, or other charge.
  - b. A description of the basis and methods used in determining the level and structure of the dues, fees, and other charges listed in paragraph (a) of this item.
  - c. If the Applicant differentiates, or proposes to differentiate, among its members in the amount of any dues, fees, or other charges imposed for the same or similar exclusive services, describe and indicate the amount of each differential. In addition, identify and describe any differences in the cost of providing such services and any other factors that account for such differentiations.

## **EXHIBITS — COMPLIANCE**

12. Attach as **Exhibit L**, a narrative and any other form of documentation that may be provided under other Exhibits herein, that describes the manner in which the Applicant is able to comply with each Core Principle. Such documentation must include a regulatory compliance chart setting forth each Core Principle and providing citations to the Applicant's relevant rules, policies, and procedures that address each Core Principle. To the extent that the application raises issues that are novel or for which compliance with a Core Principle is not self-evident, include an explanation of how that item and the application satisfy the Core Principles.
13. Attach as **Exhibit M**, a copy of the Applicant's rules and any technical manuals, other guides, or instructions for members, including minimum financial standards for members. Include rules on publication of daily trading information with regards to the requirements of Regulation SBSR (§§ 242.900 through 242.909). The Applicant should include an

explanation and any other form of documentation that the Applicant thinks will be helpful to its explanation, demonstrating how its rules, technical manuals, other guides, or instructions for members or minimum financial standards for members, as provided in this Exhibit M, help support the security-based swap execution facility's compliance with the Core Principles.

14. Attach as **Exhibit N**, executed or executable copies of any agreements or contracts entered into or to be entered into by the Applicant, including third-party regulatory service provider or member or user agreements that enable or empower the Applicant to comply with applicable Core Principles. Identify: (1) the services that will be provided; and (2) the Core Principles addressed by such agreement.
15. Attach as **Exhibit O**, a copy of any compliance manual and any other document that describes with specificity the manner in which the Applicant will conduct trade practice, market, and financial surveillance.
16. Attach as **Exhibit P**, a description of the Applicant's disciplinary and enforcement protocols, tools, and procedures and, if applicable, the arrangements for alternative dispute resolution.
17. Attach as **Exhibit Q**, an explanation regarding the operation of the Applicant's trading system(s) or platform(s) and the manner in which the system(s) or platform(s) satisfy any Commission rules, interpretations, or guidelines regarding a security-based swap execution facility's execution methods, including the minimum trading functionality requirement in § 242.803 of the Commission's regulations. This explanation should include, as applicable, the following:
  - a. For trading systems or platforms that enable members to engage in transactions through an order book:
    - (1) How the trading system or platform displays all orders and trades in an electronic or other form, and the timeliness in which the trading system or platform does so;
    - (2) How all market participants have the ability to see and have the ability to transact on all bids and offers; and
    - (3) An explanation of the trade matching algorithm, if applicable, and examples of how that algorithm works in various trading scenarios involving various types of orders.
  - b. For trading systems or platforms that enable members to engage in transactions through a request-for-quote system:
    - (1) How a member transmits a request for a quote to buy or sell a specific instrument to no less than three market participants in the trading system or platform, to which all members may respond;
    - (2) How resting bids or offers from the Applicant's Order Book are communicated to the requester; and
    - (3) How a requester may transact on resting bids or offers along with the responsive orders.
  - c. How the timing delay described under § 242.815(b) of Regulation SE is incorporated into the trading system or platform.
18. Attach as **Exhibit R**, a list of rules prohibiting specific trade practices.

19. Attach as **Exhibit S**, a discussion of how trading data will be maintained by the security-based swap execution facility.
20. Attach as **Exhibit T**, a list of the name of the clearing organization(s) that will clear the Applicant's trades, and a representation that clearing members of that organization will be guaranteeing such trades.
21. Attach as **Exhibit U**, any information (described with particularity) included in the application that will be subject to a request for confidential treatment pursuant to Securities Exchange Act Rule 24b-2, 17 CFR 240.24b-2.