

November 26, 2013

Paul M. Architzel

Via electronic mail to secretary@cftc.gov

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Melissa Jurgens
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Center
1155 21st Street NW
Washington, D.C. 20581

Re: TeraExchange, LLC – Amended Rulebook

Dear Secretary Jurgens:

On behalf of our client TeraExchange, LLC (“TeraExchange”), pursuant to Section 5c(c) of the Commodity Exchange Act (the “Act”) and Section 40.6(a) of the regulations of the Commodity Futures Trading Commission (the “Commission”), we hereby submit the certification of TeraExchange of amendments to the TeraExchange Rulebook. We understand that the revised Rulebook will become effective ten business days after filing of this submission.

Attached, please find the submission cover sheet required pursuant to Commission Rule 40.6. The concise explanation of the operation and effect of the rule amendments is included in chart form.

Please do not hesitate to contact me with any questions.

Respectfully submitted,



Paul M. Architzel

Cc: Nancy Markowitz, DMO
Mark Schlegel
Jamine Lee

SUBMISSION COVER SHEET

Registered Entity Identifier Code (optional): 2013-01 Date: November 26, 2013

IMPORTANT: CHECK BOX IF CONFIDENTIAL TREATMENT IS REQUESTED.

ORGANIZATION	TeraExchange, LLC
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FILING AS A: DCM SEF DCO SDR ECM/SPDC

TYPE OF FILING	
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- **Rules and Rule Amendments**

- Certification under § 40.6 (a) or § 41.24 (a)
- “Non-Material Agricultural Rule Change” under § 40.4 (b)(5)
- Notification under § 40.6 (d)
- Request for Approval under § 40.4 (a) or § 40.5 (a)
- Advance Notice of SIDCO Rule Change under § 40.10 (a)

- **Products**

- Certification under § 39.5(b), § 40.2 (a), or § 41.23 (a)
- Swap Class Certification under § 40.2 (d)
- Request for Approval under § 40.3 (a)
- Novel Derivative Product Notification under § 40.12 (a)

RULE NUMBERS	
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Multiple Rules – See attached chart.

DESCRIPTION	
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The following amendments to TeraExchange LLC’s (“TeraExchange”) Rules are intended to, among other things, allow TeraExchange to provide for agency-based trading, in which Account Holders, which are defined as “Customers” under Commodity Futures Trading Commission (“Commission”) Rule 1.3(k), are able to arrange trades through Executing Firms, which include Introducing Brokers, as defined in Section 1a(31) of the Commodity Exchange Act (“Act”). Other changes include: clarifying the process by which Executing Firms may report arranged Permitted transactions for execution by Tera, providing for non-cleared transactions, providing a Request for Quote System, and making conforming amendments to the limitation of liability rules.

TeraExchange, LLC
Rule Implementation Submission 2013-01
November 26, 2013

1. The texts of the amended Rules are appended as Attachment A. Any additions are underlined and any deletions are struck through.
2. The date of intended implementation for these rules is ten business days following the filing of this submission.
3. Attached, please find a certification that: (1) these rules comply with the Act, and the Commission's regulations thereunder; and (2) concurrent with this submission, TeraExchange posted on its website: (i) a notice of pending certification of the rule amendments with the Commission; and (ii) a copy of this submission.
4. A concise explanation and analysis of the operation, purpose, and effect of each of the amended rules appears below.
5. There were no opposing views expressed regarding these amended rules.
6. Confidential treatment is not requested.

**CONCISE EXPLANATION AND ANALYSIS OF THE OPERATION, PURPOSE, AND
EFFECT OF THE RULE AMENDMENT AND ITS COMPLIANCE WITH APPLICABLE
PROVISIONS OF THE ACT, INCLUDING CORE PRINCIPLES AND THE
COMMISSION'S REGULATIONS THEREUNDER**

Pursuant to Commission Rule 40.6(a)(7)(vi), the following is a concise explanation and analysis of the operation, purpose, and effect of the added and amended rules. As noted above, these added and amended rules, among other things:

- (1) provide for the agency-based trading through Executing Firms, which include Introducing Brokers;
- (2) provide the procedure by which Executing Firms may submit trades to Tera for execution;
- (3) introduce rules for the use of a Request for Quote system on the exchange;
- (4) establish the requirements for Permitted Transactions that are uncleared;
- (5) revise the limitation on liability requirements to make conforming changes to the Tera Exchange User License Agreement; and
- (6) make technical corrections.

The following chart identifies the changed rules and the reason for, and effect of the rule change. The remaining rule changes are technical changes in nature, the effects of which are apparent on their face.

CONCISE EXPLANATION AND ANALYSIS OF THE OPERATION, PURPOSE, AND EFFECT OF THE RULE AMENDMENT AND ITS COMPLIANCE WITH APPLICABLE PROVISIONS OF THE ACT

Rule	Rule Title	Summary of Rule Change	Effect
101	Definitions	<ul style="list-style-type: none"> • Clarification of Account Holder • Clarification of Executing Firm • Clarification of Clearing Firm 	<ul style="list-style-type: none"> • Clarifies “Account Holder” definition to include “Customer” as defined in Commission Rule 1.3(k). • Clarifies “Clearing Firm” definition to note that a clearing firm need not be a Participant of Tera. • Clarifies that an “Executing Firm” is a Participant. • Clarifies that “Participant” includes Executing Firms, but not Account Holders. • These changes respond to staff guidance advising SEFs with respect to the definition of “customer” and noting that customer access may be provided. The amendment to the definition of Clearing Firm makes it clear that a firm may offer clearing service without being required to become a Participant of the SEF.
301	Participants	<ul style="list-style-type: none"> • Inclusion of Executing Firm 	<ul style="list-style-type: none"> • Rule 301(b) clarifies that Account Holders do not have to be Participants, thus allowing for agency-based trading. • Rules 301(d) and (e) clarify that Account Holders must submit evidence of their clearing relationship to Tera through their intermediary (Executing Firm). As noted above, this responds to staff guidance regarding open access and intermediated access.
310(b)	Application of Tera Rules and Jurisdiction	<ul style="list-style-type: none"> • Clarification of relationship of Account Holder to Tera 	<ul style="list-style-type: none"> • Amends Rule to require Account Holders to cooperate with Tera in fulfillment of investigations and other self-regulatory actions.


402	Duties and Responsibilities of Participants	<ul style="list-style-type: none"> • Clarification of Relationship of Participant and Account Holder 	<ul style="list-style-type: none"> • Rule 402(a) clarifies that a Participant can act as an agent of an Account Holder. • Rule 402(i) clarifies that a Participant is liable for losses, orders, and transactions by Participant or it's account.
403(h)	Representations and Required Disclosures to Tera	<ul style="list-style-type: none"> • Clarification of Representations 	<ul style="list-style-type: none"> • Clarifies relationship of Account Holders to Tera. Furthers intermediated trading.
405	Mandatory Use of TeraCheck for Pre-Trade Credit Checks	<ul style="list-style-type: none"> • Clarification of Clearing Firm Requirements 	<ul style="list-style-type: none"> • Requires that clearing firms (in addition to Participants) use TeraCheck (or a third-party credit hub) for pre-trade credit checks.
408	Authority to Impose Restrictions	<ul style="list-style-type: none"> • See 403(h) supra 	<ul style="list-style-type: none"> • See 403(h) supra.
409	Participants or Executing Firms	<ul style="list-style-type: none"> • Inclusion of Executing Firm 	<ul style="list-style-type: none"> • Rules 409(a) (b) and (c) allow Executing Firms to act as intermediaries for Participants and Account Holders in (a) entering orders, (b) arranging block trades, and (c) reporting "Arranged Transactions." The Rule also requires that Executing Firms must acquire representations from Account Holders that they are ECPs.
520	Fictitious, Wash or Non-Competitive Transactions Prohibited	<ul style="list-style-type: none"> • Conforming Change 	
527	Pre-discussed or Cross Trades	<ul style="list-style-type: none"> • Technical Correction 	<ul style="list-style-type: none"> • Clarifies that Participants cannot enter into pre-discussed trades except under certain conditions.
529	Arranged Transactions	<ul style="list-style-type: none"> • Inclusion of Executing Firms and Account Holders 	<ul style="list-style-type: none"> • Establishes a procedure for Permitted Transactions that have been arranged by an Executing Firm to be executed at Tera. This rule is being adopted to be consistent with market practice with respect to Permitted, intermediation practices.
530	Request for Quote Trading	<ul style="list-style-type: none"> • Request for Quote 	<ul style="list-style-type: none"> • Establishes the rules for Request for Quotes, including that: (a) each participant must receive the Request for Quote solicitation with

			<p>equal priority; (b) each quote must be sent to 2 recipients (before October 2, 2014), and 3 recipients thereafter; and (c) Tera will communicate to the Request for Quote requester any firm bid or offer that is resting on the Order Book, which pertains to the instrument. This supplements Tera’s rules to add an RFQ trading mechanism in conjunction with the electronic order book as permitted by Part 37 rules.</p>
530	Dispute Resolution	<ul style="list-style-type: none"> • Addition of Arbitration Provision 	<ul style="list-style-type: none"> • Clarifies procedure for customer to Executing and Participant to Participant disputes, added in light of introduction of agency trading.
601	Mandatory Clearing	<ul style="list-style-type: none"> • Clearing 	<ul style="list-style-type: none"> • Clarifies that all “Required Transactions” must be cleared. • Clarifies that all “Permitted Transactions” must be cleared, except as provided in Rule 607 below.
607	Uncleared Transactions	<ul style="list-style-type: none"> • Clarification of Clearing Provisions 	<ul style="list-style-type: none"> • Clarifies the arrangements for incorporating credit terms into uncleared transactions.
801	Disciplinary Rules – General	<ul style="list-style-type: none"> • Clarification of “Participant” Definition 	<ul style="list-style-type: none"> • Removes reference to “Account Holder of ... Participant” as one in the list of individuals for whose actions a Participant would be held liable.
907	Limitation of Liability, No Warranties	<ul style="list-style-type: none"> • Liability 	<ul style="list-style-type: none"> • Updates limitations on liability, including for Participants on TeraExchange.

CERTIFICATIONS PURSUANT TO SECTION 5c OF THE COMMODITY EXCHANGE ACT, 7 U.S.C. §7A-2 AND COMMODITY FUTURES TRADING COMMISSION RULE 40.6, 17 C.F.R. §40.6

I hereby certify that:

- (1) the amended Rules above comply with the Commodity Exchange Act, and the Commodity Futures Trading Commission's regulations thereunder; and
- (2) concurrent with this submission, TeraExchange, LLC posted on its website: (a) a notice of pending certification of the above Rules with the Commission; and (b) a copy of this submission


By: LEONARD T. NUATA
Title: President + COO
Date: November 25, 2013

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Attachment A – Rule Changes to TeraExchange, LLC Rulebook

CHAPTER 1 DEFINITIONS AND RULES OF CONSTRUCTION

Rule 101 Definitions

“Account Holder” means the beneficial owner of an Account ~~and all Orders and positions recorded therein~~, who uses a Participant as agent to transact on Tera, and shall include the meaning of ‘customer’ as defined in CFTC Rule 1.3(k). For the avoidance of doubt, an Account Holder is not a Participant on Tera.

“Clearing Firm” means a member or participant of a Clearing House that is authorized by the Clearing House to clear trades in any or all Instruments for a Participant. For the avoidance of doubt, a Clearing Firm need not be a Participant on Tera.

“Executing Firm” means any entity that is a Participant trading on Tera for its own account or on behalf of a ~~legally distinct~~ Account Holder. An Executing Firm shall include, but not be limited to Persons registered as an Introducing Broker by the CFTC.

“Introducing Broker” means persons within the meaning set forth in Section 1a(31) of the CEA and within the definition of ‘foreign broker’ set forth in 17 C.F.R. 1.3(xx).

“Participant” means any ~~Account Holder, Executing Firm, Clearing Firm,~~ Authorized Trader, or Supervised Person, or any agent, broker, advisor, or other representative of any of the foregoing, that accesses or utilizes TeraExchange. For the avoidance of doubt, a Participant may act on behalf of itself in its own Account or on behalf of a ~~legally distinct~~ Account Holder pursuant to a ~~Written~~ written delegation of trading authority.

CHAPTER 3 PARTICIPANTS

Rule 301 Eligibility Criteria for Becoming a Participant

- (a) To be eligible for admission as a Participant, an applicant must demonstrate to the satisfaction of Tera that it:
 - (i) Is an ECP;
 - (ii) Is of good reputation and business integrity;
 - (iii) Maintains adequate financial resources and credit;
 - (iv) Is validly organized, in good standing, and authorized by its governing body and, if relevant, documents of organization, to trade financial products of a type consistent with Instruments;
 - (v) Has not filed for bankruptcy;
 - (vi) Is not a SEF Official, agent or affiliate of Tera;

- (vii) Holds all registrations required under Applicable Law, if any;
- (viii) Is not subject to statutory disqualification under Section 8a(2) of the CEA; and
- (ix) Satisfies any other criteria that Tera may require from a Participant.

- (b) Each Participant that is acting as agent for an Account Holder ~~must cause such Account Holder to become a Participant and~~ must provide Tera with all information necessary for Tera to establish Accounts for such Account Holder and provide Tera with written representations or proof of authority to place Orders and execute Trades on Tera on behalf of or in the name of such Account Holder.
- (c) Once admitted, the Participant shall continue to comply with all applicable eligibility criteria in this Rule 301.
- (d) Each Account Holder must be either a Clearing Firm of a Clearing House where the Clearable Instruments are cleared or have a clearing account with a Clearing Firm with respect to such Clearable Instrument and, through its Executing Firm, provide Tera with evidence of such relationship.
- (e) Each Executing Firm that is acting as agent for an Account Holder must ensure that each such Account Holder has established a clearing account with a Clearing Firm of the Clearing House accepting for clearance the Clearable Instruments traded on Tera.
- (f) Participants that do not have a relationship with a Clearing Firm as set forth in subsection (d) or (e) of this Rule 301 are prohibited from entering Orders on Tera.
- (g) Upon request of Tera, each Participant shall promptly provide to Tera or the Regulatory Services Provider such information about its Authorized Traders as Tera requests, including but not limited to, the names and dates of birth of such Authorized Traders.

Rule 310 Application of Tera Rules and Jurisdiction

- (a) By becoming a Participant or by accessing, or entering any Order or submitting any Instrument into Tera, and without any need for any further action, undertaking or agreement, a Participant, its ~~Account Holders~~, Authorized Traders, Supervised Persons, and any Participants acting as agents agrees to:

- (i) Be bound by, and comply with, the Tera Rules and obligations, the Clearing House Rules, Instrument Specifications and Applicable Law, in each case to the extent applicable to it;
- (ii) Become subject to the jurisdiction of Tera with respect to any and all matters arising from, related to, or in connection with, the status, actions or omissions of such Person; and
- (iii) Assist Tera in complying with its legal and regulatory obligations;
- (iv) Cooperate with Tera, its agents, the Regulatory Service Provider, and the CFTC in any inquiry, investigation, audit, examination or proceeding; and
- (v) Authorize Tera to provide information regarding such Participant, its Account Holders, Authorized Traders, Supervised Persons, and any Participants acting as agents to the Regulatory Services Provider, the CFTC or any Self-Regulatory Organization.

(b) By accessing Tera through an Executing Firm, an Account Holder shall assist Tera in complying with its legal and regulatory obligations, and thereby agrees without any further action, undertaking or agreement, to cooperate with Tera, its agents, and the Regulatory Service Provider in any inquiry, investigation, audit, examination or proceeding relating to transactions entered on Tera on its behalf.

- (c) Any Participant whose Trading Privileges are revoked or terminated shall remain bound by the Tera Rules and Applicable Law, in each case to the extent applicable to it, and subject to the jurisdiction of Tera with respect to any and all matters arising from, related to, or in connection with, the status, actions or omissions of such Participant prior to such revocation or termination.
- (d) Any Participant that is suspended for any period remains subject to the Tera Rules, the Obligations and Tera's jurisdiction throughout the period of suspension. After termination or revocation of the designation of a Participant, the Participant remains subject to the Tera Rules, the Obligations and the jurisdiction of Tera for acts done and omissions made while registered or acting as an Participant. Any SEF Proceeding relating to a Participant shall occur as if the Participant were still registered or acting as such.

CHAPTER 4 OBLIGATIONS OF PARTICIPANTS

Rule 402 Duties and Responsibilities of Participants

Each Participant, acting on behalf of itself and as agent for any other Participants for which Participant may act as agent or Account Holder, shall

- (a) Ensure that Tera's facilities are used in a responsible manner and are not used for any improper purpose;
- (b) Ensure that Tera's facilities are used to only conduct SEF Activity;
- (c) Ensure that all SEF Activity conducted by the Participant, its agents, ~~Account Holders~~, Authorized Traders and Supervised Persons is performed in a manner consistent with the Tera Rules and their respective Obligations;
- (d) Comply with all Tera Rules and Obligations and act in a manner consistent with each Tera Rule and Obligation;
- (e) Observe high standards of integrity, market conduct, commercial honor, fair dealing, and just and equitable principles of trade while conducting or attempting to conduct any SEF Activity, or any aspect of any business connected with or concerning Tera;
- (f) Not knowingly mislead or conceal any material fact or matter in any dealings or filings with Tera or in response to any SEF Proceeding;
- (g) Keep all Authorized Trader's Trader IDs, account numbers and passwords confidential;
- (h) Be fully liable for all trading losses, Orders and Transactions in Instruments effected by ~~or on behalf of Participant in any or for Participant's Account for which Participant is the Account Holder~~;
- (i) Be responsible for promptly informing Tera of any material changes to Eligibility Criteria information provided to Tera by the Participant; and
- (j) Keep, or cause to be kept, complete and accurate books and records, including, without limitation, all books and records required to be maintained pursuant to the CEA, the CFTC Regulations or the Tera Rules, for at least five (5) years after the termination of the Instrument and required to be readily accessible during the first two (2) years of the five-year period, and make such books and records available for inspection by any representative of Tera, the NFA, the CFTC or other relevant regulatory or governmental body.

Rule 403 Representations and Required Disclosures to Tera

- (a) At the time of each use of Tera, each Participant shall be deemed to represent to Tera that it is an ECP, and that none of the events listed below has occurred with respect to Participant, and each Participant shall immediately notify the Compliance Department upon becoming aware that any of the following events has occurred:

- (b) Any material change to the contact information provided to Tera by the Participant;
- (c) Any damage to, or failure or inadequacy of, the systems, facilities or equipment of the Participant needed to effect Transactions pursuant to the Tera Rules or to timely perform the Participant's financial obligations under or in connection with Instruments;
- (d) Any refusal of admission to, or withdrawal by the Participant of any application for membership in, any Self-Regulatory Organization, SEF, DCM, or Derivatives Clearing Organization;
- (e) Any expulsion, suspension or fine in excess of \$5,000 (whether through an adverse determination, voluntary settlement or otherwise) imposed on the Participant by any Self-Regulatory Organization, SEF, DCM, Derivatives Clearing Organization or relevant regulatory or governmental body;
- (f) Any denial or withdrawal of any application for any registration or license by or from any Governmental Agency, and any revocation, suspension or conditioning of any registration or license granted by any regulatory or governmental body;
- (g) The commencement of any judicial, administrative, or regulatory proceeding or investigation involving the Participant, or the imposition of any fine, cease and desist order, denial of trading privileges, censure or other sanction or remedy (whether through an adverse determination, voluntary settlement or otherwise) imposed by any relevant regulatory or governmental body;
- (h) Any indictment or conviction of, or any confession of guilt or plea of guilty or *nolo contendere* by any principals or senior officers of the Participant or ~~Account Holders~~ or Supervised Persons for any felony or misdemeanor involving, arising from, or related to, the purchase or sale of any commodity, futures contract, Instrument, option, security, securities futures product or other financial instrument, or involving or arising from fraud or moral turpitude;
- (i) The existence of any circumstances that would disqualify the Participant from registration with the CFTC;
- (j) Any judgments, liens, or other encumbrances filed against the Participant;
- (k) The Participant's or a 10% or greater owner of the Participant becoming the subject of a petition for bankruptcy;
- (l) The appointment of a receiver, trustee or administrator for the Participant or a 10% or greater owner of the Participant;

- (m) The presentment of a petition, or the passing of a resolution, for the Participant's or a 10% or greater owner of the Participant winding-up;
- (n) The commencement of proceedings for the Participant's or the 10% or greater owner's of the Participant dissolution; or
- (o) The occurrence of an event of insolvency with respect to the Participant or the 10% or greater owner of the Participant.

Rule 405 Mandatory Use of TeraCheck for Pre-Trade Credit Checks

(a) Each Participant or its Clearing Firm shall establish prudent risk parameters in the TeraCheck or a third-party credit hub pre-trade risk system for all Orders entered into Tera. Participants shall monitor and at all times maintain their credit parameters in such credit check system to ensure consistency with any of Participant's applicable internal risk policies and procedures.

(b) Tera reserves the right to suspend or terminate any Participant's access to Tera at any time in the event that Participant or its Clearing Firm fails to establish reasonably prudent risk parameters for its Orders in such credit check system, as determined by Tera in its sole discretion.

Rule 408 Authority to Impose Restrictions

Whenever a Participant is subject to the early warning requirements set forth in the CFTC Regulations, including, but not limited to, CFTC Regulation 1.12, the President, or his or her designee, may impose such conditions or restrictions on the business and operations of such Participant as the President, or his or her designee, may deem necessary or appropriate for the protection of Participants, their Account Holders,~~other Participants~~ or Tera.

Rule 409 Participants or Executing Firms Accessing Tera on Behalf Others

(a) ~~No~~Except as provided in subsection (c) of this rule, no Participant shall enter an Order or otherwise access Tera on behalf of a legally distinct Account Holder unless the Participant has entered into a Written agreement with such Account Holder containing such terms as may from time to time be prescribed in the Tera Rules.

(b) Without prejudice to the generality of paragraph (a) of this Rule 409, each such Written agreement must:

(i) Contain a representation from Account Holder that Account Holder is an ECP; and

~~(i) Require Account Holder to consent to the jurisdiction of Tera;~~

(ii) In relation to any business done with Account Holder, enable the Participant to comply with all requirements of the Tera Rules and any other arrangements, provisions and directions given by Tera; and.

~~(i) Obligate Account Holder to provide Tera and its agents, including its Regulatory Service Provider, access to all books and records, staff and other information necessary for monitoring and enforcement of Tera Rules.~~

(c) An Executing Firm may enter Orders into the Trading System on behalf of a Participant or a legally distinct Account Holder, arrange Block Trades pursuant to Rule 513 or report Arranged Transactions pursuant to Rule 529 by entering into a written agreement with the Participant or a legally distinct Account Holder to perform such Executing Firm services on behalf of the Participant or legally distinct Account Holder. Such agreement shall also:

(i) Contain a representation from Account Holder that Account Holder is an ECP;

(ii) In relation to any business done with Account Holder, enable the Executing Firm to comply with all requirements of the Tera Rules and any other arrangements, provisions and directions given by Tera; and

Rule 520 Fictitious, Wash or Non-Competitive Transactions Prohibited

(a) No Participant shall create fictitious transactions or wash transactions or execute any such Order with knowledge of its nature. No Participant shall place or accept Orders in the same Instrument where the Participant knows or reasonably should know that the purpose of the Orders is to avoid taking a bona fide market position exposed to market risk (transactions commonly known or referred to as wash sales). Orders for different accounts with common beneficial ownership that are entered with the intent to negate market risk or price competition shall also be deemed to violate the prohibition on wash trades. Additionally, no Participant shall knowingly execute or accommodate the execution of such Orders by direct or indirect means.

(b) No Participant shall engage in a non-competitive transaction except with respect to Block Trades affected pursuant to Rule 513 or Permitted Transactions Arranged by an Executing Firm pursuant to Rule 529.

Rule 527 ~~Trading Against or Crossing Orders Prohibited~~ Pre-discussed or Cross Trades

- (a) No Participant in possession of any legally distinct Account Holder's Order shall knowingly take, directly or indirectly, the opposite side of such Order for its own account, an account in which it has a direct or indirect financial interest, or an account over which it has discretionary trading authority .
- (b) No Participant in possession of Orders from more than one legally distinct Account Holder shall knowingly cause such Orders to execute against one another on Tera, or shall enter a pre-discussed Transaction into the Tera Trading System, except as provided in paragraph (c).
- (c) The foregoing restriction shall not apply to Transactions executed pursuant to Rule 513 (Block Trades) or to Orders:
 - (i) That have been entered immediately upon receipt and exposed on the Order Book for a minimum of 15 seconds, or
 - (ii) From Account Holders who have consented in Writing within the preceding 12 months to waive the application of this Rule 527 and the executing Participant has notified the Account Holder in Writing of Participant's intent to take the opposite side of such Order.

Rule 529 Arranged Transactions

- (a) Notwithstanding any provision of Rule 527 to the contrary, Tera shall execute Permitted Transactions between Participants, Account Holders or both that have been arranged by an Executing Firm and submitted to the Tera System in accordance with this Rule.
- (b) The Executing Firm shall provide Tera with evidence in a form and manner acceptable to Tera that the Participant or Account Holder consents to the Executing Firm acting on the Participant or Account Holder's behalf.
- (c) The Executing Firm shall record such information as required by the Tera entry screen regarding the details of the arranged transaction as soon as practicable, but in no event more than 15 minutes, following agreement of the Participants to the terms of the transaction.
- (d) The Executing Firm shall indicate whether the transaction is intended to be cleared or intended to be uncleared.
 - (i) For transactions intended to be cleared, the fields relating to account number and Clearing Participant shall automatically be

populated and the transaction shall be in accordance with the provisions of Chapter 6 of the Tera Rules.

(ii) For transactions intended to be uncleared, the Executing Firm, prior to reporting the arranged transaction to Tera for execution under this rule, shall obtain a representation from each of the applicable Participants or Account Holders that the Participant or Account Holder has in place credit arrangement documentation as to the other party, including as applicable arrangements for the exchange of collateral.

(e) The Executing Firm shall keep full, complete and systematic records relating to the transactions as required by CFTC Rule 1.35; and shall make available access to such records upon the request of Tera or its Regulatory Services Provider.

(f) The transaction may not be entered into for illegal or improper purposes and must comply with the trading practice and business conduct rules of this Chapter. Upon request by Tera or its Regulatory Services Provider, the Executing Firm must demonstrate that a transaction complies with this Rule and Applicable Law.

Rule 530 Request for Quote Trading

(a) A Participant may solicit a bid, an offer or both, by entering an RFQ Order into the Trading System, which shall provide that each Participant solicited shall receive the RFQ solicitation with equal priority.

(b) The requestor may submit the RFQ on an anonymous or disclosed basis.

(c) An RFQ must be sent by the requestor;

(i) For Required Transactions, to two or more responders not affiliated with the requestor; *provided, however,* after October 2, 2014, the RFQ must be sent to three or more such unaffiliated responders.

(ii) For Permitted Transactions, to one or more responders not affiliated with the requestor.

(d) At the same time that the RFQ requestor receives the first response to the RFQ for a Required Transaction, Tera shall communicate to the requester any firm bid or offer pertaining to the same Instrument resting on the Order Book. Tera provides the RFQ requestor the ability to execute against any of the bids or offers responding to the RFQ, including the bid or offer resting on the Order Book.

Rule 531 Disputes

Any dispute between an Account Holder and an Executing Firm or between two Participants arising out of or in connection with the solicitation or acceptance of any order for execution of a Swap, or the execution of any Swap, shall be resolved by and pursuant to the arbitration rules of the NFA or such other self-regulatory organization as the parties may agree.

CHAPTER 6 CLEARING

Rule 601 Mandatory Clearing

All Required Transactions and all Permitted Transactions, except as provided under Rule 607, entered into Tera or subject to Tera rules shall be cleared through a Clearing House in accordance with applicable Clearing House Rules and in conformity with the CEA, CFTC Regulations and the Rules specifically provided in this Chapter 6.

Rule 607 Uncleared Transactions

- (a) The Participants or Account Holders that are parties to a Permitted Transaction that has been reported to Tera by an Executing Firm for execution under Rule 529 may agree that such transactions shall be uncleared.
- (b) Notwithstanding anything to the contrary in Rule 705(b), the economic terms specific to the transaction agreed by the Participants or Account Holders on Tera with respect to an uncleared transaction shall be reflected by Tera in a written communication (the “Trade Communication”) sent by Tera to the applicable Participants or Account Holders through the Executing Firm. The Trade Communication, together with the documents and agreements (including, without limitation, ISDA master agreements, other master agreements, terms supplements, master confirmation agreements, and incorporated industry definitions) governing such transaction existing at the time of such commitment to which the participants are party (the “Terms Incorporated by Reference”) shall, taken together, comprise all of the terms of such transaction and serve as a confirmation of such transaction. Each Trade Communication is deemed to incorporate the Terms Incorporated by Reference and in the event of any conflict between the Trade Communication and the Terms Incorporated by Reference, the Trade Communication shall prevail to the extent of any inconsistency.

CHAPTER 8 DISCIPLINARY RULES

Rule 801 General

- (a) All Participants shall be subject to Tera’s jurisdiction. All Participants are subject to this Chapter 8 if they, or with respect to a Participant, any other Person using any Trader ID and/or login credentials linked to the Participant, are alleged to have violated, to have aided and abetted a violation, to be violating, or to be about to violate, any Tera Rule or any provision of Applicable Law for which Tera possesses disciplinary jurisdiction.
- (b) Tera, through the Compliance Department and the Disciplinary Panels, will conduct inquiries, investigations, disciplinary proceedings, summary impositions of fines, summary suspensions or other summary actions in accordance with this Chapter 8.
- (c) No Director will interfere with or attempt to influence the process or resolution of any inquiry, investigation, disciplinary proceeding and summary imposition of fines, summary suspension or other summary action, except to the extent provided under the Tera Rules with respect to a proceeding in which the Director is a member of the relevant panel.
- (d) Any Participant may be represented by counsel during any inquiry, investigation, disciplinary proceeding, summary imposition of fines, summary suspension or other summary actions pursuant to this Chapter 8.
- (e) Pursuant to this Chapter 8, Tera may hold a Participant liable for, and impose sanctions against such Participant, for such Participant’s own acts and omissions that constitute a violation as well as for the acts and omissions of each
 - (i) Authorized Trader of such Participant;
 - (ii) Other Supervised Person of such Participant;
 - (iii) Other Person using the Trader ID or login credentials linked to the Participant, or
 - (iv) Other agent or representative of such Participant, in each case, that constitute a violation as if such violation were that of the Participant; ~~or,~~
- ~~(i) Account Holder of such Participant.~~
- (f) Pursuant to this Chapter 8, Tera may hold an Authorized Trader liable for, and impose sanctions against him or her, for such Authorized Trader’s own acts and omissions that constitute a violation as well as or for the acts and omissions of any other agent or representative of such Authorized Trader that constitute a violation as if such violation were that of the Authorized Trader.

- (g) Pursuant to this Chapter 8, Tera may review an appeal by any applicant of Tera’s decision to deny or otherwise limit Trading Privileges of such applicant pursuant to the Tera Rules; provided, however, that any such decision by Tera to deny or otherwise limit applicant’s Trading Privileges shall continue in effect during such review.
- (h) A Person subject to a disciplinary proceeding (and any counsel or representative of such Person) and the Compliance Department and/or the Review Panel (and any counsel or representative of the Compliance Department including any Regulatory Service Provider and Review Panel) shall not knowingly make or cause to be made an ex parte communication relevant to the merits of a disciplinary proceeding to any member of the Hearing Panel hearing such proceeding. Members of a Hearing Panel shall not knowingly make or cause to be made an ex parte communication relevant to the merits of a disciplinary proceeding to any Person subject to such proceeding (and any counsel or representative of such Person) and the Compliance Department (and any counsel or representative of the Compliance Department) or the Review Panel (and any counsel or representative of the Review Panel). Any Person who receives, makes or learns of any communication which is prohibited by this rule shall promptly give notice of such communication and any response thereto to the Compliance Department and all parties to the proceeding to which the communication relates. A Person shall not be deemed to have violated this rule if the Person refuses an attempted communication concerning the merits of a proceeding as soon as it becomes apparent the communication concerns the merits.

CHAPTER 9 MISCELLANEOUS

Rule 907 LIMITATION OF LIABILITY, NO WARRANTIES

- (a) THE SERVICES (FOR EACH INSTANCE IN THIS RULE 907, “SERVICES” SHALL HAVE THE MEANING AS PROVIDED IN THE EULA) ARE PROVIDED ON AN “AS IS,” “AS AVAILABLE” BASIS WITHOUT WARRANTIES OF ANY KIND AND THERE ARE NO EXPRESS OR IMPLIED ~~—WARRANTES~~WARRANTIES OR REPRESENTATIONS, INCLUDING BUT NOT LIMITED TO, NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS IN RELATION TO THE TRADEMARKS “FAIR FIRM FAST”,” “FAIR FIRM FINAL”,” AND “~~YOU~~RE YOU’RE DONE”,” PROVIDED BY TERA (INCLUDING ITS SUBSIDIARIES AND AFFILIATES, AND ANY CONTRACTORS PROVIDING SERVICES TO TERA),; NOR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES, MEMBERS, AGENTS, CONSULTANTS, AND LICENSORS (THE “DISCLAIMING PARTY” OR “DISCLAIMING PARTIES”). EACH OF THE DISCLAIMING PARTIES DISCLAIMS ALL WARRANTIES, CONDITIONS, ~~GUARANTEES~~GUARANTIES

OR REPRESENTATIONS AS TO MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR OTHER WARRANTIES, CONDITIONS, ~~GUARANTEES~~GUARANTIES OR REPRESENTATIONS. ~~NONE OF THE DISCLAIMING PARTIES WILL HAVE ANY RESPONSIBILITY TO MAINTAIN THE SERVICES OR TO SUPPLY ANY CORRECTIONS, UPDATES OR RELEASES IN CONNECTION THEREWITH. EACH PARTY HEREBY ACKNOWLEDGES THAT IT HAS NOT RELIED UPON ANY WARRANTY, CONDITION, GUARANTY, ACKNOWLEDGMENT, OR REPRESENTATION MADE BY THE OTHER, EXCEPT FOR THE REPRESENTATIONS AND ACKNOWLEDGEMENTS SET FORTH IN THIS RULEBOOK AND THE EULA. FURTHERMORE, THE DISCLAIMING PARTIES CANNOT AND DO NOT GUARANTEE OR MAKE ANY REPRESENTATION OR WARRANTY, EITHER EXPRESS OR IMPLIED, AS TO THE VALIDITY, SEQUENCE, TIMELINESS, COMPLETENESS, ACCURACY OR CONTINUED AVAILABILITY OR ANY INFORMATION OR DATA MADE AVAILABLE ON OR THROUGH THE SERVICES. PARTICIPANT USER IS SOLELY RESPONSIBLE FOR CONFIRMING THE ACCURACY AND ADEQUACY OF INFORMATION, SERVICES OR PROCESSES USED BY IT AND THE RESULTANT TRANSACTIONS OR OTHER OUTPUT THEREOF.~~

(b) ~~EXCEPT AS PROVIDED BELOW IN THIS RULE 907(a) FOR ANY INDEMNIFICATION OBLIGATION IN ACCORDANCE WITH RULE 206 HEREOF, OR A BREACH OF ITS CONFIDENTIALITY OBLIGATIONS SET FORTH IN RULE 208(G) AND EXCEPT WHEN THERE HAS BEEN A FINDING OF GROSS NEGLIGENCE, FRAUD OR WILLFUL MISCONDUCT (HEREINAFTER "LIMITATION EXCEPTIONS") BY TERA, ITS SUBSIDIARIES OR AFFILIATES, NONE OF IN NO EVENT SHALL TERA, (INCLUDING ITS SUBSIDIARIES AND AFFILIATES OR ANY CONTRACTORS AND SUBCONTRACTORS PROVIDING SERVICES RELATED TO TERA), NOR ANY OF THEIR RESPECTIVE SUCCESSORS OR ASSIGNS, DIRECTORS, OFFICERS, MEMBERS, EMPLOYEES, AGENTS, PARTNERS, CONSULTANTS, OR LICENSORS (EACH, A "DISCLAIMING PARTY") SHALL AND LICENSOR BE LIABLE TO ANY PERSON (INCLUDING ANY PARTICIPANT) FOR ANY LOSSES, DAMAGES, COSTS OR EXPENSES (, INCLUDING, BUT NOT LIMITED TO, LOSS OF PROFITS, LOSS OF USE, AND DIRECTSPECIAL, PUNITIVE, INDIRECT, SPECIAL, INCIDENTAL, OR CONSEQUENTIAL OR PUNITIVE DAMAGES), ARISING FROM:~~

(i) ~~ANY FAILURE, MALFUNCTION, FAULT IN DELIVERY, DELAY, OMISSION, SUSPENSION, INACCURACY, INTERRUPTION, INACCURACY OR TERMINATION, OR~~

ANY OTHER ~~EVENT~~CAUSE, IN CONNECTION WITH THE FURNISHING, PERFORMANCE, OPERATION, MAINTENANCE, USE OF OR INABILITY TO USE ALL OR ANY PART OF ~~ANY OF THE SERVICES, TERA, OR SERVICES OF THE DISCLAIMING PARTY, OR SERVICES, EQUIPMENT OR DATA OR OTHER INFORMATION MADE AVAILABLE ON THE SERVICES, OR ANY FACILITIES USED TO SUPPORT SUCH SEF OPERATED BY TERA, OR THE SERVICES, INCLUDING WITHOUT LIMITATION ELECTRONIC ORDER ENTRY/ORDER DELIVERY, TRANSACTIONS, TRADING THROUGH ANY ELECTRONIC MEANS, ELECTRONIC COMMUNICATION OF MARKET DATA OR INFORMATION, WORKSTATIONS USED BY PARTICIPANTS, PRICE REPORTING SYSTEMS AND ANY AND ALL TERMINALS, COMMUNICATIONS NETWORKS, CENTRAL COMPUTERS, SOFTWARE AND, HARDWARE, AND FIRMWARE RELATING THERETO; OR~~

(ii) ANY FAILURE, OR MALFUNCTION, FAULT IN DELIVERY, DELAY, OMISSION, SUSPENSION, INACCURACY, INTERRUPTION OR TERMINATION, OR ANY OTHER ~~EVENT~~CAUSE, OF ANY SYSTEM OR SERVICE OF TERA ~~OR ANY SERVICES OF A DISCLAIMING PARTY, OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH TRADING SYSTEMS OR SERVICES, CAUSED BY ANY THIRD PARTIES INCLUDING, BUT NOT LIMITED TO, INDEPENDENT SOFTWARE VENDORS OR AND NETWORK PROVIDERS; OR~~

~~(i) ANY ERRORS OR INACCURACIES IN INFORMATION PROVIDED BY THE DISCLAIMING PARTY OR IN ANY OF THE DISCLAIMING PARTY'S SYSTEMS, SERVICES, EQUIPMENT OR FACILITIES;~~

~~(i) ANY UNAUTHORIZED ACCESS TO OR UNAUTHORIZED USE OF ANY OF THE DISCLAIMING PARTY'S SYSTEMS, SERVICES, EQUIPMENT OR FACILITIES BY ANY PERSON.~~

(iii) ANY FAULT ~~IN~~IN DELIVERY, DELAY, SUSPENSION, INACCURACY OR ANY OTHER CAUSE OF ANY SYSTEM OR SERVICE USED BY ~~PARTICIPANT~~CLEARING FIRM, EXECUTING FIRM OR A CLEARING HOUSE IN SUPPORT OF TRANSACTIONS OR CLEARING ACTIVITIES.

(iv) THE ~~FOREGOING~~ LIMITATION OF LIABILITY IN THIS RULE SHALL APPLY WHETHER A CLAIM ARISES IN CONTRACT, TORT, NEGLIGENCE, STRICT LIABILITY, CONTRIBUTION OR OTHERWISE AND WHETHER THE

CLAIM IS BROUGHT DIRECTLY OR AS A THIRD PARTY CLAIM.

- ~~(a) NOTWITHSTANDING THE ABOVE, EXCEPT FOR ANY INDEMNIFICATION OBLIGATIONS IN ACCORDANCE WITH THE EULA, THE SOLE LIABILITY OF LIMITATION EXCEPTIONS BY TERA- (INCLUDING, ITS SUBSIDIARIES AND/OR AFFILIATES AND ANY CONTRACTORS PROVIDING SERVICES TO TERA) OR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, MEMBERS, EMPLOYEES, AGENTS, CONSULTANTS, AND LICENSORS FOR DIRECT LOSS OR DAMAGE WHETHER IN CONTRACT, TORT (INCLUDING NEGLIGENCE AND BREACH OF STATUTORY DUTY), STRICT LIABILITY OR OTHERWISE, TERA'S TOTAL COMBINED AGGREGATE OBLIGATIONS OR LIABILITY FOR USER OR ANY THIRD PARTY ARISING OUT OF OR IN CONNECTION WITH SERVICES THIS AGREEMENT OR THE TERMS SHALL BE LIMITED TO THE NEGLIGENT ACTION OR WILLFUL MISCONDUCT IN:~~
- ~~(i) SERVICES PROVIDED HEREUNDER TERMINATING A PARTICIPANT'S PRIVILEGES AND DENYING THAT PARTICIPANT FROM ENGAGING IN FURTHER TRANSACTIONS;~~
 - ~~(i) FAILING TO TERMINATE A PARTICIPANT'S PRIVILEGES AFTER RECEIVING A CLEARING FIRM'S INSTRUCTIONS; AND~~
 - ~~(i) CAUSING PARTICIPANT ID, TRADER ID, OR ANY OTHER SUCH USER ACCESS CREDENTIALS ("USER ACCESS CREDENTIALS" SHALL HAVE THE MEANING AS PROVIDED IN THE EULA) TO BE ISSUED TO UNAUTHORIZED PERSONS, AND SUCH LIABILITY FOR ANY PARTICIPANT FOR ALL CLAIMS ARISING FOR THAT PARTICIPANT IN A CALENDAR YEAR SHALL BE LIMITED TO:~~
 - ~~(1) \$1,000 FOR ANY SINGLE CLAIM; AND~~
 - ~~(1) \$10,000 FOR ALL CLAIMS.~~
- ~~(c) EXCEPT FOR ANY INDEMNIFICATION OBLIGATIONS IN ACCORDANCE WITH THE EULA, THE TOTAL COMBINED AGGREGATE LIABILITY OF TERA, ITS SUBSIDIARIES OR AFFILIATES SHALL NOT EXCEED \$5,000100,000 (ONE HUNDRED THOUSAND DOLLARS) FOR ALL LOSSES AND CLAIMS SUFFERED FROM ALL CAUSES SUFFERED ON A SINGLE DAY; \$50,000 FOR ALL LOSSES AND CLAIMS FROM ALL CAUSES SUFFERED IN A SINGLE CALENDAR MONTH; AND (H) \$250,000 (TWO HUNDRED FIFTY THOUSAND DOLLARS) FOR ALL LOSSES AND CLAIMS FROM ALL CAUSES SUFFERED IN A SINGLE CALENDAR YEAR. ANY DISPUTED CLAIM PURSUANT TO THIS PARAGRAPH (e) SHALL BE SUBJECT TO ARBITRATION TO THE EXTENT PROVIDED IN SUBSECTION MUST BE ARBITRATED PURSUANT TO RULE 906.~~

~~(a) EXCEPT FOR ANY INDEMNIFICATION OBLIGATIONS IN ACCORDANCE WITH THE EULA, IN NO EVENT SHALL TOTAL COMBINED AGGREGATE LIABILITY OF TERA FOR ALL CLAIMS AND CLAIMS AGAINST DISCLAIMING PARTIES ARISING OUT OF ANY FAILURES, MALFUNCTIONS, FAULTS IN DELIVERY, DELAYS, OMISSIONS, SUSPENSIONS, INACCURACIES, INTERRUPTIONS, TERMINATIONS, OR ANY OTHER CAUSES, IN CONNECTION WITH THE FURNISHING, PERFORMANCE, OPERATION, MAINTENANCE, USE OF OR INABILITY TO USE ALL OR ANY PART OF ANY OF TERA, OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT TERA, OR THE NEGLIGENCE OF TERA EMPLOYEES, AGENTS OR SUBAGENTS EXCEED \$250,000 IN ANY GIVEN CALENDAR YEAR.~~

(i) IF THE NUMBER OF ALLOWED CLAIMS BY USER ARISING OUT OF ANY FAILURES OR MALFUNCTIONS ON A SINGLE DAY; OR SINGLE MONTH OR SINGLE YEAR CANNOT BE FULLY SATISFIED BECAUSE OF THE ABOVE DOLLAR LIMITATIONS, ALL SUCH CLAIMS SHALL BE LIMITED TO A PRO RATA SHARE OF THE MAXIMUM AMOUNT FOR THE RESPECTIVE PERIOD.

(ii) A CLAIM AGAINST TERA ~~ARISING OUT OF ANY FAILURE OR MALFUNCTION~~ SHALL ONLY BE ALLOWED IF SUCH CLAIM IS BROUGHT IN ACCORDANCE WITH PROCEDURES SET FORTH BY THE RULES.

(d) ~~EXCEPT WHEN THERE HAS BEEN A FINDING OF GROSS NEGLIGENCE, FRAUD OR WILLFUL MISCONDUCT OR INTENTIONAL~~ LIMITATION OF LIABILITY OF USER. FOR EACH INSTANCE IN THIS RULE 907, "USER" SHALL HAVE THE MEANING AS PROVIDED IN THE EULA. EXCEPT FOR LIMITATION EXCEPTIONS OR A VIOLATION OF THE RULES AND EXCEPT FOR ITS PAYMENT OBLIGATION TO TERA ~~(IN ACCORDANCE WITH THE EULA) AND ANY INDEMNIFICATION OBLIGATION (IN ACCORDANCE WITH THE EULA);~~;

(i) IN NO EVENT SHALL PARTICIPANT USER (INCLUDING ITS SUBSIDIARIES AND AFFILIATES), NOR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, MEMBERS, EMPLOYEES, AGENTS, OR CONSULTANTS BE LAIBLELIABLE TO ANY TERA PERSON FOR ANY LOSES LOSSES, DAMAGES, COSTS OR EXPENSES, INCLUDING BUT NOT LIMITED TO LOSS OF PROFIT PROFITS, LOSS OF USE, SPECIAL, PUNITIVE, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES; AND

- (ii) EXCEPT FOR LIMITATION EXCEPTIONS OR A VIOLATION OF THE RULES, THE MAXIMUM AGGREGATE LIABILITY OF PARTICIPANT USER (INCLUDING ITS SUBSIDIARIES AND AFFILIATES AND ANY CONTRACTORS PROVIDING SERVICES TO THEM), OR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, MEMBERS, EMPLOYEES, AGENTS, OR CONSULTANTS, FOR DIRECT LOSS OR DAMAGE WHETHER IN CONTRACT, TORT (INCLUDING NEGLIGENCE AND BREACH OF STATUTORY DUTY), STRICT LIABILITY; OR OTHERWISE ARISING OUT OF OR IN CONNECTION WITH USE OF SERVICES OR TRANSACTIONS SHALL NOT EXCEED \$10,000 FOR ALL LOSSES FROM ALL CAUSES SUFFERED ON A SINGLE DAY; \$50,000 BE \$100,000 (ONE HUNDRED THOUSAND DOLLARS) FOR ALL LOSSES SUFFERED FROM ALL CAUSES IN A SINGLE CALENDER CALENDAR MONTH; AND \$250,000 (TWO HUNDRED FIFTY THOUSAND DOLLARS) FOR ALL LOSSES FROM ALL CAUSES SUFFERED IN A SINGLE CALENDER CALENDAR YEAR. ANY DISPUTED CLAIM PURSUANT TO THIS RULE 907(f)(ii) SUBSECTION MUST BE ARBITRATED PURSUANT TO RULE 531906.