



**ONEXCHANGE BOARD OF TRADE, INC.**

**RULES**

**Exhibit 5 to Application for Designation  
as a Contract Market**

# ONEXCHANGE BOARD OF TRADE, INC.

## RULES

### PART 1

#### Meaning of Terms

##### 1.01. Definitions.

The following terms shall, unless the context otherwise indicates, have the meanings set forth below:

“**Act**” means the Commodity Exchange Act, as in effect from time to time.

“**Affiliate**” means, with respect to any Entity, any Person who Controls, is Controlled by or is under common Control with such Entity, and, without limiting the generality of the foregoing, any partner, trustee, officer, director or employee (whether or not having Control) of such Entity; with respect to any individual, any Person of which such individual is a partner, member, trustee, officer, director or employee or has Control, and any Person who Controls, is Controlled by or is under common Control with such Person.

“**Approved Financial Institution**” means a bank, trust company or other Entity approved by the Clearing Organization to issue letters of credit for the benefit of Subscribers.

“**Authorized Trader**” means an individual who is authorized by a Subscriber to enter orders for the Trading Account.

“**Block Trade**” means a single transaction for the purchase and sale of not less than the number of Contracts or Calendar Spreads specified in the Rules.

“**Block Trade Order ID**” shall have the meaning set forth in Rule 4.07.

“**Board**” means the board of directors of the Exchange.

“**Business Conduct Committee**” means a committee appointed by the Board which shall perform the duties specified for such committee as set out in Part 7 of these Rules.

“**Business Day**” means any day on which the Exchange is open for trading.

“**Bylaws**” means, with respect to any Entity, the bylaws of such Entity and the interpretations, resolutions, orders and directives of the Entity thereunder, as in effect from time to time; and, if no other Entity is specified, shall mean the Bylaws of the Exchange in effect from time to time.

**“Calendar Spread”** means a Combination Trade in which a Person simultaneously enters into a Futures Contract to purchase a Commodity for delivery in one Delivery Month and a Futures Contract to sell the same Commodity for delivery in another Delivery Month.

**“Class B Member”** means a Person who or which pursuant to the Bylaws of the Clearing Organization has the privilege to clear with the Clearing Organization Contracts effected on or subject to the Rules of the Exchange.

**“Clearing Organization”** means onExchange Clearing Corporation, a Delaware non-stock corporation, which is designated by the Exchange to clear transactions effected on or subject to the Rules of the Exchange.

**“Combination Trade”** means a transaction in which two or more Contracts are executed simultaneously at a single price.

**“Commission”** means the Commodity Futures Trading Commission or any successor agency.

**“Commission Regulation”** means any rule, regulation, or order of the Commission, as in effect from time to time (including any successor provision), and any interpretation thereof by the Commission or its staff.

**“Commodity”** means and includes any “commodity” within the definition of that term in the Act, as in effect from time to time.

**“Contract”** means a Futures Contract listed and cleared by onExchange.

**“Control”** means the power to direct or cause the direction of the management or policies of a Person, whether through ownership of securities, by contract or otherwise.

**“Custody Bank”** means a bank or trust company designated by the Clearing Organization to hold Subscriber funds.

**“Delivery Margin”** means the amount of cash or collateral a Class B Member is required to maintain for the benefit of the Clearing Organization with respect to Contracts that are in delivery under the Rules of the Exchange.

**“Delivery Month”** means the month in which delivery of an Underlying Commodity is to be made pursuant to the terms of any Futures Contract.

**“Disciplinary Offense”** shall have the meaning set forth at Rule 2.06.

**“EFP”** means an exchange of Futures Contracts for physical Commodities effected pursuant to Rule 4.07.

**“EFS”** means an exchange of Futures Contracts for swaps effected pursuant to Rule 4.08.

“**Eligible Swap Participant**” means a Person meeting the criteria set forth in Regulation 35.1(b)(2) of the Commission’s Regulations, as amended from time to time.

“**Emergency**” means any occurrence or circumstances which the Board determines requires immediate action and threatens or may threaten such things as the fair and orderly trading in, or in the liquidation of or delivery pursuant to, any Contract; including such matters as:

- (a) any manipulative activity or attempted manipulative activity;
- (b) any actual, attempted or threatened corner, squeeze, congestion or undue concentration of positions;
- (c) any circumstances which may materially affect the performance of Contracts;
- (d) any action taken by the United States or any foreign government or any state or local governmental body, any other contract market, board of trade, or any other exchange or trade association (foreign or domestic), which may have a direct, impact on trading on the Exchange;
- (e) any Physical Emergency;
- (f) the bankruptcy or insolvency of any Subscriber, or the imposition of any injunction or other restraint by any government agency, court or arbitrator upon a Subscriber which may affect the ability of that Subscriber to perform on its Contracts;
- (g) any circumstances in which it appears that a Subscriber or any other Person has failed to perform any Contract, is insolvent, or is in such financial or operational condition or is conducting business in such a manner that such Person cannot be permitted to continue in business without jeopardizing the safety of the Exchange or the Clearing Organization; and
- (h) any other unusual, unforeseeable and adverse circumstances with respect to which it is impracticable for the Exchange to submit, in a timely fashion, a reviewable rule to the Commission for prior approval.

“**Enforcement Staff**” means the employees and agents of the Exchange, including the NFA Department of Compliance (“NFA Compliance Department”), or any such third party provider as the Board may decide from time to time, who are responsible for assisting the Exchange in enforcing the Bylaws and Rules.

“**Entity**” means any Person other than an individual.

“**Exchange**” means onExchange Board of Trade, Inc. Unless otherwise provided in these Rules or the Bylaws, any reference to an action required or permitted to be taken by “the Exchange” pursuant to these Rules or the Bylaws shall include an action taken by any duly authorized officer or employee of the Exchange.

**"Family Relationship"** means the Person's spouse, former spouse, parent, stepparent, child, stepchild, sibling, stepbrother, stepsister, grandparent, grandchild, uncle, aunt, nephew, niece or in-law.

**"Financial or Operational Emergency"** means, with respect to any Subscriber, any situation in which the financial or operational condition of such Subscriber, or the business conduct of such Subscriber, is such that it would not be in the best interests of the marketplace for such Subscriber to trade on the Exchange or to carry positions in Contracts, and shall include without limitation the occurrence of any of the events listed in subparagraphs (ii) through (viii) of paragraph (a) of Rule 2.05.

**"Full Trading Authorization and Consent to Jurisdiction"** means the agreement among a Subscriber, its Authorized Trader and the Exchange.

**"Futures Contract"** means a contract for the purchase or sale of a Commodity for future delivery, traded on or subject to the Rules of the Exchange.

**"Governmental Agency"** means the Commission, the Securities and Exchange Commission and any other agency, federal or state, domestic or foreign, regulating trading in commodities, securities, futures contracts, currencies or other financial instruments.

**"Hearing Committee"** means a committee appointed by the Board which shall perform the duties specified for such committee as set forth in Part 7 of these Rules, including service on Hearing Panels.

**"Hearing Panel"** means a sub-committee of the Hearing Committee appointed by the President to hear a disciplinary proceeding pursuant to the rules set out at Part 7 of these Rules. At least one member of each Hearing Panel shall be a representative of the Exchange.

**"Last Trading Day"** means, for any Contract, the day specified as such in Rule 3.08.

**"Margin-Eligible Assets"** means those assets, which may be used by a Subscriber to meet its margin obligations, as set forth in Rule 5.04 of the Clearing Organization.

**"Mark to Settlement"** means the setting of a Contract price to a Settlement Price for the purpose of assessing the amount to be paid or received as Variation Margin by a Class B Member.

**"Material Agreement"** means the Subscriber Agreement, the Full Trading Authorization and Consent to Jurisdiction and any other agreement designated as such by the Board from time to time.

**"Membership Committee"** means a committee appointed by the Board which shall perform the duties specified for such committee as set forth in Part 2 of these Rules.

**"NFA"** means the National Futures Association.

**“onExchange”** means, unless otherwise indicated, onExchange Board of Trade, Inc., and onExchange Clearing Corporation, collectively.

**“onTrade”** means the Exchange’s trade execution system for Contracts.

**“Original Margin”** means the initial and every subsequent deposit of margin money or other asset each Subscriber is required to make according to the Exchange and/or Clearing Organization Rules based upon positions carried.

**“Person”** means an individual, sole proprietorship, partnership, limited liability company, association, firm, trust, corporation or other Entity, as the context may require.

**“Physical Emergency”** means any circumstances which may have a severe, adverse effect upon the physical functions of the Exchange including, for example, fire or other casualty, bomb threats, substantial inclement weather, power failures, communications breakdowns, transportation breakdowns and computer or software malfunctions.

**“President”** means the president of the Exchange, from time to time.

**“Rules”** means, with respect to any Entity, the rules, interpretations, resolutions, orders, directives of such Entity and procedures of the Entity thereunder, as in effect from time to time; and, if no other Entity is specified, means the Rules of the Exchange.

**“Settlement Price”** means the settlement price for any Contract as determined in accordance with the Rules of the Exchange.

**“SRO”** means the Exchange, the Clearing Organization, any other designated contract market or commodity or securities exchange or market (domestic or foreign), any clearing organization, the NFA, the National Association of Securities Dealers, Inc., and any other self regulatory organization (domestic or foreign).

**“Subcustody Account”** means a separate custody account for the deposit of Margin-Eligible Assets of a Subscriber at a Custody Bank.

**“Subscriber”** means a Person that is a counterparty to the Exchange’s Subscriber Agreement.

**“Subscriber Agreement”** means the agreement between a Subscriber and the Exchange.

**“Subscriber ID”** means a unique identification code assigned by the Exchange to each Subscriber.

**“Tick”** means the minimum fluctuation permitted pursuant to Rule 3.05(b).

**“Trader ID”** means an identification code assigned by a Subscriber to each Authorized Trader employed by such Subscriber.

“Trading Account” means the account of a Subscriber at the Exchange.

“Trading Session” means, with respect to any Contract, the period of hours specified in Rule 3.07.

“Underlying Commodity” means, with respect to any Futures Contract, the Commodity which (or the cash value of which) is required to be delivered pursuant to the terms of such Futures Contract.

“Variation Margin” means the payment made or reserved by a Class B Member to the Company based on the Mark to Settlement of any position held by the Class B Member.

1.02. Time References.

Except as may be otherwise expressly provided in these Rules, all references to times in these Rules shall be to the local time prevailing in New York City.

1.03. Conflicts with Bylaws.

In the event of any conflict between any provision of these Rules and any provision of the Bylaws, the provision of the Bylaws shall govern.

**PART 2**

Subscriber Rules

2.01. Status of Subscribers.

Subscribers shall have the privileges, rights and obligations set forth in, or established pursuant to, the Bylaws and Rules.

2.02. Eligibility.

(a) Any Person is eligible to become a Subscriber, provided that such Person meets the following standards:

(i) if an individual, shall have attained the age of majority in the State of New York and shall be of good character;

(ii) if an Entity, shall be duly organized, existing and in good standing under the laws of its jurisdiction of organization;

(iii) shall have good commercial standing and business experience;

(iv) shall be an Eligible Swap Participant;

(v) shall have executed a Subscriber Agreement acceptable to the Exchange;

(vi) shall have funded a Subcustody Account with Margin-Eligible Assets; and

(vii) shall have such operational capabilities (including, without limitation, such hardware, software, communications systems and staffing) as the Exchange may determine is appropriate in view of such Person's anticipated type and level of activity on the Exchange.

(b) Any Subscriber simultaneously is eligible to be and shall immediately become a Class B Member of the Clearing Organization upon placing an order with onTrade.

#### 2.03. Application for Subscriber Status.

(a) Any Person desiring to become a Subscriber must file with the Membership Committee of the Exchange a Subscriber Agreement in the form prescribed by the Exchange, together with a non-refundable application fee in such amount as may be specified by the Exchange, and such financial statements and other information and documents as the Exchange may request.

(b) After receiving all of the information it deems necessary or appropriate, the Membership Committee shall determine whether to grant or deny such Person's application for Subscriber status.

#### 2.04. Denial of Subscriber Application.

(a) The Exchange may deny the application if the prospective Subscriber:

(i) does not meet any of the standards of eligibility set forth in Rule 2.02;

(ii) has been convicted of any felony or misdemeanor involving, arising from, or related to, the purchase or sale of any Commodity, security, futures contract, option or other financial instrument, or involving or arising from fraud or moral turpitude, or is permanently or temporarily enjoined by order, judgment or decree of any court of competent jurisdiction or any Governmental Agency from engaging in or continuing any conduct or practice in connection with the purchase or sale of any Commodity, security, futures contract, option or other financial instrument, or is or has been subject to an order of the Commission denying trading privileges on any contract market to such Person;

(iii) has had any fine, cease and desist order, denial of trading privileges, censure or other sanction or discipline (whether through an adverse determination, voluntary settlement or otherwise) imposed on such Person by any Governmental Agency;

(iv) has ever been expelled from, suspended by or subject to any other disciplinary action (whether through an adverse determination, voluntary settlement or otherwise) imposed on such Person by any SRO;

(v) is subject to any material unsatisfied judgments, the enforcement of which has not been stayed by a court of competent jurisdiction; or

(vi) has made any false or misleading statement in or in connection with any application filed with the Exchange; or, if under all of the circumstances the Exchange in its discretion determines that the grant of access to such Person would not be in the best interests of the Exchange.

(b) In the event that the Membership Committee proposes to deny the application for membership of a prospective Subscriber, it shall so notify such prospective Subscriber in writing, setting forth the grounds upon which the Membership Committee proposed to deny such application; and such prospective Subscriber, upon written request filed with the Exchange within 10 days after receipt of such notification, shall be entitled to a hearing before the Membership Committee. Any such hearing shall be conducted in such manner as shall, in the judgment of the Membership Committee, give such prospective Subscriber an opportunity to present fully and fairly to the Membership Committee the prospective Subscriber's reasons why the application should be granted. If an applicant does not so request a hearing within such 10 days, the application shall be deemed to have been withdrawn. If there shall be such a hearing, and if after the completion of such hearing the Membership Committee decides to deny such prospective Subscriber's application for membership, the Exchange shall give such prospective Subscriber written notice of the decision of the Membership Committee, setting forth the grounds therefor, and such decision shall be the final action of the Exchange and not subject to appeal within the Exchange.

#### 2.05. Duties of Subscriber.

(a) Each Subscriber shall immediately notify the Exchange in writing upon becoming aware of any of the following events:

(i) any refusal of admission to, or withdrawal by the Subscriber of any application for membership or clearing membership in, any SRO;

(ii) any expulsion, suspension or fine in excess of \$5,000 (whether through an adverse determination, voluntary settlement or otherwise) imposed by any SRO;

(iii) 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 Governmental Agency;

(iv) any fine, cease and desist order, denial of trading privileges, censure or other sanction or discipline (whether through an adverse determination, voluntary settlement or otherwise) imposed by any Governmental Agency;

(v) any indictment of the Subscriber or any of its senior officers for, any conviction of the Subscriber or any of its senior officers of, any confession of guilt or plea of guilty or nolo contendere by the Subscriber or any of its senior officers to, any felony or misdemeanor involving, arising from, or related to, the purchase or sale of any Commodity, security, futures contract, option or other financial instrument, or involving or arising from fraud or moral turpitude;

(vi) any issuance of a formal order of investigation (or its equivalent) of the Subscriber, or the commencement of any judicial or administrative proceeding against the Subscriber, by any Governmental Agency;

(vii) the commencement by or against the Subscriber of a case in bankruptcy or of any other action or proceeding to liquidate, reorganize or restructure the Subscriber pursuant to any applicable provision of law, federal or state, domestic or foreign;

(viii) any damage to, failure or inadequacy of the systems, facilities or equipment of the Subscriber which might materially and adversely affect the ability of the Subscriber to effect transactions or to timely perform its financial obligations under or/in connection with Contracts on the Exchange or subject to the Rules, to comply with the Bylaws and Rules or to timely perform its financial obligations under or/in connection with Contracts;

(ix) any change in Authorized Traders designated by the Subscriber; and

(x) any other material change in any information contained in the Subscriber Agreement of such Subscriber.

(b) Each Subscriber shall make reports in accordance with the rules and regulations of, and in such manner and form and at such times as may be prescribed by, the Commission, showing the details and terms of all transactions entered into by such Subscriber, in cash transactions or transactions for future delivery or option transactions consummated on the Exchange or subject to the Rules.

(c) Each Subscriber shall make and file reports with the Exchange at such times and containing such information in such form as the Exchange may prescribe from time to time.

(d) Each Subscriber shall timely furnish such information as may from time to time be requested by the Board, any committee or the Exchange, or any employee or agent of the Exchange, acting in the course of its, their, his or her duties.

(e) Each Subscriber shall diligently supervise all activities of its Authorized Trader(s) relating to transactions effected on the Exchange or subject to the Rules. Without limiting the generality of the foregoing:

(i) each Subscriber shall continue to have at all times at least one senior officer who is responsible for such supervision and shall promptly advise the Exchange of any change in the name, title, address, phone number, fax number or e-mail address of each such officer;

(ii) each Subscriber shall be responsible for training and testing its Authorized Traders regarding these Rules and the proper use of the Exchange; and

(iii) furnish the Exchange on demand with a list of all Authorized Traders employed by such Person, giving the name, location and Trader ID of each such Authorized Trader.

(f) Any violation of the Bylaws or Rules by any Authorized Trader of a Subscriber shall constitute a violation of the Bylaws or Rules, as the case may be, by such Subscriber.

(g) Each Subscriber shall be fully responsible for timely performance, of all obligations under or in connection with, any Contract resulting from the entry of any order into onTrade with such Subscriber's ID (including, without limitation, any Block Trade, EFP or EFS).

(h) Each Subscriber shall at all times continue to meet the standards of eligibility set forth in Rule 2.02 and not be subject to any of the grounds for denial of an application set forth in Rule 2.04(a).

#### 2.06. Prohibited Conduct by Subscriber.

No Subscriber or Authorized Trader shall engage in the following conduct (each a "Disciplinary Offense"):

(a) disseminate any false, misleading or knowingly inaccurate information, including reports concerning any Commodity traded on the Exchange or market information or conditions that affect or tend to affect the price of any Commodity traded on the Exchange;

(b) manipulate, or attempt to manipulate, the price of, or to corner, any Commodity traded on the Exchange;

(c) furnish false or misleading information to, or fail to furnish information when requested by, the Board, any committee of the Board or of the Exchange, or any employee of the Exchange, or any member of the Enforcement Staff, acting in the course of its, their, his or her duties;

(d) violate or fail to conform to the Act, any Commission Regulation, the Bylaws, Rules or procedures of the Exchange, or the bylaws, rules or procedures of the Clearing Organization;

(e) enter any bids, offers or transactions into onTrade when such Subscriber knows or should have known that it is insolvent, within the meaning of any applicable bankruptcy

or insolvency laws, federal or state, domestic or foreign, without the prior written approval of the Exchange;

(f) violate, or fail timely to comply with, the terms of any Material Agreement between the Subscriber and the Exchange or the Clearing Organization, or of any order or decision of the Exchange or the Clearing Organization;

(g) enter bids or offers into onTrade other than in good faith for the purpose of executing transactions, or make any bid or offer for the purpose of establishing a market price that does not reflect the true state of the market;

(h) knowingly act as an agent, or enter an order or effect any transaction for the benefit of any Person other than the Subscriber;

(i) enter into a transaction on the Exchange that is a wash sale, accommodation trade or prearranged trade, except as may be permitted under the Rules; or

(j) engage in conduct or practices inconsistent with just and equitable principles of trade, or conduct or practices detrimental to the best interests of the Exchange.

#### 2.07. Termination of Access.

(a) The access of any Subscriber may be terminated at any time:

(i) by the Exchange pursuant to Part 7 of the Rules; or

(ii) by the Subscriber upon written notice to the Exchange, specifying the effective date of the termination, which shall be (A) not less than one day following the date of giving of such notice, or (B) such other date as may be approved by the Exchange.

(b) Notwithstanding any termination of its membership, a Person who was a Subscriber shall remain subject to the jurisdiction of the Exchange after the effective date of such termination as if such Person were still a Subscriber with respect to any investigation or proceeding commenced by the Exchange against such Person pursuant to Part 7 of the Rules or any claim in arbitration filed against such Person pursuant to Part 8 of the Rules, provided that such investigation, proceeding or arbitration is commenced not more than six months after the effective date of such termination.

(c) Any Person whose membership has terminated shall immediately notify the Exchange of any change in its address as most recently reported to the Exchange for a period of one year following the effective date of such termination.

## PART 3

### Contract Terms and Conditions

#### 3.01. General

##### (a) Minimum Original Margin.

The minimum amount of Original Margin with respect to each Contract shall be no less than the sum of three daily price limits, as expressed in the Contract's base currency and as set forth in the Contract's rules.

##### (b) [Reserved].

#### 3.02. Futures Contracts on Five Year U.S. Treasury Notes.

The unit of trading shall be a five year when-issued U.S. Treasury note of a par amount such that the price sensitivity of a basis point (.01) increase from the Settlement Yield (as defined in Rule 3.03(c)) of the Treasury auction on the last day of trading is \$100.00 ("U.S. Treasury Note").

##### (a) Applicable Regulations.

Futures transactions in U.S. Treasury Notes futures contracts shall be subject to the Bylaws and Rules of the Exchange.

##### (b) Definitions.

(i) "Treasury Auction Day" shall mean the day upon which the U.S. Treasury conducts the auction for the U.S. Treasury Note during the expiring contract month.

(ii) "Yield" shall mean the yield to maturity, the interest rate that will make the present value of the cash flow (the interest and the principal payments due on the note) equal to the price of the note.

(iii) "Settlement Yield" shall mean (1) the highest yield accepted by the U.S. Treasury in allocating the offering among competitive bidders of the Treasury auction if a multi-price auction is used, or (2) the single yield accepted by the Treasury if a single price auction is used.

##### (c) Delivery Months.

(i) Futures trading may be conducted in quarterly cycles of February, May, August and November ("Quarterly Cycle").

(ii) At least five months closest in time to the current calendar month shall be listed for trading at all times and shall consist of:

(A) three consecutive months in the Quarterly Cycle; and

(B) such months in the Quarterly Cycle as the President shall determine in accordance with Rule 3.04(d) ("Additional Months").

(iii) Other than Additional Months listings, which are governed by Rule 3.01(d), trading in a new month in the Quarterly Cycle shall commence on the first Business Day following the last day of trading for an expiring contract month in the same cycle.

(iv) The President of the Exchange may list Additional Months in the Quarterly Cycle provided that:

(A) a month may not be listed, which would expire more than 18 months in the future; and

(B) notice is provided to the Commission of such additional listing in accordance with Commission Regulation 1.41, as from time to time amended.

(v) The President of the Exchange may remove Additional Months provided that:

(A) the contract month has no open interest; and

(B) notice is provided to the Commission of such removal in accordance with Commission Regulation 1.41, as from time to time amended.

(d) Price Basis.

(i) Bids and offers for U.S. Treasury Note futures contracts shall be quoted on an index basis, 100 minus points with each point representing 1.000% of a bond-equivalent yield (100 basis points).

(ii) The minimum price fluctuation shall be \$50.00 per contract ("Tick").

(e) Daily Price Limits.

Daily price limits shall be set at 20 basis points, or as set from time to time by the President.

(f) Trading Session.

(i) The hours of trading in U.S. Treasury Note futures contracts shall be on Business Days from 8:20 a.m. to 3:00 p.m. New York time, except that trading in an expiring contract shall terminate at the deadline for receipt of competitive tenders for

the U.S. Treasury Note auction, usually 1:00 p.m. New York time, on the last day of trading.

(ii) A pre-opening Trading Session shall occur on Business Days from 7:00 a.m. to 8:19 a.m. during which time period orders may be entered.

(g) Last Trading Day.

The last day of trading for the expiring contract shall be the Treasury Auction Day ("Last Trading Day"). Pursuant to the Treasury Auction schedule announced on February 2, 2000, the Last Trading Day normally occurs in the same calendar month as the listed contract month.

(h) Margin Requirements.

(i) Initial Margin requirements shall be set at \$6000.00, or as determined by the President from time to time.

(ii) The Company shall call or credit Variation Margin on a daily or intraday basis as specified in Rule 5.08 of the Clearing Organization.

(iii) Delivery shall be by cash settlement as specified in Rule 3.01(i).

(iv) Delivery Margin shall not be required.

(i) Reportable Positions.

A position of 50 (fifty), or more, contracts in U.S. Treasury Note futures contracts on this Exchange, long or short, in any one month, which is held or controlled by any Person, and which is carried by any single member, or member firm shall constitute a reportable position and shall be reported to the Exchange in the manner prescribed by the Exchange.

(j) Position Limits.

(i) At the close of trading on the business day preceding the Last Trading Day, the maximum gross long and/or short number of U.S. Treasury Note futures contracts that any one Person may hold or control in the expiring month cannot exceed such number of contracts as are equivalent to 10% (ten percent) of the offering amount announced by the U.S. Treasury. There shall be no exemptions to this Rule 3.01(j).

(ii) For purposes of this Rule 3.01(j), the Exchange shall calculate the number of U.S. Treasury Note futures contracts that are equivalent to 10% (ten percent) of the offering amount announced by the U.S. Treasury and post this number on the bulletin of the Exchange on the Business Day following the U.S. Treasury's announcement. Using the Settlement Yield and the coupon of the last U.S. Treasury Note Auction, the Exchange shall determine the principal value of

the U.S. Treasury Note futures contract by calculating the value of a basis point increase in yield per dollar of principal, and then by dividing 100 by the value of a basis point. The number of U.S. Treasury Note futures contracts equivalent to 10% of the offering amount shall be the product of the announced offering amount and .10 divided by the principal value of the contract, truncated to the nearest whole number.

(k) Position Accountability.

(i) In addition to the position limits described in Rules 4.11 and 4.12, a Person, by holding or controlling more than 1,250 U.S. Treasury Note futures contracts, net long or net short in months combined, automatically consents not to further increase those positions when so ordered by the Exchange, as it may determine in its sole discretion.

(ii) Upon request from the Exchange, a person holding or controlling more than 1,250 U.S. Treasury Note futures contracts, net long or net short in all contract months combined, shall provide in a timely manner information on the nature of that Person's related cash, futures and options positions, trading strategy and/or hedging strategy. Nothing in Rule 3.01(j) or this Rule 3.01(k) limits the authority of the Exchange to take action under Part 7 of these Rules or to request and collect any information regarding such Person's related cash futures and options positions.

(l) Settlement Price and Procedures.

(i) Daily Settlement.

Daily Settlement under the U.S. Treasury Note futures contract shall be made in accordance with Rule 4.10.

(ii) Final Settlement.

(A) Final settlement and delivery under the U.S. Treasury Note futures contract shall be by cash settlement with the final settlement price being 100 minus the stop-out yield as reported by the U.S. Treasury or its agent on the Last Trading Day.

(B) Subscribers holding open positions in U.S. Treasury Note futures contracts at the time of termination of trading shall make payment to, or receive payment from, the Clearing Organization on the Last Trading Day in accordance with normal variation margin procedures based on the final Settlement Price.

(C) In the event that no U.S. Treasury Note is auctioned in the month during which the Last Trading Day normally occurs the Exchange may take action to facilitate the settlement of open positions, including, but

not limited to, using a survey of primary dealers for the yield on the five year note most recently issued by the U.S. Treasury Department to establish a final settlement price.

(m) Limit Price Trigger.

Stop orders will be elected when a trade occurs at the price specified in the order as the Stop Price.

**PART 4**

Trading

4.01. Trading Sessions.

Except as otherwise provided in these Rules or determined by the Board, orders for Contracts shall only be executed by onTrade during the respective Trading Sessions for such Contracts. If, and as provided by the Board, orders may be entered into onTrade outside of Trading Sessions, but shall not be executed until the next Trading Session commences.

4.02. Priority of Orders.

Unless otherwise specified by the Exchange, orders entered into onTrade for Futures Contracts shall be executed in accordance with an algorithm that gives first priority to orders at the best prices, and then gives priority among orders at the same price based on time of receipt at the OnTrade server. Subject to the preceding sentence, orders entered into onTrade for Combination Trades shall be executed and the legs thereof shall be priced in accordance with an algorithm that gives priority to execution of each leg of the transaction as a separate transaction rather than to execution of the transaction at a differential price, if the prices for the legs of the transaction are better than, or equal to, the differential price.

4.03. Opening of Trading.

(a) Trading in all Delivery Months for each Futures Contract shall be opened simultaneously, without trading rotations.

(b) Orders placed before a Trading Session commences shall be executed on the opening in such manner as the Board may specify.

4.04. Handling of Orders.

(a) Except as otherwise expressly provided in these Rules, all transactions of any type in or involving Contracts must be bid, offered and executed through onTrade.

(b) Orders may be entered into onTrade by Subscribers and their Authorized Trader(s) to purchase or sell Contracts, Calendar Spreads or such other Combination Trades as may be provided for in or pursuant to these Rules.

4.05. Acceptable Order Types and Functions.

(a) Each order entered into onTrade shall provide the information described in Table I.

**TABLE I**

<b>Required Order Information</b>	
<b>Market Direction</b>	All orders must specify the intention to buy or sell.
<b>Quantity</b>	All orders must specify the quantity to purchase or sell. Any unsatisfied quantity shall remain in the order book to be matched by an opposing order until the expiration of the order as determined by the duration parameter.
<b>Price Limitation</b>	<p>All orders must specify a price limit or be designated as a "market order." For price limited orders, if insufficient opposing quantity is available in the order book at the time of entry, the order will be filled on the available quantity with any balance retained in the order book until the time specified in the duration parameter. All price limited orders are filled on an "or better" basis.</p> <p>Market orders indicate that the full quantity of the order should be filled at any available price. If insufficient opposing quantity is available in the order book at the time of entry, the order will be filled on the available quantity with any balance cancelled. A market order will not be matched with another market order and may not be entered if the Futures Contract market is closed.</p>
<b>Initiation Event</b>	All orders are eligible for matching immediately except those designated as "stop orders." Stop orders require the specification of an activation price, which is either above or below the current market price. These orders are triggered when the market trades at or through the activation price. Once activated, these orders are executed immediately with the time priority of their order entry time.
<b>Duration/Expiration</b>	All orders must specify the time period during which the

	<p>order shall remain open: (i) until the time indicated; (ii) remain good until filled; or (iii) until the end of the Trading Session as defined for the Futures Contract. "Fill or kill" may be used to indicate that any unfilled portion of the order should not be retained in the order book.</p>
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(b) A limit order may also be a "hit" or a "take" order, which is an order to buy or sell all the quantity present at the best offer or bid price showing at order entry time. Such an order shall be cancelled for all unsatisfied quantity if the price showing at order entry time is no longer available at the time of execution.

(c) A single order may be entered into onTrade for multiple Trading Accounts and Subscribers, provided that such order specifies a pre-defined order allocation algorithm.

(d) All orders entered into onTrade shall be firm and remain open in onTrade until executed or canceled, or until the expiration time, if any, specified in the order. Orders entered into onTrade may be changed by the Subscriber or Authorized Trader entering the order. Any such change shall be treated as the deletion of the existing order and the entry of a new order for all purposes (including, without limitation, time priority), unless the change consists only of one or more of the following:

- (A) reduction of quantity;
- (B) change of expiration time; or
- (C) such other change as the Exchange may from time to time specify.

(e) No Authorized Trader shall knowingly enter an order for a Subscriber into onTrade or cause a transaction to be executed for a Subscriber in onTrade in which the Authorized Trader, or the Subscriber employing such Authorized Trader, shall assume the opposite side of such order or transaction, unless such Subscriber shall have previously given consent thereto (which may be in the form of a blanket consent to all orders and transactions entered or executed after such consent is given); and except in the case of transactions effected pursuant to Rules 4.06, 4.07 or 4.08, such Authorized Trader first enters the Subscriber's order into onTrade and waits for at least 15 seconds before entering the opposite order.

#### 4.06. Block Trade Orders.

(a) Authorized Traders may enter a Block Trade order for a Subscriber indicating the price and counterparty to be matched, provided that all of the following conditions are satisfied:

- (i) the Rules of the applicable Futures Contract permit a Block Trade;

(ii) the price designated for the Block Trade order is fair and reasonable in light of (A) the underlying liquidity in the same Contract; (B) the size of such Block Trade; (C) the price and size of other trades in the same Contract at the relevant time; (D) the price and size of trades in other relevant markets, including, without limitation, the underlying cash market and any other futures market at the relevant time; and (E) the circumstances of the parties to such Block Trade;

(iii) a unique Block Trade Order ID is requested from the Exchange, which must be included on both sides of matching Block Trade orders;

(iv) each buy and sell order underlying a Block Trade is entered independently for each Subscriber, stating explicitly that it is to be, or may be, executed by means of a Block Trade;

(v) the order contains all details of the specific Futures Contract (including any required parameters) to which such Block Trade relates; the Block Trade Order ID; the number of Contracts traded; the price of execution; and the identity of the counterparty;

(vi) each order is identical in all material respects including the Block Trade Order ID;

(vii) the Block Trade order is submitted within 10 minutes of obtaining the Block Trade Order ID and both orders can be matched within 15 minutes of the first order to be submitted;

(viii) sufficient Margin-Eligible Assets with respect to each Subscriber; and

(ix) each party to the Block Trade is in compliance with all applicable Rules of the Exchange.

(b) The following procedures shall apply to a Block Trade:

(i) the price at which a Block Trade is executed shall not trigger pending contingent orders in onTrade;

(ii) the Exchange shall publicize information identifying the relevant Contract, contract month, price and quantity for each Block Trade immediately after such information is reported to the Exchange.

(c) Any attempt to enter and execute a Block Trade in violation of the foregoing requirements will be deemed an act detrimental to the interest and welfare of the Exchange.

4.07. Exchange of Futures for Physicals.

A Subscriber may effect an exchange of Futures Contracts for physical Commodities (an "EFP") in accordance with the provisions of this Rule.

(a) As used in this Rule 4.07, the term "Commodity" shall include but not be limited to: (i) a cash Commodity, (ii) a forward contract to purchase or sell a cash Commodity, and (iii) in the case of any Futures Contract on a group or index of securities, a basket of securities.

(b) Such transaction is to be consummated between two parties wherein one of the parties is the buyer of the Commodity and the seller of the Futures Contract, and the other party is the seller of the Commodity and the buyer of the Futures Contract.

(c) The Commodity being exchanged need not be the same as the Underlying Commodity for the Futures Contract being exchanged, but it must have a high degree of price correlation to such Underlying Commodity so that such Futures Contract would serve as an appropriate hedge for such Commodity.

(d) The quantity of the Commodity being exchanged must correspond approximately with the quantity of the Underlying Commodity of the Futures Contract being exchanged, taking into account any differences in the attributes of the Commodity being exchanged (such as interest rates and maturity dates) and those of the Underlying Commodity and applying hedge ratios as and to the extent appropriate.

(e) The purchase and sale of the Futures Contract shall be simultaneous with the sale and purchase of the corresponding Commodity.

(f) Such transaction may be consummated at any price as may be mutually agreed upon by the parties to the transaction.

(g) The Subscriber involved in each such transaction shall maintain full and complete records of the transaction, together with all pertinent documentation as to the Commodities involved.

(h) Each Subscriber engaging in an exchange of Futures Contracts for physical Commodities pursuant to this Rule must satisfy the Exchange, at its request, that the transaction complies with this Rule.

(i) Prices reported for EFPs shall not trigger pending contingent orders in onTrade.

4.08. Exchange of Futures for Swaps.

A Subscriber may effect an exchange of Futures Contracts for swaps (an "EFS") in accordance with the provisions of this Rule.

(a) The swap must be a transaction which complies in all respects with Part 35 of the Commission Regulations or the *Statement of Policy Concerning Swap Transactions* of the Commission, published at 54 Fed. Reg. 30694 (July 21, 1989), as in effect from time to time, any successor statement or Commission Regulation, and any interpretation thereof by the Commission or its staff.

(b) Such transaction is to be consummated between two parties wherein one of the parties is the buyer of the Futures Contract and assumes the opposite market risk under the swap, and the other party is the seller of the Futures Contract and assumes the opposite market risk under the swap, and the parties exchange such Futures Contract for the swap.

(c) The fluctuations in the value of the swap must have a high degree of correlation to fluctuations in the price of the Underlying Commodity for the Futures Contract being exchanged so that such Futures Contract would serve as an appropriate hedge for such swap.

(d) The notional amount of the swap being exchanged must correspond approximately with the quantity of the Underlying Commodity of the Futures Contract(s) being exchanged, taking into account any differences in the attributes of the swap being exchanged and those of the Underlying Commodity and applying appropriate hedge ratios.

(e) The purchase and sale of the Futures Contract shall be simultaneous with the transfer of the corresponding swap.

(f) Such transaction may be consummated at any price as may be mutually agreed upon by the parties to the transaction.

(g) The Subscriber involved in each such transaction shall maintain full and complete records of the transaction, together with all pertinent documentation as to the swaps involved.

(h) Each Subscriber engaging in an exchange of Futures Contracts for swaps pursuant to this Rule must satisfy the Exchange, at its request, that the transaction complies with this Rule.

(i) Prices reported for EFSs shall not trigger pending contingent orders in onTrade.

#### 4.09. Transfer of Positions.

(a) Contracts may be transferred from one Trading Account to another Trading Account, but only if the transfer would not result in a change in the beneficial ownership in any Contract, unless the transfer is made:

(i) to reflect a change of ownership occurring by operation of law on the death or bankruptcy of a Person having an ownership interest in such Contract

or occurring as a result of a merger, consolidation, disposition of a line business, reorganization or similar event affecting such a Person;

- (ii) in accordance with Rules 4.06, 4.07 and 4.08; or
- (iii) with the prior written approval of the Exchange.

(b) For purposes of this Rule, a change in beneficial ownership shall not be deemed to have occurred with respect to (i) transfers between firms which are 100% owned directly or indirectly by the same Person, and (ii) transfers between any Person and any Entity 100% owned directly or indirectly by such Person.

(c) Any Subscriber transferring one or more Contracts shall give notice of the transfer to the Exchange in such form and containing such information as the Exchange may prescribe.

#### 4.10. Establishment of Settlement Prices.

(a) The Settlement Price for all Contracts shall be determined by the Exchange in the exercise of its reasonable business judgment taking into account such factors as the price of the last trade for the Trading Day, unexecuted orders and the price of the Underlying Commodity.

(b) The Exchange shall promptly publish such Settlement Price to the media and such other Persons as it may consider appropriate.

#### 4.11. Speculative Position Limits.

In the case of any Contract for which speculative limits are set forth in Part 3 of these Rules:

(a) No Subscriber may hold or control positions in Contracts, separately or in combination, net long or net short, in excess of such position limits, except as otherwise provided in the Rules.

(b) The position limits referred to in paragraph (a) of this Rule shall not apply to positions that have been exempted by the Exchange and which are either:

(i) bona fide hedging positions as defined in Section 1.3(z)(1) of the Commission Regulations;

(ii) positions (other than positions in the spot month in Contracts which have spot month limits) carried for an "eligible entity," as that term is defined in Section 150.1(d) of the Commission Regulations, in the separate account or accounts of an "independent account controller," as that term is defined in Section 150.1(e) of the Commission Regulations; provided, however, that the overall positions held or controlled by each such independent account controller may not exceed the applicable position limits; or

(iii) arbitrage or spread positions from time to time enumerated by the Exchange.

(c) Position limits shall apply to (i) all positions in accounts for which any Person by power of attorney or otherwise directly or indirectly holds positions or controls trading, and (ii) to positions held by two or more Persons acting pursuant to an expressed or implied agreement or understanding the same as if the positions were held by, or the trading of the positions were done by, a single Person.

(d) Upon request by the Exchange, which may be written or oral, a Subscriber shall, within one Business Day following receipt of such request or within such longer or shorter period of time as may be specified by the Exchange in its request:

(i) furnish such assurance as the Exchange may request, and/or seek written assurance from any Subscriber maintaining a position, that such position does not violate the provisions of this Rule. In the event such Subscriber fails to deliver such assurance within a period of five Business Days after the request for assurance shall have been delivered by the Exchange to the Subscriber, the Subscriber must close out all positions in all Contracts and the Subscriber's failure to provide timely assurances shall be deemed prima facie evidence of the Subscriber's violation of this Rule; or

(ii) reduce the position maintained by the Subscriber to comply with the applicable position limits.

#### 4.12. Exemptions from Speculative Position Limits.

(a) Any Subscriber seeking an exemption from the position limits referred to in Rule 4.11 must file an application with the Exchange no later than two Business Days after the day on which such Subscriber's position exceeds such limits. The Exchange may direct that an application be filed in less than five Business Days.

(i) An application for exemption for bona fide hedging positions shall contain the following:

(A) an explanation of how the hedge position sought to be exempted would be exempt under Commission Regulation 1.3(z)(1);

(B) a statement of the maximum reasonable level that the applicant is seeking to have exempted;

(C) a description of the applicant's specific position in the Contracts for which the exemption is sought, the Underlying Commodities for those Contracts and any closely related Commodities; and

(D) a description of the applicant's business operations.

(ii) An application for exemption for arbitrage or spread positions shall contain the following:

(A) an explanation of how the positions sought to be exempted qualify as arbitrage or spread positions;

(B) a statement of the maximum reasonable level that the applicant is seeking to have exempted;

(C) a description of the applicant's specific position in the Contracts for which the exemption is sought, the Underlying Commodities for these Contracts and any closely related Commodities; and

(D) a general description of the applicant's relevant business operations.

(b) If a Subscriber is granted an exemption by the Exchange under this Rule:

(i) The exercise of that exemption, in whole or in part, by that Subscriber, shall constitute:

(A) an undertaking by that Subscriber to (I) notify the Exchange of any change in its circumstances that affect the reasonableness of the exemption granted; and (II) supply the Exchange with such other and further information as the Exchange might require; and

(B) an acknowledgment by the exempted Subscriber that the Exchange may, at any time, review, revoke, alter or place limits on any such exemptions if the Exchange deems such action to be in the best interests of the Exchange.

(ii) In the case of an exemption for an eligible entity, if the independent account controller is affiliated with the eligible entity or another independent account controller, each of the affiliated entities must:

(A) have and enforce written procedures to preclude the affiliated entities from having knowledge of, gaining access to, or receiving data about, trades of the other. Such procedures must include document routing and other procedures or security arrangements, including separate physical locations, which would maintain the independence of their activities; provided, however, that such procedures may provide for the disclosure of information that is reasonably necessary for an eligible entity to maintain the level of control consistent with its fiduciary responsibilities and necessary to fulfill its duty to supervise diligently the trading done on its behalf;

(B) trade such accounts pursuant to separately developed and independent trading systems;

(C) market such trading systems separately; and

(D) solicit funds for such trading by separate disclosure documents that meet the standards of Sections 4.24 or 4.34 of the Commission Regulations, as applicable, where such disclosure documents are required.

(c) Within five Business Days after the submission of an application conforming to the requirements of this Rule, the Exchange shall notify the applicant whether the exemption has been approved and if any limitations have been placed thereon. An exemption shall remain in full force and effect until (i) the applicant requests a withdrawal thereof or (ii) the Exchange revokes, modifies or places further limitations thereon.

(d) In the event that the Exchange has reason to believe that a Subscriber has violated any Exchange position limit rules, the matter shall be promptly reviewed by the Enforcement Staff which, if appropriate, shall issue a warning letter to the Subscriber; provided, however, that, if there appears to be a more serious or systematic violation by the Subscriber of the position limits, then the Enforcement Staff must proceed in accordance with Part 7 of these Rules.

#### 4.13. Position Accountability.

In the case of any Contract for which a position accountability level is specified in the Rules of such Contract, the following provisions shall apply:

(a) a Person who owns or controls Contracts net long or net short in excess of the applicable position accountability level shall:

(i) provide, as and when requested by the Exchange, information regarding the nature of the position, trading strategy and hedging information if applicable; and

(ii) initiate and liquidate such positions in an orderly manner;

(b) any such Person, if so ordered by the Exchange, shall not increase any such position; and

(c) for purposes of this Rule, all positions in accounts for which a Person, by power of attorney or otherwise, directly or indirectly controls trading shall be included with the positions held by such Person. The provisions of this Rule shall apply to positions held by two or more Persons acting pursuant to an expressed or implied agreement or understanding, the same as if the positions were held by a single Person.

## PART 5

### Clearance

#### 5.01. Clearance.

All orders for Contracts to be effected by any Subscriber on the Exchange shall be verified for clearance by the Clearing Organization prior to execution. Such verification by the Clearing Organization shall include whether the Subscriber is in good standing and has sufficient Margin-Eligible Assets to margin the transaction.

## PART 6

### Emergency Action

#### 6.01. Emergency Action

In the event of an Emergency, the Board may take such action pursuant to the Bylaws as it deems necessary, including by way of example and not by limitation, suspension of trading, liquidation of open positions, or forced settlement.

## PART 7

### Disciplinary Proceedings; Conflicts of Interest or Bias

#### 7.01. Rule Violations.

(a) Except as provided in Rule 7.08(a), the investigation of any suspected Disciplinary Offense by any Subscriber or Authorized Trader shall be conducted by the Enforcement Staff in accordance with the Rules. After each such investigation, whether or not it believes a Disciplinary Offense may have occurred, the Enforcement Staff shall present a written investigation report to the Business Conduct Committee describing the investigation conducted and setting forth the facts determined, and the conclusions and recommendations of the Enforcement Staff. If the Enforcement Staff shall conclude that a Disciplinary Offense may have occurred, it may negotiate and enter into a written settlement agreement with any Subscriber or Authorized Trader involved, subject to approval by the Business Conduct Committee.

(b) Each investigative report shall be reviewed by the Business Conduct Committee. If, upon review of the report, the Business Conduct Committee finds that additional investigation or evidence is necessary, it shall so instruct the Enforcement Staff. Within 30 days after receiving a completed report the Business Conduct Committee shall:

(i) approve the settlement agreement, if any, entered into between the Enforcement Staff and such Subscriber or Authorized Trader;

(ii) authorize the Enforcement Staff to negotiate a settlement agreement on terms prescribed by the Business Conduct Committee, any such

settlement agreement to be subject to the approval of the Business Conduct Committee;

(iii) direct the Enforcement Staff to commence disciplinary proceedings against such Subscriber or Authorized Trader pursuant to the disciplinary rules of the NFA, except as modified by these Rules; or

(iv) if the Business Conduct Committee determines that no reasonable basis exists for finding a violation or that prosecution of the violation is deemed unwarranted (in which case it may issue a warning letter to the Subscriber or Authorized Trader) it shall close the matter, making such determination in writing and setting forth the reasons therefor. Such closure order shall become final 10 days after the President's receipt thereof unless, within such time, the President refers the matter to the Executive Committee for its review.

(c) The Business Conduct Committee may, in its discretion, permit a Subscriber or Authorized Trader in any settlement agreement to accept a penalty without either admitting or denying the violation upon which the penalty is based. If the Business Conduct Committee accepts any such proposal, it shall issue a written decision specifying the violations it has reason to believe were committed and any penalty to be imposed. If the settlement proposal specifies that the Subscriber or Authorized Trader is agreeing to accept a penalty without either admitting or denying any violations, the decision shall so state.

#### 7.02. Notice of Charges and Hearing Panel.

If the Business Conduct Committee directs the Enforcement Staff to commence disciplinary proceedings against any Subscriber or Authorized Trader, the Enforcement Staff shall send by overnight mail a written notice of charges to such Subscriber or Authorized Trader containing the following information:

(a) the provisions of the Bylaws, Rules or Material Agreement which it is alleged the Subscriber or Authorized Trader has violated;

(b) the acts or omissions of the Subscriber or Authorized Trader which it is alleged constitute such a violation or violations;

(c) the predetermined penalty, if any;

(d) the date (which shall not be less than 20 days after the notice of charges is sent to the Subscriber or Authorized Trader) and the time and place at which a Hearing Panel appointed by the President pursuant to sub-paragraph "(d)" of this Rule from the Hearing Committee will meet to hear and consider the charges contained in the notice of charges; and

(e) the Hearing Panel shall be comprised of no less than three persons, at least one of whom shall not be a Subscriber or the representative of a Subscriber and none of which shall be subject to a conflict of interest under Rule 7.10.

7.03. Answer from Subscriber or Authorized Trader.

(a) A Subscriber or Authorized Trader which receives a notice of charges may submit a written answer thereto admitting, denying or otherwise explaining any matter set forth in such notice of charges. Such answer must be received by the Enforcement Staff not later than ten Business Days prior to the hearing date specified in the notice of charges.

(b) If a Subscriber or Authorized Trader does not deny any allegation or any charge in an answer submitted when and as prescribed in paragraph (a) of this Rule, such Subscriber or Authorized Trader shall be deemed to have admitted such allegation or charge.

(c) A Subscriber or Authorized Trader which does not submit an answer when and as prescribed in paragraph (a) of this Rule shall be deemed to have admitted all charges contained in the notice of charges.

(d) If a Subscriber or Authorized Trader admits or is deemed to admit any charge, the Hearing Panel shall impose a penalty for each violation deemed to have been committed; provided, however, that the penalty shall be no greater than the predetermined penalty, if any, stated in the notice of charges for the corresponding violation. The Hearing Panel shall promptly notify the Enforcement Staff and the Subscriber or Authorized Trader in writing of its decision to impose any penalty, and shall advise the Subscriber or Authorized Trader of the right to request a hearing on such penalty within five Business Days, but that no hearing shall be permitted except for good cause shown. If the Subscriber or Authorized Trader does not request a hearing within such five Business Days after the giving of such notification, the Subscriber or Authorized Trader shall be deemed to have accepted the penalty, and the decision of the Hearing Panel shall be the final action of the Exchange.

(e) Answers shall be sent by overnight mail to the Enforcement Staff at the following address:

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7.04. Hearings in Disciplinary Proceedings.

(a) Any hearing on charges contained in a notice of charges shall be conducted before a Hearing Panel.

(b) Upon being served with a notice of charges, a Subscriber or Authorized Trader shall be entitled to be represented by legal counsel or any other representative of its choosing.

(c) The Subscriber or Authorized Trader shall be entitled in advance of the hearing to examine all books, documents, or other tangible evidence in the possession or under the control of the Exchange which are to be relied upon by the Enforcement Staff in presenting the charges contained in the notice of charges or which are relevant to those charges.

(d) The formal rules of evidence need not apply; nevertheless, the procedures for the hearing may not be so informal as to deny a fair hearing.

(e) The Enforcement Staff shall be a party to the hearing and shall present its case on those charges and penalties which are the subject of the hearing.

(f) The Subscriber or Authorized Trader shall be entitled to appear personally at the hearing.

(g) The Subscriber or Authorized Trader shall be entitled to cross-examine any persons appearing as witnesses at the hearing.

(h) The Subscriber or Authorized Trader shall be entitled to call witnesses and to present such evidence as may be relevant to the charges.

(i) The Exchange shall require persons within its jurisdiction who are called as witnesses to appear at the hearing and to produce evidence. It shall make reasonable efforts to secure the presence of all other persons called as witnesses whose testimony would be relevant.

(j) A substantially verbatim record of the hearing shall be made and shall become a part of the record of the proceeding. The record must be one that is capable of being accurately transcribed; however, it need not be transcribed unless the transcript is requested by Commission staff or the Subscriber or Authorized Trader, or the decision is appealed to or reviewed by the Commission. In all other instances, a summary record of the hearing is permitted.

(k) The cost of transcribing the record of the hearing shall be borne by a Subscriber or Authorized Trader who requests the transcript or appeals the decision to the Commission. In all other instances, the cost of transcribing the record shall be borne by the Exchange.

(l) A penalty may be summarily imposed by the Hearing Panel upon any person within its jurisdiction whose actions impede the progress of a hearing.

#### 7.05. Decision of Hearing Panel.

Promptly following the hearing, the Hearing Panel shall render a written decision based upon the weight of the evidence contained in the record of the proceeding and shall provide a copy of such decision to the Enforcement Staff and the Subscriber or Authorized Trader. The decision shall include:

(a) the notice of charges or a summary of the charges;

(b) the answer, if any, or a summary of the answer;

(c) a brief summary of the evidence produced at the hearing or, where appropriate, incorporation by reference of the investigation report;

(d) a statement of findings and conclusions with respect to each charge, including the specific provision of the Bylaws, Rules, or Material Agreement which the Subscriber or Authorized Trader is found to have violated; and

(e) a declaration of any penalty imposed and the effective date of such penalty. Any such penalty may include any one or more of the following:

- (i) a censure or reprimand;
- (ii) limiting the positions which may be carried by such Subscriber or Authorized Trader;
- (iii) suspension of any or all trading privileges;
- (iv) suspension as a Subscriber or Authorized Trader; and
- (v) termination as a Subscriber or Authorized Trader.

Such decision shall be the final action of the Exchange if not appealed by the Subscriber or Authorized Trader when and as provided in Rule 7.07.

#### 7.06. Settlement.

(a) At any time after the issuance of a notice of charges and prior to the issuance of a decision pursuant to Rule 7.05, a Subscriber or Authorized Trader may deliver to the Enforcement Staff a written proposal to settle the matter in question. The Hearing Panel may accept or reject the settlement agreement, but may not alter its terms unless the Subscriber or Authorized Trader agrees. The Hearing Panel, in its discretion, may permit the Subscriber or Authorized Trader to accept a penalty without either admitting or denying the violations upon which the penalty is based.

(b) If the Hearing Panel accepts any such proposal, it shall issue a written decision specifying the violations it has reason to believe were committed and any penalty to be imposed. If the settlement proposal specifies that the Subscriber or Authorized Trader is agreeing to accept a penalty without either admitting or denying any violations, the decision shall so state.

(c) If the Hearing Panel does not accept a settlement proposal, the proceedings shall continue against the Subscriber or Authorized Trader, but the Subscriber or Authorized Trader shall not be deemed to have made any admissions by reason of the offer of settlement and shall not be otherwise prejudiced by having submitted the offer of settlement.

(d) A settlement offer may not be withdrawn by a Subscriber or Authorized Trader after it is submitted to the Enforcement Staff, the Business Conduct Committee, the Hearing Panel or Executive Committee. An offer that is rejected by the appropriate committee or panel shall be null and void and shall not be deemed to have been an admission of any matter.

7.07. Appeals.

(a) A Subscriber or Authorized Trader may appeal a decision of the Hearing Panel to the Board by serving on the Enforcement Staff within 10 days after a copy of the written decision of the Hearing Panel has been served on the Subscriber or Authorized Trader, a written notice of appeal, accompanied by a supporting memorandum setting forth the grounds for the appeal.

(b) The Enforcement Staff may serve on the Subscriber or Authorized Trader a written memorandum in opposition to the appeal within 10 days of the date of service of the notice of appeal and supporting memorandum.

(c) The Subscriber or Authorized Trader may serve on the Enforcement Staff and file with the Board a reply memorandum within five days of the date of service of the memorandum of the Enforcement Staff in opposition to the appeal. The reply memorandum must be limited to the matters set forth in the memorandum of the Enforcement Staff.

(d) The Enforcement Staff shall furnish to the Board a copy of the record of the hearing, the notice of appeal, the supporting memorandum, any memorandum in opposition and the reply memorandum. The appeal shall be acted upon on such date and at such time and place as the Chairman of the Board may specify by written notice to the Subscriber or Authorized Trader given not less than ten days prior to such date.

(e) In acting on an appeal, the Board may, in its sole discretion, either:

(i) decide the case solely on the basis of the record of the hearing, the notice of appeal and the memoranda submitted by the Subscriber or Authorized Trader and the Enforcement Staff;

(ii) invite the Subscriber or Authorized Trader and the Enforcement Staff to make oral presentations for consideration in addition to the matters referred to in subparagraph (i); or

(iii) for good cause shown, grant the Subscriber or Authorized Trader an entirely new hearing before the Board, or a committee thereof, to be conducted in accordance with the procedures set forth in Rules 7.04, 7.05 and 7.06, as if the Board were the Hearing Panel.

(f) The Board may affirm, reverse or modify the decision of the Hearing Panel in whole or in part; provided that, unless a new formal hearing is granted, no finding of fact made by the Hearing Panel may be set aside if supported by any evidence in the record. In the event of a reversal, the matter may be remanded to the Hearing Panel for further proceedings or may be dismissed. A modification of the decision of the Hearing Panel may include, among other things, an increase in any penalties imposed by the Hearing Panel.

(g) The Board shall issue a written decision and shall provide a copy of such decision to the Enforcement Staff and the Subscriber or Authorized Trader. The written decision

shall include a statement of the Board's findings and conclusions with respect to each charge or penalty reviewed, the specific provisions of the Bylaws, Rules or Material Agreement which the Subscriber or Authorized Trader was found to have violated, a declaration of any penalties ordered and the effective date of the penalties. Such decision shall be the final action of the Exchange and (notwithstanding the last sentence of Rule 7.05) shall not be subject to appeal within the Exchange.

7.08. Summary Proceedings.

(a) The Board may in its sole discretion summarily censure, suspend or terminate any Subscriber or Authorized Trader:

(i) for failing to make timely and accurate submissions to the Exchange of notices, reports, or other information required under any provision of the Bylaws or Rules;

(ii) for a material breach of a Material Agreement;

(iii) if deemed necessary to protect the Exchange, its contract markets or other Subscribers or Authorized Traders;

(iv) for failure to comply with an arbitral award within 30 days of the date of service of such award, unless stated otherwise in such award;

(v) for failure to comply with a settlement agreement within 30 days of the termination of arbitration proceedings, unless stated otherwise in such settlement agreement; or

(vi) for failure to pay in a timely manner any fee assessed in connection with arbitration proceedings.

Nothing contained in this Rule shall preclude any other action against a Subscriber or Authorized Trader pursuant to the Rules. The imposition of a censure, suspension or termination against a Subscriber or Authorized Trader pursuant to this Rule shall be the final action of the Exchange if the Subscriber or Authorized Trader does not request review when and as hereinafter provided.

(b) The Exchange shall give a Subscriber or Authorized Trader written notice of an action imposed pursuant to paragraph (a) of this Rule. Such notice shall specify the date of the occurrence for which the censure, suspension or termination is being imposed, the provision or provisions of the Bylaws, Rules or Material Agreement giving rise to the action and the details thereof. Within 10 days of the giving of such notice, the Subscriber or Authorized Trader may submit a written request to the Board to review such censure, suspension or termination. Any such request shall specify the basis for such review.

(c) The President shall appoint a Hearing Panel drawn from the Hearing Committee to hear and consider a request for review made pursuant to paragraph (b) at a meeting

to be held promptly after the Exchange has received such request. At that meeting, the Subscriber or Authorized Trader may appear and present evidence to establish that it did not commit the violation for which the censure, suspension or termination was imposed and/or that the censure, suspension or termination imposed is excessive, and the Enforcement Staff may present evidence to establish that such Subscriber or Authorized Trader did commit such violation and/or that such censure, suspension or termination was not excessive.

(d) The Hearing Panel shall not be bound by formal rules of evidence or by technical considerations. The Hearing Panel shall follow such procedures as it deems best calculated to ascertain material information and otherwise to insure a fair and impartial hearing.

(e) The Hearing Panel shall issue a written decision in the form provided by Rule 7.05 and shall provide a copy of such decision to the Enforcement Staff and the Subscriber or Authorized Trader. Such decision shall be the final action of the Exchange and shall not be subject to further appeal within the Exchange.

7.09. Reinstatement of Suspended Member; Revocation or Modification of Other Actions.

A Subscriber or Authorized Trader which has been suspended, or terminated, may seek reinstatement or revocation or modification of such action by submitting an application therefor in such form and accompanied by such information as the Exchange may prescribe. Such application may be rejected or granted in whole or in part by the Board in its discretion.

7.10. Conflicts of Interest or Bias.

(a) A member of the Board, the Business Conduct Committee, the Hearing Committee or any Hearing Panel may not deliberate, vote or otherwise participate in any proceedings conducted pursuant to this Part 7 if such member:

(i) is the named party in interest;

(ii) is an employer, employee or fellow employee of, or of an Affiliate of, the named party in interest;

(iii) has any other significant, ongoing business relationship with the named party in interest; or

(iv) has a Family Relationship with the named party in interest.

(b) Prior to the consideration of any matter involving a named party in interest, each member of the Board, the Business Conduct Committee, the Hearing Committee and any Hearing Panel must disclose to the President of the Exchange whether he or she has one of the relationships listed in paragraph (a) of this Rule with the named party in interest.

(c) The President or such designee shall determine whether any such member of the Board, Business Conduct Committee, Hearing Committee or Hearing Panel is subject to

the restrictions set forth in this Rule 7.10, which determination, taking into consideration the exigency of the action to be taken, shall be based upon:

(i) information provided by such member pursuant to subparagraph (b) of this Rule 7.10; and

(ii) any other source of information that is held by and reasonably available to the Exchange.

(d) Any member of the Board or the Business Conduct Committee who would otherwise be required to abstain from deliberations and voting pursuant to this paragraph (d) may participate in deliberations, prior to a vote on a significant action for which he or she otherwise would be required to abstain pursuant to this paragraph (d), if in the judgment of the deliberating body such participation would be consistent with the public interest, and if such member excuses himself or herself from voting on such action. In making a determination as to whether to permit such member to so participate in such deliberations, the deliberating body shall consider (A) whether such member's participation in the deliberations is necessary for the deliberating body to achieve a quorum in the matter, and (B) whether the member has unique or special expertise, knowledge or experience in the matter under consideration. Prior to making any such determination, the deliberating body must fully consider the position information which is the basis for the member's direct and substantial financial interest in the result of a vote on a significant action.

(e) The Board and the Business Conduct Committee must reflect in their minutes or otherwise document that the conflicts determination procedures required by this Rule 7.10 have been followed. Such records also must include:

(i) the names of all members who attended the meeting in person or who otherwise were present by electronic means;

(ii) the name of any member who voluntarily excused himself or herself or was required to abstain from deliberations and/or voting on a matter and the reason for the refusal or abstention, if stated; and

(iii) the information on the position information that was reviewed for each member.

(f) Any Subscriber or Authorized Trader which is a named party in interest in any proceeding under this Part 7 may file a written request with the President of the Exchange for disqualification of any member of the Board, the Business Conduct Committee, Hearing Committee or Hearing Panel on the grounds that such member has one of the relationships listed in paragraph (a) of this Rule, or that any other cause exists which might cause such member to have a bias against such Subscriber or Authorized Trader.

(g) The President shall promptly give written notice to the member of the Board, the Business Conduct Committee, the Hearing Committee or the Hearing Panel, as the case may be, and to the Subscriber or Authorized Trader which is the named party in interest of

his or her determination, and such determination shall be final and not subject to appeal within the Exchange.

7.11. Delegation of Authority.

(a) The Board may in its discretion delegate any or all of its authority under this Part 7 to a committee of the Board or to the NFA.

(b) The President may in his or her discretion delegate any or all of his or her authority under this Part 7 to another executive employee of the Exchange.

7.12. Open Contracts.

The Contracts held by any Subscriber that is the subject of proceedings under this Part 7 shall be liquidated or otherwise dealt with in accordance with Rule 7.02 of the Clearing Organization.

**PART 8**

Arbitration

8.01. Subscriber Arbitration.

(a) Any Subscriber that has a dispute, claim, or controversy against another Subscriber or the Exchange shall in accordance with the Subscriber Agreement submit such dispute, claim, or controversy to arbitration before, and in accordance with the NFA's Code of Arbitration with respect to claims versus Subscribers and with the NFA's Member Arbitration Rules with respect to claims versus the Exchange, provided, however, that the NFA fee schedule for Member Arbitration Rules shall apply.

(b) It shall be deemed a violation of these Rules for any Subscriber to fail to comply with any order or award issued in an arbitration proceeding conducted under this Part 8.

8.02. Exchange Arbitration.

(a) Except for disciplinary matters governed by Part 7 of these Rules, any dispute, claim, or controversy the Exchange may have concerning a Subscriber shall be settled in accordance the Member Arbitration Rules of the NFA.

(b) The Exchange may seek equitable relief against a Subscriber (e.g., a stay, injunction or order of attachment) in assistance to any disciplining proceeding under Part 7 or an arbitration proceeding under Part 8 of these Rules.

**PART 9**

Miscellaneous

9.01. Prohibition of Compensation to Exchange Employees.

No Subscriber, Affiliate of a Subscriber or employee of any of them shall give any compensation or gratuity to any Exchange employee, and no Exchange employee shall accept any compensation or gratuity from any Subscriber, Affiliate of a Subscriber or employee of any of them; provided that the foregoing shall not preclude giving or accepting items of nominal value.

9.02. Rule Amendments and Interpretations.

(a) Rules may be adopted, amended or repealed as provided in the Bylaws; provided, however, that (except where action is being taken in an emergency, as provided in the Bylaws), no Rule and no amendment or repeal of a Rule, shall apply to any Contract entered into prior to the adoption thereof if such Rule, amendment or repeal would affect the amount of money to be paid, or the specifications of the Underlying Commodity to be delivered, under such Contract.

(b) All Rules, and all amendments and repeals of Rules, shall become effective at such time as the Board may prescribe or, if the Board does not so prescribe, on the later of (i) 10 days after written notice thereof has been sent to all of the Subscribers, or (ii) on such date as the President may prescribe following the date on which such Rule, amendment or repeal may become effective pursuant to Section 1.41 of the Commission Regulations.

(c) The correct interpretation or meaning of any Rule may be determined by the affirmative vote of a majority of the entire Board.

9.03. Confidentiality of Information.

All information received by the Exchange concerning past or current positions carried by the Exchange or any other clearing organization for a Subscriber, or concerning margin or premium payments between the Exchange or any other clearing organization and a Subscriber, or concerning deliveries made by or to a Subscriber, and any financial statements filed with the Exchange by any Subscriber, shall be held in confidence by the Exchange and shall not be made known to any other person except as follows:

(a) with the written consent of the Subscriber involved;

(b) to the NFA, the Commission, or the United States Department of Justice pursuant to the requirements of the Act or any Commission Regulation;

(c) pursuant to a subpoena issued by or on behalf of any person, or in the Exchange's discretion, pursuant to a written request from the Congress of the United States, any committee or subcommittee thereof, the General Accounting Office, or any department or agency of the United States, or any state;

(d) pursuant to an order issued by a court having jurisdiction over the Exchange;

(e) to any SRO for audit, compliance or market surveillance purposes; provided that the furnishing of any such information shall be subject to such terms and conditions as the Board, from time to time, may deem appropriate;

(f) to any Person in the business of providing data processing or similar services for the purpose of performing computations or analysis, or of preparing reports or records, for the Exchange, subject to such terms and conditions as the Board, from time to time, may deem appropriate;

(g) to counsel for the Exchange;

(h) to the Enforcement Staff; or

(i) to any other Person if, to the extent and pursuant to such terms and conditions as the Board, from time to time, may deem appropriate.

If information concerning one or more named Subscriber is requested pursuant to paragraphs (b), (c) or (d) above, the Exchange shall so notify each such Subscriber prior to furnishing such information, unless in the judgment of the Exchange it would be contrary to the best interests of the Exchange to do so.

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