

NYBOT®

MARGIN RULES

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MARGIN RULES

Rule 5.01. Scope of Chapter and Definitions

This chapter governs the Margins and Premiums required for Exchange Futures Contracts and Exchange Options. The following terms are defined for purposes of this chapter only, and do not apply to other Rules.

Current Margin Call

A bona fide Margin call which has been outstanding a reasonable time.

Customer

An account holder trading in any commodity futures or options contract, except the holder of a proprietary account as defined by CFTC Regulation 1.3(Y), or Non-Customer account as defined by CFTC Regulation 1.17(b)(4).

Margin Call

A request for Margin funds to bring an account up to the Original Margin requirement when Margin equity in the account is less than the Maintenance Margin requirement.

Non-Customer

An account holder trading in any commodity futures or options contract which is not defined as Customer or proprietary.

Omnibus Account

An account held in the name of an FCM or foreign broker that is utilized for placing and clearing trades of one or more undisclosed Persons.

Reasonable Time

Less than three (3) Business Days for Exchange Members holding floor trading privileges; less than five (5) Business Days for Customers and less than four (4) Business Days for Non-Customer and Omnibus Accounts.

Note: Days are counted from and including the day the account became undermargined.

Risk Reducing Trades

The establishment or closure of a futures or options position that reduces the risk of existing positions in an account.

Rule 5.02. Margin Requirements

(a) Except as hereinafter provided, no Carrying Member shall carry an open position in an Exchange Futures Contract or Exchange Option for an account unless it collects the Original Margin required pursuant to the Rules within a Reasonable Time, except for good cause.

(b) Except as hereinafter provided, no Carrying Member shall accept any order for a futures or option contract if the execution of such order would result in an increase in the account's position, except for Risk Reducing Trades, unless:

(i) the Original Margin and Premium required for all existing futures and option positions carried in the account has been deposited in accordance with the Rules (or the rules, if any, of the exchange

where such futures or options are traded) or the Carrying Member has issued a call for any Margin or Premium required and such call has not been outstanding more than a Reasonable Time, except for good cause; and

(ii) the Net Liquidating Value of the account exceeds the Maintenance Level required pursuant to the Rules or the Carrying Member has issued a call for any Margin required and such call has not been outstanding more than a Reasonable Time, except for good cause.

(c) No Carrying Member shall be required to obtain or call for Original Margin on new positions that are liquidated the same Business Day.

(d)(i) No Member of the Exchange with floor trading privileges shall execute a trade or place an order for the purchase or sale of any Exchange Futures Contract or the purchase or grant of any Exchange Option if a debit or a deficit balance exists in the account of such Member or in any account in which such Member directly or indirectly has an interest, except for the liquidation of existing positions, or with the prior approval of the President. A Member of the Exchange with floor trading privileges shall immediately notify the Secretary of the Exchange if a debit or deficit balance of \$10,000 or more exists in any account or all accounts combined, in which such Member, directly or indirectly, has an interest.

(ii) A Carrying Member may not knowingly accept any trade or order which is violative of paragraph (d)(i) of this Rule, except for trades which the Carrying Member is obligated to accept as the Clearing Member guarantor of a Member with floor trading privileges. A Clearing Member guarantor shall immediately advise the Exchange of any trades which it accepts pursuant to this paragraph.

(iii) A Carrying Member shall immediately notify the Secretary of the Exchange if a debit or deficit balance of \$10,000 or more exists in the account of a Member with floor trading privileges or in any account in which such Member, directly or indirectly, has an interest of which the Carrying Member has knowledge.

(e) No Carrying Member may reduce Margin funds from an account unless funds are in excess of the account's minimum Original Margin requirement.

(f) Each Member Firm which carries an account for a Futures Commission Merchant or a foreign broker on an omnibus basis, shall collect the Original Margin and Maintenance Margin required of such account on the basis of the gross position carried for such account.

Rule 5.03. Premiums for Options Purchase

(a) Except as hereinafter provided, no Carrying Member shall accept any order to purchase any Exchange Option for an account unless the Premium has been deposited in accordance with the Rules (or the Carrying Member has issued a call for any Premium required and such call has not been outstanding more than a reasonable period of time not to exceed three (3) Business Days except for good cause); provided, however, that the amount to be paid to purchase and grant Exchange Options in the same class for the same underlying futures contract, on any day, shall be the amount, if any, by which the Premium for the purchased Exchange Option exceeds the Premium for the granted Exchange Option.

(b) The payment required in paragraph (a) of this Rule may be made in any one or more of the following forms:

(i) United States currency or checks payable in United States currency; or

(ii) Available Equity.

Such payment may not be made in any other form, and a Carrying Member may not make loans or otherwise extend credit to pay the Premium for any Exchange Option.

(c) No Carrying Member shall be required to obtain the Premium for any Exchange Option purchased on any Business Day which is offset by a closing transaction on the same Business Day.

Rule 5.04. Original Margin

(a) The minimum amount of Original Margin which must be obtained by Member Firms from other persons for any account carrying Exchange Futures Contracts and/or Exchange Options shall be as follows:

(i) Where such other person is a Member of the Exchange or Member of the Trade, the Original Margin required to be deposited in each such account shall be 100% of the amount determined in accordance with SPANTM;

(ii) With respect to Cocoa, Coffee, Cotton, Ethanol, FCOJ and Sugar futures and options contracts and where such other person is not a Member of the Exchange or Member of the Trade, the Original Margin required to be deposited in each such account shall be 140% of the amount determined in accordance with SPAN;

(iii) With respect to Financial Contracts and where such other person is not a Member of the Exchange or Member of the Trade, the Original Margin required to be deposited in each such account shall be 133% of the amount determined in accordance with SPAN; and

(iv) With respect to Index Contracts and where such other person is not a Member of the Exchange or Member of the Trade, the Original Margin required to be deposited in each such account shall be 100% of the amount determined in accordance with SPAN.

(b) Original Margin for Exchange Futures Contracts and Exchange Options may be deposited or credited in any one or more of the following forms, subject to such terms and conditions as may be established by each Member Firm:

(i) United States currency or checks payable in United States currency;

(ii) securities issued by the United States Treasury Department; valued at an amount not to exceed market value less applicable haircuts as required by SEC Regulation 240.15c3-1.

(iii) Available Equity;

(iv) electronic warehouse receipts ("EWRs") for Coffee certified for delivery in Exchange licensed warehouses and in possession of the Carrying Member, to be valued at no more than 70% of their value based upon the settlement price of the nearby contract for the commodity (determined in accordance with such procedures as may from time to time be established by the Exchange);

(v) EWRs for Cotton certified for delivery in Exchange licensed warehouses;

(vi) negotiable warehouse receipts covering FCOJ stored in Exchange licensed warehouses;

(vii) negotiable shipping certificates issued by Exchange licensed facilities;

(viii) securities listed on the New York Stock Exchange, Inc. or the American Stock Exchange, Inc., to be valued at an amount not to exceed market value less applicable haircuts as required by SEC Regulation 240.15c3-1;

(ix) with respect to the Cotton No. 2 and Financial Contracts and consistent with CFTC Regulation 1.17(c)(5)(ii) and local regulations, the currencies of Australia, Canada, the European Union, Japan, and the United Kingdom of Great Britain and Northern Ireland; in addition, Member Firms may only accept the currencies from the following countries to margin positions in Financial Contracts which are denominated in the respective currency: the Czech Republic, Hungary, New Zealand, Norway, Sweden, Switzerland and South Africa;

¹ "SPANTM" and "Standard Analysis of RiskTM" are trademarks of the Chicago Mercantile Exchange. The Chicago Mercantile Exchange assumes no liability in connection with the use of SPAN by any person or entity."

(x) with respect to the Cocoa, Coffee, Ethanol, Sugar No. 11 and Sugar No. 14 Contracts, British pounds to be valued at an amount not to exceed market value less applicable haircuts as required by SEC Regulation 240.15 c3-1, provided that each Member Firm may, in its discretion, after twenty-four (24) hours written notice (includes, facsimile telex or other appropriate means) to its Customer, convert such British pounds into U.S. dollars to meet variation margin calls;

(xi) irrevocable letter of credit;

(xii) credit in the Customer's account arising from a loan by the member or Member Firm for the collateral value of purchased options; provided, that the amount of credit extended by the member or Member Firm shall not exceed the collateral value of the purchased options determined in accordance with such procedures as may from time to time be established by the Exchange; and

(xiii) money market mutual funds allowable under CFTC Regulation 1.25 (to be valued at an amount not to exceed market value less applicable haircuts as required by SEC Regulation 240.15c3-1) and acceptable to the Clearing Corporation.

A Carrying Member may not accept as Original Margin any other type of money, securities or other property.

(c) An Original Margin Call may be met by any one or any combination of the methods listed in paragraph (b) hereof, and/or by the liquidation of futures contracts or closing transactions for options carried in the account, which equals or exceeds the amount of the total Margin Call, subject to such terms and conditions as may be established by each member.

Rule 5.05. Maintenance Level

(a) The Maintenance Level which must be maintained by all Carrying Members for each account which has an open futures or options position shall be as follows:

(i) For Exchange Futures Contracts and Exchange Options, 100% of the amount of Original Margin determined in accordance with SPAN and required in accordance with paragraph (a) of Margin Rule 5.04; and

(ii) For any other futures contracts and options, the Maintenance Margin required for such futures contracts and options under the rules of the exchange on which such futures contracts and options are traded.

(b) At the close of trading on any Business Day when the Net Liquidating Value of any account is less than the Maintenance Level computed in accordance with paragraph (a) of this Rule, the Carrying Member carrying such account shall require the reinstatement of Original Margin to the full amount required pursuant to the Rules, within a reasonable period of time not to exceed five (5) Business Days except for good cause.

(c) For the purpose of collecting Maintenance Margin for Cotton and FCOJ futures contracts and options as required by paragraph (b) above, the Net Liquidating Value of each account at the close of trading on any Business Day shall be determined by reference to the settlement prices established by the Exchange.

(d) The Original Margin in any account may be reinstated by any one or any combination of the following methods which equals or exceeds the amount of the total Margin call, subject to such terms and conditions as may be established by each Member Firm:

(i) deposit of additional United States currency or checks payable in United States currency;

(ii) net unrealized market appreciation;

(iii) liquidation of Futures Contracts or closing transactions for Options carried in the account;

(iv) EWRs for Coffee certified for delivery in Exchange licensed warehouses and in possession of the Carrying Member, to be valued at no more than 70% of their value based upon the settlement price of the nearby contract for the commodity (determined in accordance with such procedures as may from time to time be established by the Exchange);

(v) EWRs for Cotton certified for delivery in Exchange licensed warehouses;

(vi) negotiable warehouse receipts covering FCOJ stored in Exchange licensed warehouses;

(vii) negotiable shipping certificates issued by Exchange licensed facilities;

(viii) securities listed on the New York Stock Exchange, Inc. or the American Stock Exchange, Inc., to be valued at an amount not to exceed market value less applicable haircuts as required by SEC Regulation 240.15c3-1;

(ix) securities issued by United States Treasury Department, to be valued at an amount not to exceed market value less applicable haircuts as required by SEC Regulation 240.15c3-1;

(x) with respect to Cotton No. 2 and the Financial Contracts, the deposit of additional currencies of Australia, Canada, the European Union, Japan, the United Kingdom of Great Britain and Northern Ireland consistent with CFTC Regulation 1.17(c)(5)(ii) and local regulations; provided, however that the deposit of additional currencies from the following countries may be accepted to margin positions in Financial Contracts that are denominated in the respective currency: the Czech Republic, Hungary, New Zealand, Norway, Sweden, Switzerland, and South Africa;

(xi) with respect to the Cocoa, Coffee, Ethanol, Sugar No. 11 and Sugar No. 14 Contracts, deposit of British pounds to be valued at an amount not to exceed market value less applicable haircuts as required by Regulation 240.15 c3-1, provided that each member firm may, in its discretion, after 24 hours written notice (includes, facsimile telex or other appropriate means) to its Customer, convert such British pounds into U.S. dollars to meet variation Margin calls; or

(xii) money market mutual funds allowable under CFTC Regulation 1.25 (to be valued at an amount not to exceed market value less applicable haircuts as required by SEC Regulation 240.15c3-1) and acceptable to the Clearing Organization.

(e) Each Carrying Member which carries an account that is required to reinstate Original Margin as provided in paragraph (b) of this rule shall issue a call for Margin within one (1) Business Day after the account is required to reinstate Original Margin. Each Carrying Member shall maintain written records of all Margin Calls (and any cancellations of Margin Calls) and shall make such records available on request for inspection by authorized representatives of the Exchange.

Rule 5.06. Change in Margin Requirements

(a) The Board or, where so delegated, the Margin Committee or the Margin Committee for Financial and Index Contracts, as the case may be, may at any time and from time to time change the Original Margin requirements or Maintenance Levels and require that any Carrying Member require additional Original Margin for any account or establish greater Maintenance Levels for any account, with respect to existing Exchange Futures Contract positions, new Exchange Futures Contract positions, existing Exchange Options, new Exchange Options, or any combination thereof, on any terms and conditions as the Board or, where so delegated, the applicable Margin Committee, in its discretion may adopt, which terms and conditions may include (but need not be limited to) making any such requirement applicable to:

(i) Exchange Futures Contracts or Exchange Option positions carried before, on or after the effective date of such changed Margin requirements or Maintenance Levels; and/or

(ii) Exchange Futures Contracts or Exchange Option positions carried on only one side of the market.

Without limiting the generality of the foregoing, any such requirement may be made to apply differently for different Carrying Members or classes of Carrying Members, different Customers or classes of Customers, different forms of Exchange Futures Contracts, different delivery months of the same Exchange Futures Contract, different types of Exchange Call Options or Exchange Put Options, different Striking Prices or Option months of the same Exchange Call Options or Exchange Put Options, different types of Option transactions and different types of accounts or positions involving Exchange Futures Contracts or Exchange Options.

(b) Notwithstanding the provisions of paragraph (a) of this rule, at no time shall Margin requirements be less than the minimum Margin required for all Exchange Futures Contracts and Exchange Options set by the Clearing Organization; provided, however, that this prohibition shall not apply to Margin requirements established for Arbitrage Positions in Coffee, Sugar and Cocoa Futures Contracts and Options.

(c) Nothing in this Chapter 5 shall prevent any Carrying Member at any time from requiring Original Margin in excess of the amounts prescribed pursuant to these Margin rules or establishing greater Maintenance Levels for any account, or taking any other action which is not contrary to these Margin rules or the Rules.

Rule 5.07. Margin Computation

Before the opening of trading on each Business Day, each Carrying Member shall compute, for each account with an open position in Exchange Futures Contracts and Options, the Net Liquidating Value, the Original Margin required (pursuant to these Rules or such greater Maintenance Margin requirement as may be established by the Carrying Member), the Maintenance Level required, the amount of any unpaid Margin Call and the length of time any such Margin call has been outstanding, all as of the close of trading on the preceding Business Day; provided, however, that such computations shall not be required before the opening of trading if prevented by causes beyond the control of the Carrying Member, including computer malfunction or similar cause, in which case such computations shall be made as soon as possible under the circumstances.