

# NEX SEF Limited Governance Policy

## Governance Policy

The policies set out below will apply to NEX SEF Limited (the “**Company**”). The Governance Policy is not intended to supersede or interpret any Applicable Law. It does not purport to be a comprehensive governance framework for the Company and should be read in conjunction with the Company’s Articles of Association, Company’s Facility Rulebook (the “**Facility Rulebook**”) and the Board of Directors Terms of Reference.

### Glossary

Defined terms unless otherwise defined in this Governance Policy have the meaning given to them in the Facility Rulebook.

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|---------------------------------------|--|
| <b>Applicable Law</b>                 | means, with respect to any person, any statute, law, regulation, rule or ordinance of any Governmental Authority applicable to such person (as defined in the Facility Rulebook), including but not limited to the FCA’s rules, the Act and Commission Regulations |
| <b>Articles of Association</b>        | means the Company’s Articles of Association  |
| <b>The Board</b>                      | means the Company’s board of directors   |
| <b>Chief Compliance Officer</b>       | means the Company’s Chief Compliance Officer   |
| <b>Commission or CFTC</b>             | means the US Commodity Futures Trading Commission  |
| <b>Commission Regulations</b>         | means any rule, regulation, order, directive and any interpretation thereof promulgated by the Commission, as amended  |
| <b>Emergency</b>                      | has the meaning set out in the Facility Rulebook at clause 104   |
| <b>Facility</b>                       | means the venue provided by the Company for the execution of Contracts, as set out in the Facility Rulebook  |
| <b>FCA</b>                            | means the UK Financial Conduct Authority   |
| <b>Hearing Panel</b>                  | means the disciplinary panel described in Section 6 of this Governance Policy  |
| <b>Public Directors</b>               | means any person who qualifies as a “public director” within the meaning set forth in the Commission Regulations.  |
| <b>Public Panelist</b>                | has the meaning set out in Section 6 of this Governance Policy   |
| <b>Respondent</b>                     | means any person who is charged with a Rule violation, set out in the Facility Rulebook  |
| <b>Regulatory Oversight Committee</b> | means the committee of the Board described in Section 6 of this Governance Policy  |
|                                       |  |
| <b>Trading Privilege Holders</b>      | means an individual or entity with Trading Privileges on the Facility granted pursuant to Rule 201 of the Facility Rulebook (including an Intermediary), but does not include an Authorised Trader   |

## 1. OVERVIEW

- 1.1 The Board has the power by itself or through agents, and is authorized and empowered on behalf and in the name of the Company, to perform all acts and enter into other undertakings that it may in its discretion deem necessary or advisable in order to promote the sound and efficient operation of the Facility (except such as otherwise required by Applicable Law) and as set forth in its Terms of Reference.
- 1.2 The Board, (or committee thereof or other delegated body) acting in accordance with the Articles of Association and its Terms of Reference, may from time to time cause the Company to enter into such agreements with domestic or foreign self-regulatory associations, other associations, boards of trade and their respective regulators providing for the exchange of information and other forms of mutual assistance for financial surveillance, routine audits, market surveillance, investigative, enforcement and other regulatory purposes as the Board may consider necessary or appropriate or as Applicable Law may require.

## 2. CONFLICTS OF INTEREST

- 2.1 Each director is required to act in the best interests of the Company and to refrain from any conduct that would be, or gives the appearance of being, a conflict of interest.

### PERSONAL CONFLICTS OF INTEREST

- 2.2 No director, member of any committee or oversight panel, or officer or other person authorized to exercise authority on behalf of the Company, including the Compliance Function, will knowingly participate in such body's deliberations or voting, including in any inquiry, investigation or any disciplinary proceeding, suspension, Emergency or other executive action (each, an "**Executive Proceeding**") if such person has a conflict of interest between such person's position acting on behalf of the Company and such person's personal interests (each, an "**Interested Person**"), unless deliberations are permitted by section 2.6. Material conflicts of interest include, but are not limited to, instances where an Interested Person (a) is a named party in interest in an Executive Proceeding, (b) is an employer, employee or fellow employee of a named party in interest or potential named party in interest in an Executive Proceeding, (c) has any other significant, ongoing business relationship with a named party in interest or potential named party in interest in an Executive Proceeding, excluding relationships limited to executing transactions opposite each other or to clearing transactions through the same clearing members, (d) has a family relationship with a named party in interest or potential named party in interest in an Executive Proceeding (each of (a) through (d) being a "**Relationship Conflict of Interest**") or (e) has a direct and substantial financial interest in the result of the deliberations or vote of any Executive Proceeding based upon either Facility or non-Facility positions (a "**Financial Conflict of Interest**"). For purposes of this subparagraph, a "family relationship" exists between a named party in interest or potential named party in interest in an Executive Proceeding and a potential Interested Person if one person is the other's spouse (including a domestic partner or partner in a civil union), co-habitator, former spouse, parent, stepparent, child or other legal dependent, sibling, stepbrother, stepsister, grandparent, grandchild, uncle, aunt, nephew, niece or in-law.
- 2.3 Prior to the consideration of any matter or significant action that will be considered by the Board or a committee of the Board in an Executive Proceeding, each potential Interested Person must disclose

the existence of any potential conflict of interest, including any potential Relationship Conflict of Interest and/or Financial Conflict of Interest, to the any member of the Board or the individual acting as chairman of the relevant committee and may choose to abstain and recuse himself or herself from the deliberations and voting. The potential Interested Person is encouraged to consult with the Company's Secretary and any necessary internal or external advisors in advance of the topic being discussed or voted upon. If a potential Interested Person fails to disclose the existence of any potential conflict of interest that he or she knows of, or reasonably should know of, such potential Interested Person will be deemed an Interested Person prohibited from participation in an Executive Proceeding by the Board or committee of the Board, as applicable. If the Board or committee of the Board, as applicable, discovers that such a potential Interested Person participated in an Executive Proceeding without having made the disclosure of a potential conflict of interest, the determination of such Executive Proceeding shall be null and void, unless, in the case of an Emergency action, the potential Interested Person makes the disclosures required pursuant to section 2.4 and the Board or committee thereof determines that such potential Interested Person would have been permitted to participate in the Executive Proceeding pursuant to section 2.5 or 2.6.

2.4 If disclosure of a potential conflict of interest is required pursuant to section 2.3, a potential Interested Person must disclose all information required under Applicable Law in relation to any conflict of interest, including:

- (a) In the case of any potential Relationship Conflict of Interest, such disclosure must include the specific type of Relationship Conflict of Interest based on the categories (a) through (d) in section 2.2; and/or
- (b) In the case of any potential Financial Conflict of Interest, such disclosure must include the financial interest and related position information (including information regarding positions held by such person, positions held by individuals of such person's family and positions held by a firm with which such person is affiliated) that is known to such person with respect to any particular month or months that are under consideration, and any other positions which the deliberating body reasonably expects could be affected by the significant action, including but not limited to:
  - (i) gross positions held in such person's personal accounts or "controlled accounts," as defined in Commission Regulation § 1.3(j);
  - (ii) gross positions held in proprietary accounts, as defined in Commission Regulation § 1.17(b)(3), at such person's affiliated firm;
  - (iii) gross positions held in accounts in which such person is a principal, as defined in Commission Regulation § 3.1(a);
  - (iv) net positions held in Customer accounts, as defined in Commission Regulation § 1.17(b)(2), at such person's affiliated firm; and
  - (v) any other types of positions, held in such person's personal accounts or the proprietary accounts of such person's affiliated firm, that the Company reasonably expects could be affected by the significant action.
- (c) Notwithstanding subsection (b), in the case of a potential Financial Conflict of

Interest, no such disclosure is required by a potential Interested Person if such person chooses to abstain from deliberations and voting on the relevant Executive Proceeding.

2.5 If a potential Interested Person who discloses a potential material conflict of interest does not choose to abstain and recuse himself or herself from deliberations and voting in any Executive Proceeding, the directors, or committee or oversight panel, as applicable, will determine whether such person is an Interested Person prohibited from participation in the Executive Proceeding. Such determination will be made by a majority vote made in accordance with the procedures in the Articles of Association governing decision-making by directors and will be based upon a review of:

- (a) the information provided by such potential Interested Person pursuant to section 2.4;
- (b) any other source of information that is held by or reasonably available to the Company;
- (c) in the case of a Financial Conflict of Interest, the most recent large trader reports and clearing records available to the Company; and
- (d) any Applicable Law.

2.6 With respect to Financial Conflicts of Interest only, and save for where Applicable Law prohibits it, any person determined to be an Interested Person who would otherwise be required to abstain from deliberations and voting pursuant to this section, may participate in deliberations, but not in voting, if the Board, or committee or oversight panel, as applicable, determines by a majority vote (excluding all relevant Interested Persons) made in accordance with the procedures in the Articles of Association governing decision-making by directors that such participation would be consistent with the public interest after considering the following factors:

- (a) whether such Interested Person's participation in the deliberations is necessary to achieve a quorum;
- (b) whether the Interested Person has unique or special expertise, knowledge or experience in the matter being considered; and
- (c) the position information which is the basis for the Interested Person's Financial Conflict of Interest.

## **PUBLIC DIRECTOR CLASSIFICATION**

2.7 Any Public Director will be prohibited from having a "material relationship", as defined from time to time in the Commission Regulations (a "**Material Relationship**") with the Company which reasonably could affect the independent judgment or decision-making of such director. Material Relationships are currently defined to include the following:

- (a) the director, or an immediate family member of the director, may not be an officer or employee of the Company or its affiliate;
- (b) the director, or an immediate family member of the director, may not be a Member

(as defined in Section 1a(34) of the Commodity Exchange Act (“CEA”) and any regulation promulgated thereunder) of the Company, or a director, officer or employee of a Company Member;

- (c) the director, or an immediate family member of the director, may not be an officer of another entity, which entity has a compensation committee (or similar body) on which any officer of the Company serves; and
- (d) the director, or an immediate family member of the director, or an entity with which the director or such immediate family member is a partner, an officer, an employee or a director, may not receive more than \$100,000 in combined annual payments for legal, accounting, or consulting services from the Company, any affiliate thereof, any Member of the Company or any affiliate of such Member.

2.8 Notwithstanding the foregoing, (a) compensation for services as a director of the Company or as a director of an affiliate of the Company shall not count toward the \$100,000 threshold specified in clause (d) of the definition of Material Relationship, nor shall compensation for services rendered by such individual prior to becoming a director of the Company, so long as such compensation is or was in no way contingent, conditioned or revocable; and (b) a Public Director may also serve as a director of an affiliate of the Company if he or she otherwise meets the requirements set forth in clauses (a) through (d) of the definition of Material Relationship.

2.9 Each of the preceding disqualifying circumstances is subject to a one-year look back. Public Directors will have an affirmative duty to investigate from time to time, and promptly disclose, the existence and nature of any such Material Relationships to the Board. The Board must make such findings of any material relationship upon the nomination or appointment of the proposed Public Director and as often as necessary in light of all circumstances relevant to such director, but in no case less than annually.

### **COMMERCIAL CONFLICT OF INTEREST**

2.10 The Board has governance and oversight responsibility for the Company’s compliance with applicable regulations, including meeting its obligations as a self-regulatory organization. In connection therewith, the Board recognizes it must balance the advancement of the Company’s commercial interests with the fulfillment of its self-regulatory responsibilities. In considering matters brought before the Board that have the potential to impact the Company’s ability to fulfill its self-regulatory obligations, the Board must consider the alignment to its established risk appetite --- Regulatory.

### **3. COMPENSATION**

3.1 Compensation awarded to any Public Director and other nonexecutive directors shall not be linked to the Company’s business performance.

### **4. CERTIFICATION AND COMPLIANCE**

4.1 Each prospective director and director shall, before taking office, acknowledge his or her receipt and understanding of this Governance Policy, as well as upon any publication of a revised Governance

Policy or amendment thereto. In addition, (a) upon request from the Company, the director shall certify that the qualification information he/she provided to the Company before being elected as a director has not changed materially, and (b) from time to time the director shall provide an updated statement of qualification information that reflects any material changes.

- 4.2 Directors are required to report suspected violations of the Governance Policy or of any Applicable Law, rule or regulation by any director to the Board, the Regulatory Oversight Committee or the Chief Compliance Officer (who will subsequently relay any such suspected violations to the Board or the Regulatory Oversight Committee, unless such reported violation is proven incorrect after a prompt initial review of its merits). The Board or the Regulatory Oversight Committee, as applicable, shall determine whether to conduct an investigation and what appropriate action should be taken. Directors may consult with the Company's General Counsel if there is any doubt as to whether a particular transaction or course of conduct complies with or is subject to the Governance Policy.

## **5. PUBLIC DIRECTOR FINDINGS**

- 5.1 The Board shall make Public Director findings (including but not limited to determinations as to such Public Directors' Material Relationships) as often as necessary in light of all circumstances relevant to each Public Director, but in no case less than annually.

## **6. COMMITTEES**

### **Regulatory Oversight Committee**

- 6.1 The Regulatory Oversight Committee shall be a Standing Committee of directors.
- 6.2 The Regulatory Oversight Committee shall be composed of those directors designated by the Board from time to time.
- 6.3 The Regulatory Oversight Committee members and Regulatory Oversight Committee Chairman shall be appointed by the Board. Each appointee will serve until the due appointment of his or her successor or his or her resignation or removal as a member of the Regulatory Oversight Committee, with or without cause, by a majority vote of the Board. A member of the Regulatory Oversight Committee may serve for multiple terms.
- 6.4 The Regulatory Oversight Committee shall meet at least four times each year and at such other times as it deems necessary to fulfil its responsibilities. The Committee may meet in joint session with any other committee of the Board from time to time to discuss areas of common interest and significant matters.
- 6.5 The Regulatory Oversight Committee shall report regularly to the Board with respect to its activities and make recommendations to the Board it may deem necessary or advisable for the orderly conduct of its business. Minutes of its meetings shall be maintained on behalf of the Regulatory Oversight Committee and approved by the Regulatory Oversight Committee.
- 6.6 Unless the Board provides otherwise the Regulatory Oversight Committee can make, alter or repeal rules for the conduct of its business. In the absence of such rules, each meeting of the Regulatory Oversight Committee shall be called, notice of each such meeting be given or waived and the

business of the Regulatory Oversight Committee conducted or its action taken as nearly as may be in the same manner as is provided in the Articles of Association with respect to the meetings or for conduct of business or the taking of actions by the Board.

6.7 The Regulatory Oversight Committee shall:

- (a) monitor the Facility's self-regulatory program for sufficiency, effectiveness, and independence;
- (b) oversee all facets of the Facility's self-regulatory program, including trade practice, market surveillance, audits, examinations and other regulatory responsibilities with respect to Participants, and the conduct of investigations;
- (c) review the size and allocation of the Facility's regulatory budget and resources; and the number, hiring and termination, and compensation of regulatory personnel;
- (d) review the performance of the Compliance Function, and make recommendations with respect to such performance to the directors;
- (e) review all regulatory proposals prior to implementation and advise the directors as to whether and how such changes may impact regulation;
- (f) regularly monitor for conflicts of interest in accordance with Section 2 of this Governance Policy;
- (g) recommend changes to the Facility's self-regulatory program that would ensure fair, vigorous, and effective regulation;
- (h) prepare an annual report to the directors and the Commission assessing the self-regulatory program of the Facility and including a description of the program, the expenses of the program, the staffing and structure of the program, a catalogue of investigations and disciplinary actions taken during the year, and a review of the performance of the Hearing Panel, and Chief Compliance Officer;
- (i) review and address any conflicts of interest matters brought to its attention by the senior management, the Chief Compliance Officer or the Head of Compliance Oversight (SMF16), including the following potential conflicts of interest:
  - a. any matter regarding the ability of the Chief Compliance Officer or the Head of Compliance Oversight (SMF16) to satisfy his or her obligations to the business they serve or such individual otherwise has a conflict of interest with the Company's interests, including when such individual may also owe an obligation to a Trading Privilege Holder;
  - b. any matter where the interests of the Company may be in conflict with the interests of another business within the CME Group organization; and
  - c. any proposed commercial initiative that is not aligned with the Company's established risk appetite --- Regulatory; and
- (j) perform such other duties as the directors may delegate to it from time to time. In addition, the Regulatory Oversight Committee may impose controls on the Facility to reduce the potential risk of market disruption, including but not limited to market restrictions that pause or halt trading in specified market conditions.



- 6.8 To the extent, there is a tie vote of the members of the Regulatory Oversight Committee, the matter being considered shall be escalated to the CME Group Inc. Market Regulation Oversight Committee. The decision of the CME Group Inc. Market Regulation Oversight Committee shall be final.

### **Hearing Panel**

- 6.9 The Board shall appoint a Hearing Panel to conduct a formal disciplinary hearing. The Hearing Panel shall consist of five (5) Panelists. One Panelist shall serve as the chair of the Hearing Panel ("**Hearing Panel Chairman**").
- 6.10 A quorum of the Hearing Panel shall consist of a majority of the Hearing Panel and must include at least the Hearing Panel Chair, one Panelist who is a Facility Subject Person, and one Panelist who is not a Facility Subject Person. The Hearing Panel may not include any members of the Market Regulation Staff, any person involved in adjudicating any other stage of the same Proceeding, or any person with a history of disciplinary offenses that would be disqualifying under CFTC Regulation § 1.63(c). The Hearing Panel shall include sufficient different membership interests so as to ensure fairness and to prevent special treatment or preference for any person.
- 6.11 No Panelist shall be permitted to participate in deliberations or voting on any matter consistent with Conflicts of Interest outlined in Section 2 above. A Respondent (as defined in Chapter Five of the Company's Facility Rulebook) may seek to disqualify any individual named to the Hearing Panel on account of a conflict of interest or other reasonable grounds, by serving written notice to the appropriate staff of the Company and providing a copy thereof to the chair of the Hearing Panel.
- 6.12 The Hearing Panel shall conduct the formal hearings on Violations referred to it by the Compliance Function, pursuant to the procedures detailed in Chapter Five of the Company's Facility Rulebook.
- 6.13 The Hearing Panel shall have: 1) jurisdiction over any party subject to the jurisdiction of the Facility, including any Participant, with respect to matters relating to business conduct, trading practices, sales practices, trading ethics and market manipulations or other actions that threaten the integrity of the market; 2) the authority, pursuant to Rule 104, to take emergency actions; 3) the authority to conduct hearings, proceedings and appeals on all matters over which it has jurisdiction, including hearings appealing summary actions; 4) the authority to make findings on Violations against any Facility Subject Person subject to the jurisdiction of the Facility; and 5) the authority to levy sanctions.

## **7. COMPLIANCE FUNCTION.**

- 7.1 The directors shall appoint and approve the Chief Compliance Officer of the Company, who shall be the Chief Compliance Officer of the Company. The Chief Compliance Officer shall not serve as general counsel of the Company, or as a member of the Company's legal department, and may not be disqualified from registration pursuant to sections 8a(2) or 8a(3) of the CEA. In addition, the Board will register with the FCA a Head of Compliance Oversight (SMF16 – Senior Management Function 16). Compliance with SEF Core Principles will be overseen by the Chief Compliance Officer

appointed by the Board, Compliance with FCA Part IV obligations will be overseen by Head of Compliance Oversight. References in this document and any other related document to the Compliance Function is intended to mean, for Commission related considerations, the Chief Compliance Officer and, for FCA Part IV related considerations, the Head of Compliance Oversight (SMF16). To the extent any of the activities concern both the Commission and FCA, the Chief Compliance Officer and the Head of Compliance Oversight (SMF16) will co-operate to ensure compliance with the respective regulations.

7.2 The Compliance Function shall have the following duties, which list shall not be deemed exhaustive:

- (a) oversee and review the Facility's compliance with section 5h of the CEA and any related rules adopted by the Commission;
- (b) oversee and review compliance with the FCA Handbook and all requirements of a Part IV authorized firm;
- (c) oversee and review compliance with the rules and regulations of any other regulatory body to which the Facility and/or the Company is subject;
- (d) in consultation with the Regulatory Oversight Committee, resolve any conflicts of interest that may arise;
- (e) establish and administer written policies and procedures reasonably designed to prevent violation of Applicable Law;
- (f) establish procedures for the remediation of noncompliance issues identified by the Compliance Function through a compliance office review, look-back, internal or external audit finding, self-reported error, or validated complaint;
- (g) establish and follow appropriate procedures for handling, management response, remediation, retesting, and closing of noncompliance issues;
- (h) establish a compliance manual designed to promote compliance with Applicable Law and administer a written code of ethics designed to prevent ethical violations and to promote honesty and ethical conduct;
- (i) supervise the Company's self-regulatory program with respect to trade practice surveillance, market surveillance, real-time market monitoring, compliance with audit trail requirements, enforcement and disciplinary proceedings, audits, examinations and other regulatory responsibilities with respect to Participants (including ensuring compliance with, if applicable, financial integrity, financial reporting, sales practice, recordkeeping, and other requirements);
- (j) refer Rule violations to the Hearing Panel for formal disciplinary hearings and issue summary findings and fines, as described in Chapter 5 of the Facility Rulebook
- (k) supervise the effectiveness and sufficiency of any regulatory services provided to the Company by Chicago Mercantile Exchange Inc. or any other registered futures association or other registered entity; and

- (l) prepare and file any the annual compliance reports required by Commission Regulation 37.1500(d) as well as any other compliance reports that are required by Applicable Law. The Chief Compliance Officer shall also prepare and file any reports required by Section 6 after the appointment of a new Director.

7.3 Notwithstanding section 7.2, if the Compliance Function is determined to be an Interested Person pursuant to section 2 of this Governance Policy, the Board shall not consult with the Compliance Function on the relevant matter. In such an event, the Board shall consult with outside counsel or other third-party compliance consultant on the matter.

7.4 The Compliance Function shall have supervisory authority over all staff acting in furtherance of the Compliance Function's obligations as determined by the relevant regulatory regime.

7.5 Removal of the Chief Compliance Officer shall require the approval of a majority of the directors. The directors shall immediately appoint an interim Chief Compliance Officer and shall appoint a permanent Chief Compliance Officer as soon as reasonably practicable thereafter. Where necessary, the Company shall make all notifications required under Applicable Law in relation to any such appointment and termination, including that the Company shall notify the Commission within (2) business days of the departure of the Chief Compliance Officer and explain the reasons for the departure and (b) the appointing of any new interim or permanent Chief Compliance Officer.

7.6 The Company shall notify the FCA immediately following the removal of the SMF16. The Board shall immediately appoint an interim SMF16.

## **8. FINANCIAL RESOURCES**

8.1 The Company must maintain adequate financial operational, and managerial resources to discharge each responsibility of the Company. The Company shall maintain financial resources as required by Applicable Law, including Commission Regulations 37.1300-1307.

Last revised and approved by the Board of Directors of NEX SEF Limited: February 28, 2022