EXHIBIT S

Exhibit Request:

If this is an application for an exemption from registration as a clearing agency, attach as Exhibit S a statement demonstrating why the granting of an exemption from registration as a clearing agency would be consistent with the public interest, the protection of investors and the purposes of Section 17A of the Act, including the prompt and accurate clearance and settlement of securities transactions and the safeguarding of securities and funds.

Response:

Applicant is requesting an exemption from clearing agency registration in connection with its Veris post-trade pairing and reconciliation service for equity security-based swaps ("**equity SBS**").

I. Description of the Veris Platform

A. Background

Schvey, Inc., doing business as Axoni, sold the Veris platform, a post-trade pairing reconciliation and lifecycle management platform for equity SBS (the "**Equity SBS Post-Trade Services**") to Applicant in October 2024. The Veris platform reduces the effort needed to reconcile post-trade data and prevent cash flow breaks by enabling counterparties to share and compare data associated with equity SBS trades, positions, and related cash flows throughout the post-trade lifecycle. Post execution, counterparties to an equity SBS transmit to the Veris platform their equity SBS transaction data. The platform provides real-time transparency to both counterparties on reconciliation exceptions and reduces operational risks including settlement delays. All equity SBS transactions are executed and settle outside of the Veris platform.

Axoni began offering the Veris platform commercially in 2020 to a select number of customers. Axoni operated the Veris platform under the SEC's "Order Pursuant to Section 36 of the Securities Exchange Act of 1934 Granting Temporary Exemptions from Clearing Agency Registration Requirements under Section 17A(b) of the Exchange Act for Entities Providing Clearing Services for Security-Based Swaps" (the "**Order**"), under which Applicant continues to operate the Veris platform.[2]

B. Product Functionality

The Veris platform is intended for use by both buy -side and sell-side financial institutions that enter into equity SBS. Only approved customers which have entered into a software license with Applicant are permitted to use the platform.

The Veris platform provides important functionality with respect to equity SBS transactions. Among other things, the platform provides data capture whereby it ingests data from counterparties that enter into an equity SBS transaction. Once data is captured, the Veris platform provides post-trade data pairing, which is the process by which key terms entered by both counterparties (party A and party B) that comprise a data record (equity SBS) are compared to identify which records from party A correspond to party B's version of those records. Once a pair is identified, a paired record is created. The Veris platform pairs records on specific fields/terms relevant to the equity SBS. (i.e., performs data reconciliation). Counterparty data

[2] Exchange Act Release No. 64796 (July 1, 2011); 76 Fed. Reg. 39964 (July 7, 2011).

differences outside any thresholds are marked as exceptions. If the parties subsequently change or otherwise update the terms of an equity SBS transaction, those changes or updates will be reflected on the Veris platform upon transmission to the platform by the parties. Please see Exhibit J to this Form CA-1 for additional information about the Veris platform.

Applicant believes that exempting the Veris platform from registering as a clearing agency, subject to specified conditions, (1) will produce substantial U.S. public benefits, (2) will provide U.S. investors and the U.S. national clearance and settlement system with substantially the same level of protection against risk related to custody, clearance and settlement that full registration would provide, and (3) will advance the purposes of Section 17A of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**").

II. Statutory Standards

Section 17A of the Exchange Act directs the Commission to facilitate the establishment of (1) a national system for the prompt and accurate clearance and settlement of securities transactions and (2) linked or coordinated facilities for clearance and settlement of securities transactions.[3] In facilitating the establishment of the national clearance and settlement system, the Commission must have due regard for the public interest, the protection of investors, the safeguarding of securities and funds and maintenance of fair competition among brokers and dealers, clearing agencies and transfer agents.[4] Section 17A(b)(1) of the Exchange Act requires all clearing agencies to register with the Commission.[5] It also states that, upon the Commission's motion or upon a clearing agency's application, the Commission may conditionally or unconditionally exempt a clearing agency from any provision of Section 17A of the Exchange Act or the rules or regulations thereunder if the Commission finds that such exemption is consistent with the public interest, the protection of investors and the purposes of Section 17A, including the prompt and accurate clearance and settlement of securities transactions and the safeguarding of securities and funds. Specifically, Sections 17A(b)(3)(A)-(I) identify determinations that the Commission must make about the rules and structure of a clearing agency prior to granting registration.[6]

The Order identified certain services "that facilitate security-based swap contract management [that] may meet the clearing agency definition."[7] The Veris platform arguably could be viewed as providing "Trade Matching Services." The Commission describes "trading matching" as follows:

> [T]he process whereby an intermediary compares each market participant's trade data regarding the terms of settlement of securities transactions, in order to reduce the number of settlements of securities transactions, or to allocate securities settlement responsibilities. This includes activities of an intermediary that captures trade information regarding a securities transaction and performs

---

[3] *See* 15 U.S.C. 78 q-1(a)(2)(A).

[4] *See, e.g.*, Bloomberg STP LLS; SS&C Technologies, Inc.; Order of the Commission Approving Applications for an Exemption from Registration as a Clearing Agency, 80 Fed. Reg. 75388, 753901111.10-12 (Nov. 24, 2015) ("**2015 Matching Exemption Orders**").

[5] 15 U.S.C. 78q-1(b)(1).

[6] 15 U.S.C. 78q-1(b)(3)(A)-(I). The Commission staff has published guidance on meeting the requirements of Section 17A. *See* Exchange Act Release No. 16900 (June 17, 1980), 45 Fed. Reg. 41920 (June 23, 1980).

[7] The Order at 39964.

an independent comparison of that information that results in the issuance of binding matched terms to the transaction.[8]

In the context of the 2015 Matching Exemption Orders, the Commission restated its view that it might not be necessary or appropriate for an entity that limited its clearing agency functions to be subject to the full range of clearing agency regulation. The Commission stated that it anticipated that an entity seeking an exemption from clearing agency registration in order to provide services that the Commission considered did not create the same risks as 'core' clearing agency functions would be required to: (1) provide the Commission with information on the exempted clearing agency service and on material changes to such service; (2) allow the Commission to inspect its facilities and records; (3) make periodic disclosures to the Commission regarding its operations; and (4) comply with conditions specific to the exempted clearing service.[9]

III. Analysis

A. Generally

Applicant believes that it is appropriate for the Commission to conclude that the Equity SBS Post-Trade Services do not create the same risks that might be associated with the provision of 'core' settlement, custody and clearing agency functions for equity SBS and that, therefore, exemption of the Veris platform from the fully panoply of clearing agency regulatory requirements is appropriate on the conditions described in Part IV below.

B. Substantial U.S. Public Benefits

The Veris platform provides tangible benefits to the equity SBS markets. As described above, post execution, the Veris platform ingests equity SBS transaction data from equity SBS counterparties via an API or FIX connection; compares the key terms that the counterparties provide and pairs matching records; and marks data differences as exceptions. The Veris platform also assists the counterparties to an equity SBS in managing the life cycle of the equity SBS, including reconciliation of cash flow amounts where the parties submit information about such amounts to the platform. The Veris platform does not facilitate the exchange of funds or otherwise handle such funds. The Veris platform therefore improves the speed, accuracy and reliability of post-trade equity SBS pairing and reconciliation, including reconciliation of cash flow amounts. These speed, accuracy and reliability improvements should reduce operational and settlement risk with respect to equity SBS transactions, decrease overall costs to equity SBS market participants and increase the potential for development of new and enhanced functionality relating to equity SBS transactions.

C. Conditions to Exemption Provide Appropriate Level of Protection Against Risk Related to Custody, Clearance and Settlement

Although the Veris platform provides important services with tangible benefits to the equity SBS markets, the Equity SBS Post-Trade Services comprise a limited subset of the services that fall within the Commission's definition of "trade matching." The platform captures trade information regarding a securities transaction and performs an independent comparison of that information. It does not, however, "compare[] each market participant's trade data regarding the terms of settlement of securities transactions, in order to reduce the number of settlements of securities transactions, or to allocate securities settlement

[8] The Order at 39964.

[9] *See, e.g.*, 2015 Matching Exemption Orders, at 7539011.16.

responsibilities."[10] Further, the Veris platform does not provide execution services for equity SBS or the equity securities that underly the equity SBS, nor does it provide settlement services for equity SBS or the equity securities that underly the equity SBS. Given that the Veris platform is limited to the pairing and reconciliation services described in this Exhibit S, as well as in Exhibit J, Applicant believes that it is appropriate for the Commission to exempt Applicant from registering the Veris platform as a clearing agency under Section 17A(b)(1) of the Exchange Act, subject to the conditions set out in Part IV below.

D. Systems Security and Integrity

As noted above, under Section 17A of the Exchange Act, applicants for exemption from registration as a clearing agency must demonstrate that they are so organized and have the capacity to facilitate the prompt and accurate clearing and settlement of securities transactions.

On November 19, 2014, the Commission adopted Regulation SCI, which requires covered entities ("**SCI entities**") to comply with requirements with respect to their automated systems that support the performance of their regulated activities.[11] The Commission adopted Regulation SCI in order to bolster the operational integrity of key U.S. securities market participants to prevent systems issues that had resulted in trading disruptions, compliance issues, systems intrusions and other systems issues.[12]

Regulation SCI on its face is not applicable to entities that are exempted from registration as a clearing agency, unless such entity is "an exempt clearing agency subject to the [Commission's Automation Review Policy ("**ARP**")]."[13] In turn, the Commission has declared that the ARP is appropriate "[b]ecause of the impact [of a self-regulatory organization's] systems failures have on public investors, broker-dealer risk exposure, and market efficiency."[14] In addition, the ARP provides as follows:

> The Commission believes [the ARP] is consistent with and in furtherance of a Congressional finding that one of the two paramount objectives of a national market system is the maintenance of stable and orderly markets with maximum capacity for absorbing trading imbalances without undue price movements.[15]

---

[10] The Order at 39964.

[11] Exchange Act Release No. 34-73639 (Nov. 19, 2014), 79 Fed. Reg. 72251 (Dec. 5, 2014) ("**Regulation SCI Adopting Release**").

[12] *See* Regulation SCI Adopting Release, at 72254-56. The Commission provided examples of events where systems issues had led to disruption and compliance issues such as delayed opening of trading, incorrect order booking, trading halts, quote and trade reporting errors, ineffective automated surveillance programs and other failures of automated oversight programs responsible for implementing the oversight obligations of a self-regulatory organization.

[13] Regulation SCI Adopting Release, at 72437. Rule 1000 of Regulation SCI defines an SCI entity to include "an exempt clearing agency subject to ARP". An exempted clearing agency subject to the ARP includes only those entities that have as a condition to such exemption a requirement to comply to the Commission's ARP or any Commission regulation that supersedes or replaces such policies. *Id.* at 72271.

[14] Policy Statement: Automated Systems of Self-Regulatory Organizations, Release No. 34-27445; File No. S7-29-89, available at https://www.sec.gov/rules-regulations/policy-statements/34-27445.

[15] *Id.* (quotation omitted).

Likewise, in the Regulation SCI Adopting Release, the Commission explained that it considered it appropriate that Regulation SCI apply to entities "that play a significant role in the U.S. securities markets and/or have the potential to impact investors, the overall market, or the trading of individual securities".[16]

Applicant believes that it is not necessary for the Commission to impose compliance with Regulation SCI as a condition of an exemption order in order to fulfill the purposes of the Exchange Act with regard to such order. This is primarily due to the following factors:

- The Equity SBS Post-Trade Services are limited in nature and will not play a critical role to support underlying trading in equity SBS trading in the United States; and

- Applicant agrees to comply with operational risk conditions relating to systems compliance and integrity conditions with respect to its Equity SBS Post-Trade Services, as stated in Part IV.A. below.[17]

E. Consistency with Section 17A(a)(2)

Applicant will not engage in any activity inconsistent with the purposes of Section 17A(a)(2) of the Exchange Act,[18] which section seeks the establishment of linked or coordinated facilities for clearance and settlement of transactions. At this time, no market participant has submitted for clearing an equity SBS to a clearing agency registered with the Commission.[19] Given that all equity SBS are uncleared in U.S. markets, Applicant believes that interoperability requirements for the Equity SBS Post-Trade Services would be inappropriate at this time. Among other things, the Equity SBS Post-Trade Services do not need to access any central infrastructure for clearing or trade settlement purposes.

In any event, Applicant will not engage in activities that would prevent any other matching service from operating a matching service that it has developed independently from Applicant's matching service.

IV. Conditions

A. Operational Risk Conditions

Applicant agrees to the following conditions of exemption with regard to the Equity SBS Post-Trade Services:

1. Applicant shall demonstrate to the Commission or its designee no later than 120 days after the Commission grants this order exempting Applicant from registration as a clearing agency (the "**Exemption Order**") that Applicant maintains written policies and procedures applicable to those systems that support or are integrally

---

[16] Regulation SCI Adopting Release, at 72258.

[17] The Commission has agreed to similar conditions with respect to another exempt clearing agency. See 81 Fed. Reg. 93994, 94003-04 (Dec. 22, 2016) (setting forth similar operational risk conditions relating to systems compliance and integrity conditions in the modified exemption order for Euroclear Bank SA/NV).

[18] 15 U.S.C. §78q-1(a)(2)(A)(ii).

[19] *See* Commission Report on Security-Based Swaps Pursuant to Section 13 (m)(2) of the Securities Exchange Act of 1934, June 20, 2024, available at https://www.sec.gov/files/report-security-based-swaps-062024.pdf.

related to the Equity SBS Post-Trade Services (the "**Systems**") that, on an ongoing basis, are reasonably designed to:

a. establish a robust operational risk-management framework applicable to the Systems with appropriate systems, policies, procedures, and controls to identify, monitor, and manage operational risks;

b. clearly define the roles and responsibilities of Applicant personnel for addressing operational risk;

c. Review, in accordance with the LSEG Policy Governance Framework, operational policies, procedures, and controls applicable to the Systems;

d. audit the Systems, and test the Systems periodically and at implementation of significant changes;

e. clearly define operational reliability objectives for the Systems;

f. ensure that the Systems have scalable capacity adequate to handle increasing stress volumes and achieve the Systems service-level objectives;

g. establish comprehensive physical and information security policies that address all known potential vulnerabilities and threats to the Systems;

h. establish a business continuity plan for the Systems that addresses events posing a significant risk of disrupting the Systems' operations, including events that could cause a wide-scale or major disruption in the provision of the Equity SBS Post-Trade Services;

i. incorporate the use of a secondary site in Applicant's business continuity plan that is designed to ensure that all critical Systems can resume operations within two hours following disruptive events;

j. regularly test or otherwise validate Applicant's business continuity plans; and

k. identify, monitor, and manage the risks that key participants, other financial market infrastructures and service and utility providers might pose to the Systems' operations in relation to the Equity SBS Post-Trade Services.

2. For purposes of condition A.1, such policies and procedures shall be consistent with current information technology industry standards, which shall be comprised of information technology practices that are widely available to information technology professionals in the financial sector and issued by a widely recognized organization. Applicant shall inform the Commission or its designee of the information technology industry standards that Applicant has chosen to use, affirm that choice on an annual basis, and provide advance notice of the use of different standards as soon as practicable.

3. Applicant shall provide the Commission or its designee with an annual update on the status of the items set forth in condition A.1.

4. Applicant shall establish, implement, maintain, and enforce written policies and procedures reasonably designed to ensure that the Systems operate on an ongoing basis in a manner that complies with the conditions applicable to the Systems and with Applicant's rules and governing documents applicable to the Equity SBS Post-Trade Services.

5. Applicant shall report all material critical systems'[20] outages to the Commission within 24 hours following confirmation of the incident.

6. Applicant shall, within 30 calendar days after the end of each quarter, submit to the Commission or its designee a report describing completed, ongoing and planned material changes to the Systems that support or are related to the Equity SBS Post-Trade Services during the prior, current, and subsequent calendar quarters, including the dates or expected dates of commencement and completion. (Applicant shall establish reasonable written criteria for identifying a change to the Systems as material and report such changes in accordance with such criteria.)

7. Applicant shall, on an annual basis, provide the Commission or its designee with the audited control report including internationally recognized certifications, as appropriate.

8. Applicant shall make, keep, and preserve at least one copy of all documents relating to its compliance with the operational risk conditions; keep all such documents for a period of not less than five years, the first two years in an easily accessible place; and upon request of the Commission, promptly furnish to the possession of the Commission or its designee copies of any such documents.

B. Additional Conditions Applicable to the Equity SBS Post-Trade Services

Applicant agrees to the following additional conditions of exemption with regard to the Equity SBS Post-Trade Services:

1. Applicant shall provide to the Commission or its designee its annual audited financial statements prepared by competent independent audit personnel.

2. Applicant shall notify the Commission or its designee of any material changes to any service agreement between Applicant and any other entity that is performing any portion of the Equity SBS Post-Trade Services on behalf of Applicant if such changes are reasonably expected to materially affect the Equity SBS Post-Trade Services.

3. Applicant shall preserve a copy or record of post-execution pairing and reconciliation data pertaining to the operation of its Equity SBS Post-Trade

[20] For these purposes, the term "critical system" refers to a system for which the availability of an alternative is significantly limited or non-existent and without which there would be a material impact on fair and orderly markets.

Services. Applicant shall retain these records for a period of not less than five years, the first two years in an easily accessible place.

4. Applicant shall respond to a request from the Commission for additional information relating to the Equity SBS Post-Trade Services and provide the Commission or its designee with access to Applicant's facilities (including automated systems and systems environment), records, and personnel related to the Equity SBS Post-Trade Services. The request for information shall be made and the inspections shall be conducted solely for the purpose of reviewing the Equity SBS Post-Trade Services' operations and compliance with the federal securities laws and the terms and conditions in the Exemption Order.

5. Applicant shall file with the Commission amendments to its application for exemption on Form CA-1 if it makes any material change to the Equity SBS Post-Trade Services or any change materially affecting the Equity SBS Post-Trade Services as summarized in the Exemption Order or Applicant's Form CA-1 that would make such previously provided information incomplete or inaccurate.

6. The Commission may modify by order the terms, scope or conditions of the Exemption Order if it determines that such modification is necessary or appropriate in the public interest, the protection of investors, or otherwise in furtherance of the purposes of the Exchange Act. Furthermore, the Commission may limit, suspend, or revoke the exemption if it finds that Applicant has violated or is unable to comply with any of the provisions set forth in the Exemption Order if such action is necessary or appropriate in the public interest, for the protection of investors or otherwise in furtherance of the purposes of the Exchange Act.

V. Conclusion

The Applicant considers that it is unnecessary to require Applicant to register as a clearing agency in order to provide the Equity SBS Post-Trade Services, based on the substantial U.S. public benefits, the limited scope of the exemption request and the other tools available to the Commission to monitor and make ongoing assessment of the Equity SBS Post-Trade Services through exemption order conditions and Applicant's additional commitments described herein.