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August 19, 2003

Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

Attention: Secretary

Re: Amendments to the Rules of BrokerTec Futures Exchange, L.L.C. ("BTEX") Submitted Pursuant to Section 5c(c)(1) of the Commodity Exchange Act (the "Act") – Rule Certification

Ladies and Gentlemen:

Attached is BTEX Bulletin #03-12, BTEX Rule 414 – Position Accountability - Revision, informing BTEX Members of the modification of BTEX Rule 414 which sets forth the obligations of a person who owns or controls futures contracts that have reached the position accountability threshold to provide information to the exchange and consent to halt increasing such position. Bulletin #03-12 is hereby provided to the Commission pursuant to Section 5c(c)(1) of the Act.

No substantive opposing views have been expressed to BTEX as to Bulletin #03-12. The undersigned hereby certifies that Bulletin #03-12 complies with the Act (including the regulations under the Act). Also enclosed is a revised copy of BTEX Rules containing Rule 414 as amended.

I would be pleased to answer any questions that any member of the Commission or its staff may have concerning the enclosed.

Very truly yours,

Douglas E. Harris
General Counsel and Chief Operating Officer

Attachment



BrokerTec Futures Exchange
Bulletin #03-12
BTEX Rule 414 Position Accountability - Revision

Bulletin Date: August 19, 2003
To: All MEMBERS
Effective Date: August 21, 2003

Recently, the Board of Directors of BTEX amended BTEX Rule 414 Position Accountability to clarify that, a person who owns or controls a position that has reached the accountability threshold, must provide information to the Exchange when requested and automatically consent, when so ordered by the Exchange, to halt increasing such position. Previously, the Rule provided that such position should be liquidated immediately in an orderly manner. Rule 414, as amended, now reads as follows:

414. Position Accountability.

In the case of any Contract for which a Position Accountability Level is set forth in Part 3 of these Rules, the following provisions shall apply:

(a) A Person who owns or controls Futures Contracts on the same side of the market, separately or in combination, 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) automatically consent, when so ordered by the Exchange acting in its discretion, to halt increasing further such positions.

(b) 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.

If you have any questions please contact:

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BROKERTEC FUTURES EXCHANGE, L.L.C.

RULES

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BROKERTEC FUTURES EXCHANGE, L.L.C.

Part 1 – Meaning of Terms

RULES

101. 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 Person, any other Person which controls, is controlled by, or is under common control with, such Person.

“**AORS**” means an automated order routing system.

“**Approved Financial Institution**” means a bank or other institution approved by the Clearing Organization to receive, hold and transfer deposits and payments of original margin, and variation margin and to effect deliveries pursuant to Futures Contracts.

“**Authorized Trader**” means an individual employed by a Member or an Affiliate of a Member who is authorized by a Member to have direct access through a terminal or otherwise to the BTEX Trading System.

“**Block Trade**” means a single transaction for the purchase and sale of not less than the number of Contracts specified in Part 3 of these Rules.

“**Board**” means the Board of Directors of the Exchange.

“**BTEX Trading System**” means the Exchange’s electronic trading system for Contracts.

“**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 Limited Liability Company Agreement and Bylaws of the Exchange dated as of June 22, 2001 as 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 A Shareholders,**” “**Class A Shares,**” “**Class B Shareholders,**” “**Class B Shares**” and “**Shareholders**” have the meanings set forth in the Bylaws.

“Clearing Member” means any Member which has clearing privileges pursuant to the Bylaws, these Rules, and the Bylaws and Rules of the Clearing Organization.

“Clearing Member ID” means a unique identification code assigned by the Exchange to each Clearing Member.

“Clearing Organization” means any Person 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 any commodity within the definition of that term contained in the Act.

“Contract” means a Futures Contract.

“Customer” means any Person who is a “customer” within the meaning set forth in Section 1.3(k) of the Commission Regulations.

“Delaware Act” means the Limited Liability Company Act of the State of Delaware.

“Deliverable Grade” means, with respect to the Underlying Commodity of a Futures Contract, the requirements set forth in Part 3 of these Rules for such Commodity to be deliverable.

“Delivery Day” means the day on which delivery of an Underlying Commodity is made or is to be made pursuant to any Futures Contract.

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

“Delivery Notice” means a written notice by a Clearing Member that it intends to make delivery pursuant to a Futures Contract.

“ECP” means any Person who is an “eligible contract participant” within the meaning set forth in the Act.

“EFP” means an exchange of Futures Contracts for physical Commodities effected pursuant to Rule 407.

“EFS” means an exchange of Futures Contracts for swaps effected pursuant to Rule 408.

“Enforcement Staff” means the employees of the Exchange, or of any other organization approved by the Board, who are responsible for enforcing the Bylaws and Rules.

“Entity” means any Person other than an individual.

“Exchange” means BrokerTec Futures Exchange, L.L.C. Unless otherwise provided in the Bylaws or these Rules, any reference to an action required or permitted to be taken by “the Exchange” pursuant to the Bylaws or Rules shall include an action taken by any duly authorized officer or employee of the Exchange.

“Financial or Operational Emergency” means, with respect to any Member, any situation in which the financial or operational condition of such Member, or the business conduct of such Member, is such that it would not be in the best interests of the marketplace for such Member 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 206.

“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, options, currencies or other financial instruments.

“Last Trading Day” means, for any Contract, the day specified as such for such Contract in Part 3 of these Rules.

“Market Maker” means a Person designated as such pursuant to Rule 208.

“Member” means any Person admitted to membership in the Exchange as provided in the Bylaws and/or these Rules. A Member shall not be a “member” of the Exchange within the meaning of the Delaware Act, unless such Member is also a Shareholder.

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

“NFA” means the National Futures Association.

“Notice Day” means a day on which a short Clearing Member gives a Delivery Notice to the Clearing Organization as provided in Rule 601.

“Person” means an individual, corporation, limited liability company, partnership, limited liability company, trust, or other entity.

“Proprietary Account” means a “proprietary account” as defined in Section 1.3(y) of the Commission Regulations.

“Qualifying Clearing Member” means, with respect to any Member, the Clearing Member which has executed and delivered to the Exchange the agreement referred to in Rule 205(a)(iv)(A).

“Qualified Bank” means a federal or state chartered U.S. bank which is a member of the Federal Reserve System and which has capital in excess of \$100,000,000.

“Respondent” has the meaning set forth in Rule 701(a).

“Rules” means, with respect to any Entity, the rules of such Entity and the interpretations, resolutions, orders, directives 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 price established each day by the Exchange as the basis for settlement of Futures Contracts and delivery under Futures Contracts.

“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).

“Tick” means the minimum fluctuation permitted pursuant to these Rules in the price of any Contract or Combination Trade.

“Trader ID” means an identification code assigned by a Member to each Authorized Trader employed by such Member or any Affiliate of such Member.

“Trading Session” means, with respect to any Contract, the period of hours during which trading in that Contract through the BTEX Trading System is permitted by the Exchange.

“Trading Session Minutes” has the meaning set forth in Rule 406(e).

“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.

The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The word “will” shall be construed to have the same meaning and effect as the word “shall.”

102. 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.

103. 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 – Membership Rules

201. Status of Members.

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

202. Eligibility.

(a) Any Person is eligible to become a Member, 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 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; and

(v) Shall either be a Class B Shareholder of the Exchange or an Affiliate of a Person who is a Class B Shareholder of the Exchange, unless the Board in its discretion waives this standard in any particular case.

(b) Any Member is eligible to become a Clearing Member, provided that such Member meets the following standards:

(i) Shall be an Entity;

(ii) Shall either (A) have Capital, as such term is defined in the Rules of the Clearing Organization, of not less than \$50,000,000; or (B) deliver to the Clearing Organization a guaranty of such Member's obligations, in the form prescribed by the Clearing Organization, from an Affiliate of such Member, which Affiliate has Capital (as so defined) of not less than \$50,000,000 and is approved by the Clearing Organization; or (C) be either a Category 1 Dealer Netting Member or a Category 1 Futures Commission Merchant Netting Member of the Government Securities Clearing Corporation; and

(iii) Shall have been approved for membership in the Clearing Organization by the Clearing Organization.

203. Applications for Membership.

(a) Any Person desiring to become a Member or a Clearing Member must file with the Exchange an application for membership or clearing membership 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) Such Person, or one or more representatives thereof, shall appear personally before the Membership Committee if so requested and shall furnish such additional information as the Membership Committee may request.

(c) 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 membership or clearing membership.

(d) The Exchange may adopt expedited procedures to deal with applications received from Persons who are to acquire or succeed to the business of any Member or in any other case where the Exchange in its discretion deems that there is a need for urgent action.

204. Denial of Membership.

(a) The Membership Committee may deny the application for membership or clearing membership of any Person if such Person:

(i) does not meet any of the standards of eligibility set forth in Rule 202, or does not follow the procedures to apply for membership set forth in these Rules;

(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 Membership Committee in its discretion determines that the grant of membership or clearing membership 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 or clearing membership of any Person, it shall so notify such Person in writing, setting forth the grounds upon which the Membership Committee proposes to deny such application; and such Person, 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 Person an opportunity to present fully and fairly to the Membership Committee the Person'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 Person's application for membership or clearing membership, the Exchange shall give such Person 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.

205. Grant of Membership or Clearing Membership.

(a) In the event that the Membership Committee grants the application for membership of any Person to become a Member or a Clearing Member, such Person shall, within such time as the Exchange may specify, take the following actions:

(i) Execute and deliver to the Exchange an agreement in the form prescribed by the Exchange whereby among other things such Person shall:

(A) agree to abide by the Bylaws and Rules;

(B) consent to the jurisdiction of the Exchange in all matters arising under the Bylaws or Rules; and

(C) if such Person does not have its principal place of business in the City of New York, consent to the jurisdiction of the federal and state courts in the City of New York in any action or proceeding brought by the Exchange;

(ii) Designate at least one senior officer who is responsible for supervising all activities of its employees relating to transactions effected on the Exchange or subject to its Rules, and advise the Exchange of the name, title, address, phone number, fax number and e-mail address of each such officer;

(iii) Establish a working connection with the BTEX Trading System in accordance with such procedures and protocols as the Exchange may have in effect from time to time;

(iv) If the application of any Person to become a Member but not a Clearing Member has been granted:

(A) deliver to the Exchange an agreement in form prescribed by the Exchange, whereby a Clearing Member among other things agrees to accept for clearance all transactions effected by such Person which are not accepted for clearance by any other Clearing Member; and

(B) deposit with the Exchange the Class B Shares owned by such Person or its Affiliate as security for the performance by such Person of such Person's obligations to the Exchange or the Members; and

(v) File such other documents and take such other actions as the Exchange may prescribe (which shall include among other things, for each Member which is not a Clearing Member, an agreement granting a perfected security interest to the Exchange in all cash, securities and other property deposited by such Member pursuant to Rule 205(a)(iv)(B) as security for the performance of all such Member's obligations to the Exchange).

(b) Upon completion of the actions specified in paragraph (a) of this Rule:

(i) Such Person shall become a Member or a Clearing Member of the Exchange (as the case may be), with all of the rights, privileges and obligations set forth in, or established pursuant to, the Bylaws and Rules; and

(ii) The Exchange shall notify such Person of the effective date and time thereof, and of the Member ID and, in the case of a Clearing Member, the Clearing Member ID assigned to such Person.

(c) The deposit of each Member referred to in paragraph (a)(iv)(B) of this Rule, together with any interest received thereon, shall be held and disposed of by the Exchange as follows:

(i) Any distributions made with respect to such Class B Shares shall promptly be paid over to the Member which deposited the same.

(ii) All or any portion of such deposit may be applied by the Exchange from time to time in payment of any unpaid amounts owing by such Member pursuant to the Bylaws, the Rules or any agreement between such Member and the Exchange, or in connection with any transactions effected on the Exchange, to the following Persons (in the order stated): first, to the Exchange; second, to the Clearing Organization; and third, to other Members. Any such application shall be made by redeeming Class B Shares at a price per Share equal to the value of such Member's Capital Account (determined as provided in Article IV of the Bylaws), divided by the total number of Class B Shares held by such Member, in the number of Class B Shares necessary in the judgment of the Exchange to generate cash proceeds at least sufficient to pay such unpaid amounts in full. The Exchange shall then pay out such proceeds to the Persons entitled to the same in accordance with this subparagraph (ii). If such proceeds are sufficient to pay in full the

amounts owing to the Exchange and to the Clearing Organization but are not sufficient to pay such other Members in full, then any proceeds remaining after paying the Exchange and the Clearing Organization in full shall be divided pro rata among such other Members.

(iii) The Exchange shall give the Member written notice of any proposed application of such Member's deposit pursuant to subparagraph (i) (the "application notice"). If such Member gives the Exchange written notice objecting to such proposed application (the "objection notice") within 10 days after the application notice was given, the matter shall be submitted to arbitration pursuant to the Rules of the NFA. If such Member does not give the Exchange an objection notice within such 10 days, such Member shall have waived any right to object to the proposed application.

(iv) In the event that all or any portion of the deposit of any Member is applied and paid out in any amount as heretofore provided in this Rule 205(c), such Member shall forthwith restore such amount in cash upon demand by the Exchange.

(v) Any balance of such deposit not so applied shall be returned to the Member within six months after the date such Member's membership in the Exchange terminates for any reason; provided that if an Exchange disciplinary proceeding is pending at the end of such six months, the Exchange may retain such deposit until the termination of such proceeding. The deposit shall be so returned without interest.

(d) If such Person does not complete the actions specified in paragraph (a) within the time specified by the Exchange, then, unless the Exchange shall extend such time, such Person shall be deemed to have withdrawn the application for membership or clearing membership, as the case may be.

206. Duties of Members.

(a) Each Member 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 Member of any application for membership or clearing membership in, any SRO;

(ii) Any expulsion, suspension or fine in excess of \$25,000 (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 Member or any of its senior officers for, any conviction of the Member or any of its senior officers of, any confession of guilt or plea of guilty or *nolo contendere* by the Member 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 Member, or the commencement of any judicial or administrative proceeding against the Member, by any Governmental Agency;

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

(viii) Any damage to or failure or inadequacy of the systems, facilities or equipment of the Member which might materially and adversely affect the ability of the Member to effect transactions on the Exchange or subject to the Rules, to comply with the Bylaws and Rules or, in the case of a Clearing Member, to clear transactions effected on or subject to the Rules, or to timely perform its regulatory or financial obligations under or in connection with Contracts;

(ix) Any change in the senior officer designated as provided in paragraph (f);
and

(x) Any other material change in any information contained in the application for membership or clearing membership of such Member.

(b) Each Member shall make and file 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 Member, in cash transactions or transactions for future delivery consummated on the Exchange or subject to the Rules. In accordance with such rules and regulations, each Member shall keep a record, as the Commission may direct, showing the details and terms of all cash and futures transactions entered into by them, consummated on the Exchange or subject to the Rules, such record to be in permanent form, showing the parties to all such transactions, including the persons for whom made, any assignments or transfers thereof, with the parties thereto, and the manner in which said transactions are fulfilled, discharged or terminated. Such record shall be kept for a period of five years from the date thereof (or for a longer period if the Commission shall so direct), shall be readily accessible during the first two years of the five-year period and shall at all times be open to inspection by any representative of the Commission or of the United States Department of Justice.

(c) Each Member 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 Member shall make such records relating to orders received, transactions effected and positions carried in Contracts and Underlying Commodities, and shall maintain such

records for such time, as the Exchange may prescribe from time to time. Such records shall at all times be open to inspection by the Exchange.

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

(f) Each Member shall diligently supervise all activities of its employees relating to transactions effected on the Exchange or subject to the Rules. Without limiting the generality of the foregoing:

(i) Each Member 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 Member shall be responsible for training its employees regarding these Rules and the proper use of the BTEX Trading System and of any terminal or other device used for obtaining access to the BTEX Trading System; and

(iii) Furnish the Exchange on demand with a list of all Authorized Traders employed by such Member or any Affiliate of such Member, giving the name, location and Trader ID of each such Authorized Trader.

(g) Any violation of the Bylaws or Rules by any employee of a Member shall constitute a violation of the Bylaws or Rules, as the case may be, by such Member.

(h) Each Member 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 the BTEX Trading System with such Member's Member ID and any Contract otherwise resulting (including without limitation any Block Trade, EFP or EFS) and reported to the BTEX Trading System with such Member's Member ID.

(i) Each Member shall use due diligence in receiving and handling orders from Customers, entering such orders into the BTEX Trading System, responding to inquiries from Customers about their orders and reporting back to Customers the execution of any such orders.

(j) Each Member shall at all times continue to meet the standards of eligibility set forth in Rule 202 and not be subject to any of the grounds for denial of an application for membership or clearing membership set forth in Rule 204(a).

(k) In the event that the deposit of any Member referred to in Rule 205(a)(iv)(B) is applied in whole or in part as provided in Rule 205(c), such Member shall on demand restore the amount so applied.

(l) Each Member shall establish and enforce internal rules, procedures and controls to ensure, to the extent possible, that each order received from a Customer which is executable at or near the market price is entered into the BTEX Trading System before any order in any

Futures Contract having the same Delivery Month in the same Commodity for any Proprietary Account, any other account in which any Affiliate of the Member has an interest, or any account for which the Member, an Affiliate of the Member or an employee of either the Member or an Affiliate of the Member may originate orders without the specific prior consent of the owner of the account, if such Member, Affiliate or employee has gained knowledge of the Customer's order prior to the entry of the order for the Proprietary Account, the account in which an Affiliate of the Member has an interest or the account for which the Member, an Affiliate of the Member or an employee of either the Member or an Affiliate of the Member may originate orders without the prior specific consent of the owner of the account.

(m) Each Member which is a futures commission merchant registered by the Commission shall comply with such minimum financial requirements and related reporting requirements as may be prescribed by the Commission.

(n) No Member or Clearing Member shall accept an order from or on behalf of a Customer, or permit an order from a Customer to be transmitted to the BTEX Trading System through an AORS, unless such Customer is first provided with a customer disclosure statement in such form as may be specified by the Exchange.

207. Prohibited Conduct by Members.

No Member shall:

(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 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 the BTEX Trading System when such Member 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 agreement between the Member 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 the BTEX Trading System 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 which does not reflect the true state of the market;

(h) Place any orders for Contracts with or execute any transaction in Contracts through any Clearing Member without the prior written consent of any Qualifying Clearing Member of such Member (which may be in the form of a blanket consent to all orders and transactions entered or executed after such consent is given);

(i) Knowingly carry an account, enter an order or effect any transaction for any employee of the Exchange, the Clearing Organization or any other Member without the prior written consent of the employer (which may be in the form of a blanket consent to all orders and transactions entered or executed after such consent is given);

(j) Knowingly carry an account, enter an order into the BTEX Trading System or effect any transaction in any Contract for any Member without the prior written consent of such Member's Qualifying Clearing Member (which may be in the form of a blanket consent to all orders and transactions entered or executed after such consent is given);

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

(l) 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.

208. Market Maker Program.

The Board may adopt a program whereby one or more Members and/or Affiliates of Members may be designated as Market Makers and may be granted benefits in return for assuming obligations in order to provide liquidity and orderliness in an Exchange market. Any such program may contain:

(a) The qualifications to become a Market Maker, including without limitation any minimum net capital requirements;

(b) The procedure by which Members may seek and receive designation as Market Makers;

(c) The obligations of the Market Makers, including without limitation minimum bid and offer commitments; and/or

(d) The benefits accruing to Market Makers, including without limitation reduced transaction fees and/or the receipt of compensatory payments from the Exchange.

209. Margins.

Members carrying accounts for other Persons shall be required to collect margins for such accounts at such times, in such amounts and in such forms as the Board may from time to time prescribe.

210. Termination of Membership.

(a) The membership of any Member may be terminated at any time:

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

(ii) By the Member upon written notice to the Exchange, specifying the effective date of termination, which shall be (A) not less than 30 days following the date of giving of such notice, or (B) such other date as may be approved by the Exchange.

(b) Any Member may be required to withdraw from membership if the Exchange shall determine, after notice and an opportunity to be heard, that such Member no longer meets any one or more of the eligibility standards set forth in Rule 202(a).

(c) Notwithstanding any termination of its membership, a Person who was a Member shall remain subject to the jurisdiction of the Exchange after the effective date of such termination as if such Person were still a Member 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.

(d) 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

301. Futures Contracts on Short-Term U.S. Treasury Notes (2 Year).

Each Futures Contract on short-term U.S. Treasury Notes shall be a contract whereby the seller agrees to sell and deliver, and the buyer agrees to buy and pay for, one or more short-term U.S. Treasury Notes of Deliverable Grade having an aggregate principal amount of \$200,000 for delivery in a specified month; provided, however, that the Board may in its discretion exclude any issue from being deliverable. Futures Contracts in short-term U.S. Treasury Notes shall be traded and performed in accordance with the following specifications:

(a) Trading Sessions: Trading shall take place in one or more sessions on each Business Day, which will start and end at such hours as may be specified from time to time by the Board; provided that trading in any Futures Contract for any Delivery Month shall terminate at 1:00 p.m. on the Last Trading Day for such Delivery Month.

(b) Delivery Months: Futures Contracts may be traded for delivery in the last month of each of the five consecutive calendar quarters following the current month (including the current month if it is the last month of a calendar quarter); provided, however, that the Exchange may determine to list Futures Contracts for additional Delivery Months or not to list any Delivery Month. Effective at the beginning of the first Trading Session following the Last Trading Day of a Futures Contract for any Delivery Month, the last month of the fifth calendar quarter following the current calendar quarter shall automatically become a Delivery Month and be listed.

(c) Ticks: Bids and offers for Futures Contracts shall be quoted, and trades shall be executed, in minimum increments of $\frac{1}{4}$ of $\frac{1}{32}^{\text{nd}}$ of a point (or \$15.625 rounded up to the nearest 1 cent per contract); provided however that:

(i) Calendar Spreads may be bid, offered and traded at a differential price of $\frac{1}{4}$ of $\frac{1}{32}$ of a point or such lesser amount as may be specified by the Board from time to time; and

(ii) The Board may determine, based upon such factors as the decimalization of the cash market, that Contracts shall be bid, offered and traded on a decimal basis, in minimum price fluctuations of \$10.00, and that Calendar Spreads may be bid, offered and traded on a decimal basis, in minimum price fluctuations of \$5.00. Any such determination may apply to Contracts and Calendar Spreads outstanding at the time, with fractional prices being converted to decimal prices, rounded to the nearest multiples of \$10.00 in the case of Contracts and \$5.00 in the case of Calendar Spreads. Any adjustments in the prices of outstanding Contracts or Calendar Spreads resulting therefrom shall pass between longs and shorts as variation margin.

(d) Minimum Size of Block Trades: 250 Futures Contracts.

(e) Speculative Position Limit: 5,000 Futures Contracts net long or net short in the current month if such month is a Delivery Month, and in all Delivery Months combined.

(f) Last Trading Day: The last day on which trading shall be permitted in Futures Contracts for delivery in any Delivery Month (the "Last Trading Day") shall be the last Business Day of the month or two Business Days prior to issuance of two-year notes by the U.S. Treasury auctioned in the Delivery Month, whichever occurs first.

(g) Permissible Delivery Days: Delivery of the Underlying Commodity may be made on any Business Day during the Delivery Month and shall be made on or before the later of the last Business Day of the Delivery Month or the third Business Day following the Last Trading Day of the Delivery Month; except that by mutual agreement settlement may be made after the Last Trading Day but no later than the third Business Day immediately preceding the last Business Day of the Delivery Month by exchanging any open short-term U.S. Treasury Notes Futures Contract for short-term U.S. Treasury Notes in the quantity specified in the preamble of this Rule or comparable instruments, or for a swap in accordance with Rule 408.

(h) Deliverable Grade: In order to be deliverable, short-term U.S. Treasury Notes must have an original maturity of not more than five years, three months and a remaining maturity on the first day of the Delivery Month of not less than one year, nine months and not more than two years, and must carry semi-annual interest payments. In determining maturity, the time to maturity of a given issue is calculated in complete one-month increments (e.g., 1 year, 10 months, 17 days is taken to be 1 year, 10 months) from the first day of the Delivery Month.

(i) Delivery and Payment Procedures: Delivery of and payment for notes pursuant to this Rule shall be made in accordance with Rule 601.

302. Futures Contracts on Medium-Term U.S. Treasury Notes (5 Year).

Each Futures Contract on medium-term U.S. Treasury Notes shall be a contract whereby the seller agrees to sell and deliver, and the buyer agrees to buy and pay for, one or more medium-term U.S. Treasury Notes of Deliverable Grade having an aggregate principal amount of \$100,000 for delivery in a specified month; provided, however, that the Board may in its discretion exclude any issue from being deliverable. Futures Contracts in medium-term U.S. Treasury Notes shall be traded and performed in accordance with the following specifications:

(a) Trading Sessions: Trading shall take place in one or more sessions on each Business Day, which will start and end at such hours as may be specified from time to time by the Board; provided that trading in any Futures Contract for any Delivery Month shall terminate at 1:00 p.m. on the Last Trading Day for such Delivery Month.

(b) Delivery Months: Futures Contracts may be traded for delivery in the last month of each of the five consecutive calendar quarters following the current month (including the current month if it is the last month of a calendar quarter); provided, however, that the Exchange may determine to list Futures Contracts for additional Delivery Months or not to list any Delivery Month. Effective at the beginning of the First Trading Session following the Last Trading Day of a Futures Contract for any Delivery Month, the last month of the fifth calendar

quarter following the current calendar quarter shall automatically become a Delivery Month and be listed.

(c) Ticks: Bids and offers for Futures Contracts shall be quoted, and trades shall be executed, in minimum increments of 1/4 of 1/32nd of a point (or \$7.813 rounded to the nearest 1 cent per contract); provided however that:

(i) Calendar Spreads may be bid, offered and traded at a differential price of 1/4 of 1/32 of a point or such lesser amount as may be specified by the Board from time to time; and

(ii) The Board may determine, based upon such factors as the decimalization of the cash market, that Contracts shall be bid, offered and traded on a decimal basis, in minimum price fluctuations of \$10.00, and that Calendar Spreads may be bid, offered and traded on a decimal basis, in minimum price fluctuations of \$5.00. Any such determination may apply to Contracts and Calendar Spreads outstanding at the time, with fractional prices being converted to decimal prices, rounded to the nearest multiples of \$10.00 in the case of Contracts and \$5.00 in the case of Calendar Spreads. Any adjustments in the prices of outstanding Contracts or Calendar Spreads resulting therefrom shall pass between longs and shorts as variation margin.

(d) Minimum Size of Block Trades: 250 Futures Contracts.

(e) Position Accountability Level: 7,500 Futures Contracts net long or net short in all Delivery Months combined.

(f) Last Trading Day: The last day on which trading shall be permitted in Futures Contracts for delivery in any Delivery Month (the "Last Trading Day") shall be the eighth Business Day prior to the end of such month.

(g) Permissible Delivery Days: Delivery of the Underlying Commodity may be made on any Business Day during the Delivery Month and shall be made not later than the last Business Day of the Delivery Month; except that by mutual agreement settlement may be made after the Last Trading Day but no later than the fifth Business Day immediately preceding the last Business Day of the Delivery Month by exchanging any open medium-term U.S. Treasury Note Futures Contract for medium-term U.S. Treasury Notes in the quantity specified in the preamble of this Rule or comparable instruments, or for a swap in accordance with Rule 408.

(h) Deliverable Grade: In order to be deliverable, medium-term U.S. Treasury Notes must have an original maturity of not more than five years, three months and a remaining maturity on the first day of the Delivery Month of not less than four years, three months, and must carry semi-annual interest payments. In determining maturity, the time to maturity of a given issue is calculated in complete one-month increments (e.g., 4 years, 5 months, 14 days is taken to be 4 years, 5 months) from the first day of the Delivery Month.

(i) Delivery and Payment Procedures: Delivery of and payment for notes pursuant to this Rule shall be made in accordance with Rule 601.

303. **Futures Contracts on Long-Term U.S. Treasury Notes (6½-10 Year).**

Each Futures Contract on long-term U.S. Treasury Notes shall be a contract whereby the seller agrees to sell and deliver, and the buyer agrees to buy and pay for, one or more long-term U.S. Treasury Notes of Deliverable Grade having an aggregate principal amount of \$100,000 for delivery in a specified month; provided, however, that the Board may in its discretion exclude any issue from being deliverable. Futures Contracts in long-term U.S. Treasury Notes shall be traded and performed in accordance with the following specifications:

(a) **Trading Sessions:** Trading shall take place in one or more sessions on each Business Day, which will start and end at such hours as may be specified from time to time by the Board; provided that trading in any Futures Contract for any Delivery Month shall terminate at 1:00 p.m. on the Last Trading Day for such Delivery Month.

(b) **Delivery Months:** Futures Contracts may be traded for delivery in the last month of each of the five consecutive calendar quarters following the current month (including the current month if it is the last month of a calendar quarter); provided, however, that the Exchange may determine to list Futures Contracts for any additional Delivery Months or not to list any Delivery Month. Effective at the beginning of the first Trading Session following the Last Trading Day of a Futures Contract for any Delivery Month, the last month of the fifth calendar quarter following the current calendar quarter shall automatically become a Delivery Month and be listed.

(c) **Ticks:** Bids and offers for Futures Contracts shall be quoted, and trades shall be executed, in minimum increments of $\frac{1}{2}$ of $\frac{1}{32}^{\text{nd}}$ of a point (or \$15.625 rounded up to the nearest 1 cent per contract); provided however that:

(i) Calendar Spreads may be bid, offered and traded at a differential price of $\frac{1}{4}$ of $\frac{1}{32}$ of a point or such lesser amount as may be specified by the Board from time to time; and

(ii) The Board may determine, based upon such factors as the decimalization of the cash market, that Contracts and Calendar Spreads shall be bid, offered and traded on a decimal basis, in minimum price fluctuations of \$10.00. Any such determination may apply to Contracts and Calendar Spreads outstanding at the time, with fractional prices being converted to decimal prices, rounded to the nearest multiples of \$10.00. Any adjustments in the prices of outstanding Contracts or Calendar Spreads resulting therefrom shall pass between longs and shorts as variation margin.

(d) **Minimum Size of Block Trades:** 250 Futures Contracts.

(e) **Position Accountability Level:** 7,500 Futures Contracts net long or net short in all Delivery Months combined.

(f) **Last Trading Day:** The last day on which trading shall be permitted in Futures Contracts for delivery in any Delivery Month (the "Last Trading Day") shall be the eighth Business Day prior to the end of such month.

(g) Permissible Delivery Days: Delivery of the Underlying Commodity may be made on any Business Day of the Delivery Month and shall be made not later than the last Business Day of the Delivery Month; except that by mutual agreement settlement may be made after the Last Trading Day but no later than the fifth Business Day immediately preceding the last Business Day of the Delivery Month by exchanging any open long-term U.S. Treasury Note Futures Contract for long-term U.S. Treasury Notes in the quantity specified in the preamble of this Rule or comparable instruments, or for a swap in accordance with Rule 408.

(h) Deliverable Grade: In order to be deliverable, long-term U.S. Treasury Notes must have a remaining maturity on the first day of the Delivery Month of not less than six and one-half years and not more than ten years, and must carry semi-annual interest payments. In determining maturity, the time to maturity of a given issue is calculated in complete quarter-year increments (e.g., 8 years, 10 months, 17 days is taken to be 8 years, 9 months) from the first day of the Delivery Month.

(i) Delivery and Payment Procedures: Delivery of and payment for notes pursuant to this Rule shall be made in accordance with Rule 601.

304. Futures Contracts on U.S. Treasury Bonds (15 - 30 Year).

Each Futures Contract on U.S. Treasury Bonds shall be a contract whereby the seller agrees to sell and deliver, and the buyer agrees to buy and pay for, one or more long-term United States Treasury Bonds of Deliverable Grade having an aggregate principal amount of \$100,000 for delivery in a specified month; provided, however, that the Board may in its discretion exclude any issue from being deliverable. Futures Contracts in long-term United States Treasury Bonds shall be traded and performed in accordance with the following specifications:

(a) Trading Sessions: Trading shall take place in one or more sessions on each Business Day, which will start and end at such hours as may be specified from time to time by the Board; provided that trading in any Futures Contract for any Delivery Month shall terminate at 1:00 p.m. on the Last Trading Day for such Delivery Month.

(b) Delivery Months: Futures Contracts may be traded for delivery in the last month of each of the five consecutive calendar quarters following the current month (including the current month if it is the last month of a calendar quarter); provided, however, that the Exchange may determine to list Futures Contracts for additional Delivery Months or not to list any Delivery Month. Effective at the beginning of the First Trading Session following the Last Trading Day of a Futures Contract for any Delivery Month, the last month of the fifth calendar quarter following the current calendar quarter shall automatically become a Delivery Month and be listed.

(c) Ticks: Bids and offers for Futures Contracts shall be quoted, and trades shall be executed, in minimum increments of $1/32^{\text{nd}}$ of a point (or \$31.25 per contract); provided however that:

(i) Calendar Spreads may be bid, offered and traded at a differential price of $1/4$ of $1/32$ of a point or such lesser amount as may be specified by the Board from time to time; and

(ii) The Board may determine, based upon such factors as the decimalization of the cash market, that Contracts and Calendar Spreads shall be bid, offered and traded on a decimal basis, in minimum price fluctuations of \$10.00. Any such determination may apply to Contracts and Calendar Spreads outstanding at the time, with fractional prices being converted to decimal prices, rounded to the nearest multiples of \$10.00. Any adjustments in the prices of outstanding Contracts or Calendar Spreads resulting therefrom shall pass between longs and shorts as variation margin.

(d) Minimum Size of Block Trades: 250 Futures Contracts.

(e) Position Accountability Level: 10,000 Futures Contracts net long or net short in all Delivery Months combined.

(f) Last Trading Day: The last day on which trading shall be permitted in Futures Contracts for delivery in any Delivery Month (the "Last Trading Day") shall be the eighth Business Day prior to the end of such month.

(g) Permissible Delivery Days: Delivery of the Underlying Commodity may be made on any Business Day of the Delivery Month and shall be made not later than the last Business Day of the Delivery Month; except that by mutual agreement settlement may be made after the Last Trading Day but no later than the fifth Business Day immediately preceding the last Business Day of the Delivery Month by exchanging any open Treasury Bond Futures Contract for Treasury Bonds in the quantity specified in the preamble of this Rule or comparable instruments, or for a swap in accordance with Rule 408.

(h) Deliverable Grade: In order to be deliverable, Treasury Bonds must have a remaining maturity on the first day of the Delivery Month of not less than 15 years, must not be callable for at least 15 years, and must carry semi-annual interest payments. In determining maturity, the time to maturity of a given issue is calculated in complete three-month increments (i.e., 15 years and 5 months is taken to be 15 years and 1 quarter) from the first day of the Delivery Month.

(i) Delivery and Payment Procedures: Delivery of and payment for bonds pursuant to this Rule shall be made in accordance with Rule 601.

Part 4 - Trading

401. Trading Sessions.

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

402. Opening of Trading.

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

403. 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 the BTEX Trading System.

(b) Orders may be entered into the BTEX Trading System only:

- (i) During a Trading Session;
- (ii) In such form as the Exchange shall prescribe; and
- (iii) By a Member or an Authorized Trader, or by any other Person through an AORS of a Member.

(c) Orders may be entered into the BTEX Trading System to purchase or sell Contracts, Calendar Spreads or such other Combination Trades as may be provided for in or pursuant to these Rules.

(d) Any order entered into the BTEX Trading System shall be either a limit order or a market order.

(i) A limit order is an order to purchase or sell a Contract or Combination Trade at a specified price (including a specified average price) or better. A limit order may be any of the following:

(A) "Fill and store," which is an order to be executed when entered to the extent that there are opposite orders open in the BTEX Trading System, with any balance to remain as an open order until it expires, is executed or is canceled.

(B) "Fill or kill," which is an order to be filled when entered for the entire quantity of the order against opposite orders open in the BTEX Trading System, and if not so executed in its entirety, to be automatically canceled.

(C) "Fill and kill," which is an order to be executed when entered to the extent that there are opposite orders in the BTEX Trading System, and to the extent not so executed, to be automatically canceled.

(ii) A market order is an order to buy or sell at the best price available in the BTEX Trading System at the time the order is entered. A market order may be either of the following:

(A) "Fill or kill," which is an order to be executed when entered for the entire quantity of the order against opposite orders in the BTEX Trading System at the best price available, or if not so executed, to be automatically canceled.

(B) "Fill and kill," which is an order to be executed when entered against opposite orders in the BTEX Trading System to the extent available, and to the extent not so executed, to be automatically canceled.

(e) Orders entered into the BTEX Trading System may contain such limitations as may from time to time be approved by the Board.

(f) [Reserved]

(g) Each order entered into the BTEX Trading System must be in such form as the Exchange shall prescribe and must contain such information as the Exchange may from time to time require. Without limiting the generality of the foregoing, each order must include the originator of the order (including the Member ID of the Member by or through whom the order is being placed, and the Trader ID or other identifier of the Authorized Trader placing the order or AORS through which the order is being placed), the Delivery Month of the relevant Futures Contract or Futures Contracts, the bid or ask price, the order type, the quantity, the validity time (i.e., the period after which the order expires), an account number or identifier, the customer type indicator as prescribed in the Regulations of the Commission, and an origin code (showing whether the order is for the Member's Proprietary Account or Customer Account). In addition the order may also include free text. Any order not complying in full with the foregoing requirements of this paragraph (g) shall not be accepted into the BTEX Trading System.

(h) An order to buy or sell more than one Contract or Combination Trade shall be deemed to be for the number specified or for any lesser number, unless otherwise specified in the order.

(i) All orders entered into the BTEX Trading System shall be firm and remain open in the BTEX Trading System until executed or canceled, or until the expiration time, if any, specified in the order. Orders entered into the BTEX Trading System may be changed by the Member 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 validity time;

- (C) Change of account number or identifier, CTI or origin code;
- (D) Adding, modifying or deleting free text; and/or
- (E) Such other change as the Exchange may from time to time specify.

(j) No Authorized Trader shall knowingly enter an order for a Customer into the BTEX Trading System or cause a transaction to be executed for a Customer in the BTEX Trading System in which the Authorized Trader, or the Member or the Affiliate of the Member employing such Authorized Trader, shall assume the opposite side of such order or transaction, unless:

(i) Such Customer 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

(ii) Except in the case of transactions effected pursuant to Rule 406, 407 or 408, such Authorized Trader first enters the Customer's order into the BTEX Trading System and waits for at least 5 seconds before entering the opposite order.

(k) If an order or series of orders is executed in one or more transactions at different prices in a single Trading Session, a Member may confirm to its Customer an average price for such transactions, provided that:

(i) The confirming of such average prices is in accordance with the then current requirements of the Commission;

(ii) Each such transaction is for the same account or group of accounts and for the same Contract;

(iii) The average price in each case shall be computed by multiplying the price of each Contract by the number of Contracts executed at that price, adding the results together and dividing the total by the aggregate number of Contracts executed; and, in the case of a series of orders, the average price may be computed based on the average price of each Contract in the series; and

(iv) Any confirmation of an average price must indicate on the confirmation and in any monthly statement furnished to the Customer that the price is an average price and not an execution price.

(l) Members may have communications with potential counterparties regarding interest in executing a particular transaction prior to the entry of any order into the BTEX Trading System, provided that, if the Member receives both buy and sell orders as a result of such communications, the Member may enter both orders, provided that (A) at least five seconds must elapse between the entry of any buy order and the entry of any sell order, and (B) any orders received from or on behalf of a Customer must be entered before any orders for a Proprietary Account.

404. Execution of Orders.

Unless otherwise specified by the Exchange, orders entered into the BTEX Trading System for 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 entry into the BTEX Trading System. Subject to the preceding sentence, orders entered into the BTEX Trading System 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.

405. Correction of Errors.

If a Member advises the Exchange of an error in a transaction confirmed by the BTEX Trading System as executed:

(a) Such transaction may be cancelled as provided in this Rule, provided that the price of the transaction is outside the No-Cancellation Range for such transaction as set forth in paragraph (i) below, and provided that the Member advises the Exchange of such error by such means as the Exchange shall prescribe within 10 minutes after such transaction was confirmed. If such price is at or within such No-Cancellation Range, such transaction may not be cancelled, even if the parties agree to cancellation.

(b) If the price of the transaction is outside such No-Cancellation Range, the Exchange shall contact all Members which are parties to such transaction and shall send an advisory to all Members and to all quotation vendors disseminating quotations of the Exchange, indicating that the particular transaction may be cancelled.

(c) If, within 10 minutes after the Exchange sends the advisory referred to in paragraph (b), all Members which are parties to the transaction agree to its cancellation, and if no other Person notifies the Exchange that such Person objects to such cancellation, the transaction shall be cancelled.

(d) If, within 10 minutes after the Exchange sends the advisory referred to in paragraph (b), any Member which is a party to the transaction objects to its cancellation or if any such Member cannot be contacted, or if any other Person objects, the matter shall be referred to a panel consisting of at least three members of the Trade Review Committee appointed by the chairman of such Committee. Such panel may not include any individual who is employed by any of the parties to the transaction, or by any Person objecting to the cancellation, or by any Affiliate of any of them, or who otherwise has a direct or indirect interest in the transaction. The panel shall, in its sole and absolute discretion, determine whether there was manifest error in the transaction and, if so, whether such transaction should be cancelled. Unless it is impracticable to do so, the panel shall make its determination within 10 minutes after being appointed. The decision of the panel shall be final and not be subject to any appeal.

(e) In reaching any determination as provided in paragraph (d) of this Rule, the factors that may be considered by the panel include:

- (i) the market conditions before and after the transaction occurred;
 - (ii) whether one or more parties to the trade believe the trade was at a valid price;
 - (iii) whether there is any indication that the transaction in question triggered any contingency orders or resulted in the execution of any Combination Trades;
 - (iv) whether a third party relied on the price; and
 - (v) any other factors that the panel deems relevant.
- (f) If a transaction is cancelled as provided in this Rule, either by agreement of the parties or by a panel of the Trade Review Committee:
- (i) the parties to the transaction shall reverse the transaction in accordance with such procedures as may be prescribed by the Exchange; and
 - (ii) the Exchange shall also cancel all transactions resulting from contingency orders which were resting in the BTEX Trading System at the time the cancelled transaction was executed and which were triggered by such transaction. The Exchange shall notify the Clearing Members responsible for such cancelled transactions.
- (g) As soon as a determination has been made as to whether a transaction shall be cancelled, the Exchange shall send an advisory to all Members and to all quotation vendors disseminating quotations of the Exchange, notifying them whether the transaction is being cancelled or not.
- (h) If a transaction is cancelled pursuant to a decision of a panel of the Trade Review Committee, the party submitting the transaction for cancellation shall pay a fee to the Exchange in such amount as the Board may prescribe from time to time.
- (i) The term "No-Cancellation Range" means such number of Ticks above or below the current market price as may be specified from time to time by the Board.

406. Block Trades.

A Clearing Member may effect a Block Trade between Customers of such Clearing Member, or between itself and any Customer, or between itself and any other Member (acting for itself or its Customers), without entering the same into the BTEX Trading System; provided that such Block Trade is effected in accordance with the provisions of this Rule; and provided further that if and at such time as there is in effect a Market Maker program, as provided in Rule 208, the Board may, as part of that program, restrict the right to effect Block Trades only to Members which are Market Makers or Affiliates of Market Makers.

- (a) Each party to any Block Trade must be either:

(i) An “eligible contract participant” as that term is defined in Section 1a(12) of the Act, or

(ii) Being advised in connection with such Block Trade by a Person which is either:

(A) registered as an investment adviser with the Securities and Exchange Commission, registered as a commodity trading advisor by the Commission, or exempt from any such registration; or

(B) a foreign Person performing a similar role or function subject as such to foreign regulation

and, in either case, has total assets under management exceeding \$25 million.

For purposes of satisfying the minimum size requirements for Block Trades set forth in Part 3 of these Rules, an order placed by a Person described in subparagraph (ii) shall be considered a single order, irrespective of the number of clients on whose behalf such Person is acting, but otherwise orders placed on behalf of more than one client shall be considered separate orders.

(b) A Member may effect a Block Trade on behalf of a Customer only if the Member has received an order to do so from the Customer. Such order must be recorded by the Member and time-stamped with the time the order is placed and the time the order is executed.

(c) A Member may not take the opposite side of a Block Trade with a Customer of such Member without such Person’s prior consent, which may be in the form of a blanket consent to all transactions effected after such consent is given.

(d) The terms of each Block Trade shall be reported to the Exchange, in such form as the Exchange may prescribe, within the number of Trading Session Minutes set forth below following the consummation of the Block Trade:

Number of Contracts or Calendar Spreads	Trading Session Minutes after Execution
250-999	15 minutes
1000-2499	30 minutes
2500-4999	60 minutes
5000-9999	120 minutes
10000+	240 minutes

(e) The term "Trading Session Minutes" shall mean the minutes occurring in any Trading Session during which a Block Trade is executed and during any Trading Session thereafter. (For example, if the required reporting time is 60 Trading Session Minutes, and the number of minutes remaining in a Trading Session during which a Block Trade is executed is 15, the Block Trade must be reported not later than 45 minutes following the commencement of the next Trading Session.)

(f) Any Member involved in any Block Trade shall maintain full and complete records of the transaction.

(g) Any Member involved in any Block Trade pursuant to this Rule must satisfy the Exchange, at its request, that the transaction complies with this Rule.

(h) Prices reported for Block Trades shall not trigger contingent orders pending in the BTEX Trading System.

407. Exchange of Futures for Physicals.

A Member may effect an exchange of Futures Contracts for physical Commodities (an "EFP") without entering the same into the BTEX Trading System in accordance with the provisions of this Rule.

(a) As used in this Rule 407, the term "Commodity" shall include but not be limited to: (A) a cash Commodity, (B) a forward contract to purchase or sell a cash Commodity, and (C) 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) An EFP involving a Futures Contract having a particular Delivery Month may be made any time until the last Business Day permitted for the exchange of such Futures Contract for a Commodity pursuant to Part 3 of these Rules.

(h) The Clearing Member which is, or which is acting on behalf of a Person who is, the selling party under a Futures Contract which is a component of an EFP shall submit the transaction to the Clearing Organization for clearance.

(i) Each Member and/or Affiliate engaging in an EFP must satisfy the Exchange, at its request, that the transaction complies with this Rule.

(j) Prices reported for EFPs shall not trigger contingent orders pending in the BTEX Trading System.

408. Exchange of Futures for Swaps.

A Member may effect an exchange of Futures Contracts for swaps (an "EFS") without entering the same into the BTEX Trading System in accordance with the provisions of this Rule.

(a) The swap must be a transaction which is exempt from regulation under the Act or Commission Regulations.

(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) An EFS involving a Futures Contract having a particular Delivery Month may be made any time until the last Business Day permitted for the exchange of such Futures Contract for a swap pursuant to Part 3 of these Rules.

(h) The Clearing Member which is, or which is acting on behalf of a Person who is, the selling party under a Futures Contract which is a component of an EFS shall submit the transaction to the Clearing Organization for clearance.

(i) Each Clearing Member which is, or which is acting on behalf of Person who is, a party to an EFS shall submit a report (the "EFS Report") to the Exchange with respect to such EFS not later than two Business Days after the date the Futures Contract component of such EFS was submitted for clearing. The EFS Report shall identify the transaction as an EFS made under this Rule and shall contain the following: a statement that the swap component of the EFS complied with paragraph (a) of this Rule at the time the EFS was entered into, a statement that the EFS has resulted or will result in a change of payments or other such change, the kind and quantity of the Futures Contracts involved, the price at which the Futures Contract component of the transaction is to be cleared, the names of the Clearing Members involved and their Customers, and such other information as the Exchange may require.

(j) All omnibus accounts and foreign brokers shall submit to the Exchange a signed EFS Reporting Agreement in the form prescribed by the Exchange. Such Agreement shall provide that any omnibus account or foreign broker identified by a Clearing Member (or another omnibus account or foreign broker) as the buyer or seller of an EFS shall supply the name of its Customer and such other information as the Exchange may require. Such information shall be submitted to the Exchange by noon on the Business Day which is not later than two Business Days after the EFS Report was submitted to the Exchange. Failure by an omnibus account or foreign broker to submit either the EFS Reporting Agreement or the particular EFS information to the Exchange may result in action by the Exchange to limit, condition or deny access of such omnibus account or foreign broker to the Exchange's markets.

(k) The Members involved in any EFS shall maintain full and complete records of the transaction, together with all pertinent documentation as to the swaps involved.

(l) Each Member engaging in an EFS must satisfy the Exchange, at its request, that the transaction complies with this Rule. Upon the request of the Exchange, all documentary evidence relating to the EFS (including without limitation a master swap agreement and any supplements thereto) shall be obtained by the Clearing Members and made available for examination by the Exchange.

(m) Prices reported for EFSs shall not trigger contingent orders pending in the BTEX Trading System.

409. [RESERVED]

410. Transfer of Positions.

(a) Contracts may be transferred from one account carried by a Member to another account carried by such Member or to an account carried by any other Person, but only if the transfer would not result in:

(i) the offset of long and short positions and in a reduction of the open interest in any Contract during the Delivery Month for such Contract; or

(ii) a change in the beneficial ownership in any Contract, unless the transfer is made:

(A) to correct an error in the original posting of the Contract;

(B) 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 of business, reorganization or similar event affecting such a Person;

(C) to combine the positions held by two or more commodity pools operated by the same commodity pool operator and traded by the same commodity trading advisor pursuant to the same strategy, into a single consolidated account, so long as: (1) the transfers do not result in the liquidation of any open positions, and (2) the pro rata allocation of interests in the consolidated account does not result in more than a *de minimis* change in the value of the interest of any pool participant;

(D) in accordance with Rules 406, 407 or 408; or

(E) 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 Member 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.

411. Establishment of Settlement Prices.

The Settlement Price for all Contracts shall be determined promptly after 3:00 p.m. in each Trading Session in accordance with the following procedure (or such other procedure as may from time to time be adopted by the Board):

(a) The Exchange shall appoint a panel of not less than eight Members. In the event that there shall be in effect at the time a Market Maker program pursuant to Rule 208, the panel shall include all of the Market Makers in the relevant Contract.

(b) Each member of the panel shall daily submit to the Exchange quotations of suggested settlement prices for each of the Contracts and Combination Trades then open for trading. The quotations shall be submitted promptly after the close of trading in the relevant Trading Session. Such quotations shall be based upon transactions, bids and offers occurring during such Session, as well as such other factors as each panel member may consider relevant.

(c) The Exchange shall disregard the two highest and the two lowest quotations so submitted and shall calculate the arithmetic average of the remaining quotations. Such average shall be the Settlement Price for each open Contract or Combination Trade.

(d) In the event that on any day for any reason it is not feasible to determine a Settlement Price in accordance with the foregoing provisions of this Rule, the Settlement Price shall be determined in such manner as may be prescribed by the Board. In any such case, the Exchange shall maintain a written record explaining the reason why it was not feasible to determine the Settlement Price in accordance with such procedures and describing the manner in which the Settlement Price was determined.

(e) The Exchange shall promptly publish such Settlement Prices to the media, the wire services and such other Persons as it may consider appropriate.

412. Speculative Position Limits.

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

(a) No Person may hold or control positions in Futures Contracts on the same side of the market, 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) Risk management positions as described in this Rule. The term "risk management positions" means positions in Contracts (A) which are held on behalf of a commercial entity or other Person which qualifies as an "eligible swap participant", as that term is defined in Section 35.1(b)(2) of the Commission Regulations, and which commercial entity or other Person typically buys, sells, or holds positions in the Underlying Commodity or a related cash Commodity for which the cash market has a high degree of liquidity relative to the size of the risk management positions, and (B) which meet one or more of the following sets of criteria:

(A) Long positions in Futures Contracts, the face value of whose Underlying Commodity does not exceed the sum of:

(1) Cash set aside in an identifiable manner or unencumbered short-term U.S. Treasury obligations so set aside, plus any funds deposited as margin for such positions; and

(2) Accrued profits on such positions held by the futures commission merchant or other carrying firm.

(B) Long positions in Futures Contracts, the face value of whose Underlying Commodities does not exceed the sum of:

(1) The value of fully hedged positions in financial instruments; and

(2) Accrued profits on such positions held by the futures commission merchant or other carrying firm.

(C) Are recognized by the Exchange as risk management positions.

(iv) 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) No Member shall maintain a position in a Contract for itself in excess of the applicable position limits.

(e) No Member shall maintain a position in a Contract for any other Person if such Member knows, or with reasonable care should know, that such position will cause such other Person to exceed the applicable position limits; provided, however, that no Member shall be deemed to have violated the foregoing provisions of this paragraph (e) if:

(i) Such Member shall have established procedures and a system for applying such procedures which would reasonably be expected to detect, insofar as practicable, any violation by other Persons; and

(ii) Such Member has taken reasonable steps to apply such procedures and system without reasonable cause to believe that such procedures and system are not being complied with.

(f) Upon request by the Exchange, which may be written or oral, a Member 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 Person for whom such Member is maintaining a position, that such position does not violate the provisions of this Rule. In the event such Member seeks such assurance from such other Person, and if such other Person fails to deliver such assurance to the Member within a period of five Business Days after the request for assurance shall have been delivered by the Exchange to the Member, the Member must close out all positions in Contracts carried for such Person, and the continued maintenance by the Member of such position for such Person after such period shall be deemed *prima facie* evidence of the Member's violation of this Rule; or

(ii) Reduce the position maintained by the Member for itself or for such other Person to comply with the applicable position limits. In the event that any such position is maintained in accounts at more than one Member, then the position shall be reduced by each such Member in such manner as the Exchange may direct so that the aggregate position of the Person maintained by all Members does not exceed the applicable position limits.

413. Exemptions from Speculative Position Limits.

(a) Any Person seeking an exemption from the position limits referred to in Rule 412 must file an application with the Exchange no later than five Business Days after the day on which such Person'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 positions carried by an eligible entity shall contain such information as the Exchange may require.

(iii) An application for exemption for risk management positions shall contain the following:

(A) An explanation of how the positions sought to be exempted qualify as risk management 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.

(iv) 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 Person is granted an exemption by the Exchange under this Rule:

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

(A) an undertaking by that Person 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 Person 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) If an application for an exemption under this Rule is denied, the affected party may appeal such denial to the Board by giving written notice to the Exchange within five Business Days following receipt of notification of the denial, in which case:

(i) A hearing on such application shall be conducted before the Board or its designee;

(ii) Any action by the Exchange respecting any application for exemption under the Rules of the Exchange shall remain in effect unless and until it is reversed by the Board or its designee, but may be stayed by the Board or its designee pending a decision thereon after the hearing;

(iii) Any such hearing shall be conducted pursuant to such rules and/or procedures as may be adopted by the Board or its designee, which rules or procedures shall, in the judgment of the Board or its designee, be sufficient to give such Person an opportunity to present fully and fairly to the Board or its designee the Person's reasons why the application should be granted. If an applicant does not so request a hearing within such five Business 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 Board or its designee decides to deny such Person's application, the Exchange shall give such Person written notice of the decision of the Board or its designee, setting forth the grounds therefor, and such decision shall be the final action of the Exchange and not subject to appeal within the Exchange; and

(iv) Applicants and exempted persons shall be identified by the Exchange staff to the Board or its designee initially by symbol; provided, however, that if the Board or

its designee needs further identification to perform its functions, then such further identification shall be supplied.

(e) In the event that the Exchange has reason to believe that a Member 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 Member; provided, however, that, if there appears to be a more serious or systematic violation by the Member of the position limits, then the Enforcement Staff must proceed in accordance with Part 7 of these Rules.

414. Position Accountability.

In the case of any Contract for which a Position Accountability Level is set forth in Part 3 of these Rules, the following provisions shall apply:

(a) A Person who owns or controls Futures Contracts on the same side of the market, separately or in combination, 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) automatically consent, when so ordered by the Exchange in its discretion, to halt increasing further such positions.

(b) 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

501. Clearance.

All Contracts effected by any Member on the Exchange shall immediately be submitted for clearance to the Clearing Organization, and all Contracts effected by any Member other than on the Exchange but subject to the Rules of the Exchange, shall be submitted for clearance when and as provided in these Rules or the Rules of the Clearing Organization.

Part 6 - Deliveries

601. Delivery of Treasury Securities.

Delivery of U.S. Treasury Bonds and Notes pursuant to Futures Contracts shall be made in accordance with the following procedures.

(a) All bonds or notes delivered under a Futures Contract must be of the same issue.

(b) All deliveries of bonds or notes pursuant to Futures Contracts shall be by book-entry transfer between accounts of Clearing Members at Qualified Banks in accordance with Treasury Circular 300 of the U.S. Department of the Treasury, Subpart O.

(c) The delivery price of any bond or note to be delivered pursuant to any Futures Contract shall be the Settlement Price of such Futures Contract on the second Business Day preceding the Delivery Day for such bond or note, multiplied:

(i) by 2,000 in the case of a note referred to in Rule 301, or by 1,000 in the case of any other note or any bond; and

(ii) if such bond or note has a coupon rate other than 6%, by a conversion factor calculated in accordance with the following formula:

$$\text{Conversion factor} = a \times \frac{[\text{coupon} + c + d]}{2} - b$$

where factor is rounded to 4 decimal places and .00005 is rounded up to the fourth decimal place, and

coupon	is the annual coupon of the bond or note in decimals
n	is the number of whole years from the first day of the delivery month to the maturity (or call) date of the bond or note
z	is the number of months between n and the maturity (or call) date rounded down to the nearest quarter for bond and 10-year note futures (so z can take on the values 0, 3, 6, or 9) and to the nearest month for 5-year and 2-year note futures (so z can be any integer between 0 and 11)

v =	$\begin{cases} z & \text{if } z \leq 7 \\ 3 & \text{if } z \geq 7 \text{ (bond and 10-year note futures)} \\ (z - 6) & \text{if } z \geq 7 \text{ (5-year and 2-year note futures)} \end{cases}$
a =	$\frac{1}{1.03^{\frac{v}{6}}}$
b =	$\frac{\text{coupon} \times 6 - v}{2 \times 6}$
c =	$\begin{cases} \frac{1}{2^{2n}} & \text{if } z \leq 7 \\ 1.03 & \\ \frac{1}{2^{2n+1}} & \text{otherwise} \\ 1.03 & \end{cases}$
d =	$\frac{\text{coupon} \times (1 - c)}{0.06}$

(d) Each long Clearing Member must report to the Clearing Organization all open positions in Futures Contracts for any Delivery Month by 9:00 p.m. on the second Business Day preceding the first Business Day of such Delivery Month and thereafter must report all changes in such open positions on a daily basis. Such reports shall be in such form and contain such information as the Clearing Organization may specify.

(e) Each short Clearing Member making delivery shall give Delivery Notices to the Clearing Organization in such form as may be prescribed by the Exchange by 9:00 p.m. on the second Business Day preceding the Delivery Day for the bonds or notes specified in the Delivery Notice. The Clearing Organization shall allocate such notices to long Clearing Members in accordance with the Rules of the Clearing Organization and shall promptly notify each short Clearing Member of the long Clearing Members obligated to accept delivery and a description of each bond or note tendered by each short Clearing Member which was allocated to each such long Clearing Member.

(f) Each such short Clearing Member making delivery shall deliver to the Clearing Organization, by 3:00 p.m. (or by 4:00 p.m., where delivery is to be made on the last permissible Delivery Day for the Delivery Month) on the Business Day following the Notice Day, invoices addressed to each such long Clearing Member. Each such invoice shall set forth the documents to be delivered to the particular long Clearing Member, the amount to be paid by such long Clearing Member (which shall be the delivery price determined as set forth in paragraph (c), plus any interest accrued to the Delivery Day on the bonds or notes being delivered, determined in accordance with Circular 300 of the U.S. Department of the Treasury, Subpart P), the name of the short Clearing Member's Qualified Bank, the number of the short Clearing Member's account at such Qualified Bank and the specific instructions for wiring federal funds to such account. The Clearing Organization shall promptly deliver such invoices to the long Clearing

Members to which they are addressed. In the event that a long Clearing Member does not agree with any such invoice, it must notify the short Clearing Member forthwith, and the dispute must be settled by 10:30 a.m. on the Delivery Day.

(g) Any long Clearing Member to which an invoice shall have been delivered shall provide the short Clearing Member issuing the invoice by 5:00 p.m. on the Business Day following the Notice Day with a notice specifying the name of the long Clearing Member's Qualified Bank, the number of the long Clearing Member's account at such Qualified Bank and specific federal wire instructions for the transfer of the Treasury bonds or notes to be delivered.

(h) On the Delivery Day:

(i) By 8:30 a.m., each long Clearing Member obligated to take delivery must have funds available in the Qualified Bank specified pursuant to paragraph (g) in sufficient amount to pay for the bonds or notes to be delivered to it and must instruct said Qualified Bank to accept the specified bonds or notes and to remit the price in federal funds to the account specified by the short Clearing Member in payment for delivery of such bonds or notes.

(ii) By 11:00 a.m., each short Clearing Member making delivery must have bonds or notes of Deliverable Grade on deposit at the Qualified Bank specified pursuant to paragraph (f) and must instruct such Qualified Bank to transfer said bonds or notes by book-entry to the account specified by the long Clearing Member against payment therefor in accordance with these Rules.

(iii) The bonds or notes must be delivered and payment must be made before 2:00 p.m. on the Delivery Day, except where the Delivery Day is a bank holiday, in which case delivery and payment must be made before 10:30 a.m. on the next Business Day that is not a bank holiday.

(i) Each Clearing Member must deliver to the Clearing Organization any Delivery Notices received by it from Customers that are short, regardless of whether the Clearing Member or other Customers of such Clearing Member wish to take delivery.

(j) In the event that any delivery cannot be completed on the Delivery Day specified in a Delivery Notice because of a failure of the Federal Reserve wire or because of a failure of any Qualified Bank's access to the Federal Reserve wire: (i) delivery shall be made not later than 10:30 a.m. on the next Business Day on which the Federal Reserve wire or bank access to the Federal Reserve wire is operable; (ii) the long Clearing Member shall not be required to pay the short Clearing Member for interest accrued on the bond or note being delivered subsequent to such specified Delivery Day; and (iii) both Clearing Members must on demand furnish the Exchange with evidence satisfactory to the Exchange that the provisions of this Rule were complied with.

(k) In the event that delivery of any bond or note, or payment therefor, cannot be made when and as provided in this Rule because of any act of God, act of war, act of government, civil disturbance, casualty, power failure or other extraordinary circumstance outside the control of the party affected thereby, the matter shall forthwith be referred to the Board, which shall determine whether to take emergency action in accordance with the Bylaws.

Part 7 - Disciplinary Proceedings

701. Rule Violations.

(a) Except as provided in Rule 707(a), the investigation of any suspected violation of the Bylaws or Rules by any Member or market participant (the "Respondent") shall be conducted by the Enforcement Staff in accordance with the Rules. After each such investigation, whether or not it believes a violation of the Bylaws or Rules may have occurred, the Enforcement Staff shall prepare a written investigation report describing the investigation conducted and setting forth the facts determined and the conclusions of the Enforcement Staff. The Enforcement Staff shall maintain a file of all investigation reports for a period of not less than five years after the completion of each such report.

(b) Within a reasonable period of time not to exceed 30 days after the completion of an investigation report, the Enforcement Staff shall take one of the following actions:

(i) If the Enforcement Staff determines that no reasonable basis exists for finding a violation or that prosecution is otherwise unwarranted, it may take no further action. Such determination must be set forth in the investigation report and be accompanied by a brief statement setting forth the reasons therefor.

(ii) If the Enforcement Staff determines that a reasonable basis exists for finding a violation, it may:

(A) negotiate and enter into a written settlement agreement with the Respondent; or

(B) commence disciplinary proceedings against such Respondent pursuant to these Rules.

(c) The Enforcement Staff may, in its discretion, permit a Respondent in any settlement agreement to accept a penalty without either admitting or denying the violation upon which the penalty is based. If the Enforcement Staff 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 Respondent is agreeing to accept a penalty without either admitting or denying any violations, the decision shall so state.

702. Notice of Charges; Service of Papers.

If the Enforcement Staff commences disciplinary proceedings against any Respondent, the Enforcement Staff shall serve such Respondent with a written notice of charges, which shall:

(a) state the acts, practices or conduct in which the Respondent is alleged to have engaged;

(b) state the Rule alleged to have been violated (or about to be violated);

(c) state the predetermined penalty, if any;

(d) state that the Respondent is entitled, upon written request served upon the Enforcement Staff within 20 days of service of the notice of charges, to a hearing on the charges, and that failure so to request a hearing within such 20 days, except for good cause shown, shall be deemed a waiver of the right to a hearing; and

(e) state that failure in an answer to deny expressly any allegation or any charge in the notice of charges shall be deemed to be an admission of such allegation or charge.

Service of a notice of charges or any other document in a disciplinary proceeding on a Respondent shall be made by personal delivery to such Respondent, or by first class mail addressed to such Respondent at the last address filed by such Respondent with, or otherwise known to, the Exchange, or, if such Respondent is represented by counsel or any other representative, by personal delivery to such counsel or representative or by first class mail addressed to such counsel or representative at the last address filed by such counsel or representative with the Exchange. Service of any document on the Enforcement Staff shall be made by personal delivery to the Enforcement Staff, or by first class mail addressed to the Enforcement Staff, in either case at such address as is specified by the Enforcement Staff. Service by mail shall be complete when deposited in an official depository of the United States Postal Service, but in any case where service is made by mail, any time period in these Rules calculated with respect to the date of service shall be extended by a period of five days.

703. Answer from Respondent.

(a) A Respondent receiving a notice of charges may serve a written answer to such notice of charges upon the Enforcement Staff, provided that:

(i) The answer must be in writing and include a statement that the Respondent admits, denies or does not have and is unable to obtain sufficient information to omit or deny any allegation. A statement of a lack of sufficient information shall have the effect of a denial of an allegation.

(ii) Failure to serve an answer upon the Enforcement Staff within 20 days following the service of the notice of charges shall be deemed an admission of all allegations contained in the notice of charges.

(iii) Failure in an answer to deny expressly any charge or allegation shall be deemed to be an admission of such charge or allegation.

(b) If the Respondent admits or fails to deny any of the charges in a notice of charges, the Adjudication Committee may find that the violation of the Rule or Rules alleged in such charge has been committed, and may impose a penalty no greater than the predetermined penalty, if any, stated in the notice of charges for such violation or violations. If no such predetermined penalty was so stated, the Adjudication Committee shall impose a penalty for each violation found to have been committed. The Adjudication Committee shall promptly serve the Respondent and the Enforcement Staff with a written notice of any penalty to be imposed pursuant to this paragraph and shall advise the Respondent that it may request a hearing on such

penalty, provided that a written request for such a hearing is served upon the Enforcement Staff within 10 days following the service of such notice; but that, except for good cause shown, no hearing shall be permitted on a predetermined penalty stated in the notice of charges. If the Respondent fails to request a hearing within the period of time stated in the preceding sentence (or such longer time as the Adjudication Committee may permit for good cause shown), the Respondent shall be deemed to have accepted the penalty, and the decision of the Adjudication Committee shall be the final action of the Exchange.

703A. Reply.

The Enforcement Staff may serve on the Respondent a written reply within five days of the date of service of the Respondent's answer. The reply must be limited to the matters set forth in such answer.

704. Hearings in Disciplinary Proceedings.

(a) Any hearing on charges contained in a notice of charges shall be conducted before the Adjudication Committee.

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

(c) The Respondent 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 Respondent shall be entitled to appear personally at the hearing.

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

(h) The Respondent 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 Respondent, 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 Respondent 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 Adjudication Committee upon any person within its jurisdiction whose actions impede the progress of a hearing.

705. Decision of Adjudication Committee.

Promptly following the hearing, the Adjudication Committee shall render a written decision based upon the weight of the evidence contained in the record of the proceeding and shall serve a copy of such decision upon the Enforcement Staff and the Respondent. 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 Bylaws or Rules which the Respondent 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) a fine in such amount as the Adjudication Committee deems appropriate;
 - (iii) limiting the positions which may be carried by such Member;
 - (iv) suspension of trading and/or clearing privileges, or, in the case of a Respondent which is not a Member, denying future access, either directly or indirectly, to any or all of the Exchange's markets for such period as the Adjudication Committee may determine;
 - (v) suspension as a Clearing Member or as a Member;
 - (vi) termination as a Clearing Member or as a Member; and
 - (vii) such other penalty as the Adjudication Committee in its discretion shall deem appropriate.

Such decision shall be the final action of the Exchange.

In the case of any penalty imposed on a Respondent which is not a Member denying access to any Exchange market, the Adjudication Committee may issue an order to all Members prohibiting them from granting such access, directly or indirectly, and any knowing violation of such order shall constitute a violation of the Rules.

706. Settlement.

(a) At any time after the issuance of a notice of charges and prior to the issuance of a decision pursuant to Rule 705, a Respondent may serve upon the Enforcement Staff a written proposal to settle the matter in question. The Adjudication Committee may accept or reject the settlement agreement, but may not alter its terms unless the Respondent agrees. The Adjudication Committee, in its discretion, may permit the Respondent to accept a penalty without either admitting or denying the violations upon which the penalty is based.

(b) If the Adjudication 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 Respondent is agreeing to accept a penalty without either admitting or denying any violations, the decision shall so state.

(c) If the Adjudication Committee does not accept a settlement proposal, the proceedings shall continue against the Respondent, but the Respondent 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.

707. Summary Proceedings.

(a) The Enforcement Staff may summarily impose a fine against any Member:

(i) for failing to make timely payments of original or variation margin, option premiums, dues, fees, fines, assessments or other charges;

(ii) 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; and

(iii) for failing to keep any records required under any provision of the Bylaws or Rules.

The amounts of the fines for any category of violations which may be imposed pursuant to this Rule shall be set by the Board from time to time, provided that the maximum fine for any one violation shall not exceed \$10,000. Nothing contained in this Rule shall preclude any other action against a Member pursuant to the Rules. The imposition of a fine against a Member pursuant to this Rule shall be the final action of the Exchange if the Member does not request review when and as hereinafter provided.

(b) The Exchange shall serve a Member with written notice of a fine imposed pursuant to paragraph (a) of this Rule. Such notice shall specify the date of the occurrence for which the fine is being imposed, the provision or provisions of the Bylaws or Rules giving rise to

the fine and the amount of the fine. Within 10 days of the service of such notice, the Member shall either pay such fine, or serve the Exchange with a written request to review such fine. Any such request shall specify the basis for such review.

708. Financial or Operational Emergencies.

(a) If at any time the Board, in its sole discretion, determines that there is a substantial question as to whether a Financial or Operational Emergency exists with respect to any Member, the Board may suspend, or take any other summary action against, involving or with respect to such Member as the Board may deem necessary or appropriate to protect the best interests of the marketplace.

(b) Any action taken against, involving or with respect to any Member pursuant to this Rule shall be taken after notice and an opportunity to be heard, unless (i) such Member shall have waived the right to such notice and opportunity, or (ii) the Board in its sole discretion shall determine that (A) giving such notice or opportunity to be heard before taking such action is not practicable under the circumstances, and (B) there is reason to believe that immediate action is necessary to protect the best interests of the marketplace. Any such notice shall be given by telephone not later than one hour before the hearing.

(c) In any case in which action is taken against, involving or with respect to a Member without prior notice and opportunity to be heard, the Exchange shall give such Member notice and an opportunity to be heard promptly thereafter. Every such notice shall (i) state the action taken, (ii) briefly state the reasons for the action and (iii) state the effective time, date and duration of the action.

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

(e) At the hearing, the Exchange shall present such evidence and considerations as may tend to show that there is a substantial question as to whether a Financial or Operational Emergency exists with respect to such Member, and the Member may present such evidence and considerations as may tend to show that no such question exists. The Member may be represented by legal counsel or any other representative of its choosing at such hearing. A substantially verbatim record of the hearing shall be made, but need not be transcribed unless the Member so requests or the Exchange so determines.

(f) Promptly following the hearing referred to in paragraph (e) of this Rule, the Board shall render a written decision based upon the weight of the evidence contained in the record of the proceeding and shall serve a copy of such decision on the Member. The decision shall include:

- (i) A description of any summary action taken,
- (ii) The reasons for the summary action taken,

- (iii) A brief summary of the evidence produced at the hearing,
- (iv) Findings and conclusions,
- (v) A determination that the summary action taken should be affirmed, modified or reversed, and

(vi) A declaration of any action to be taken pursuant to the determination specified in subparagraph (v) and the effective date and duration of such action. Such decision shall be the final action of the Exchange and shall not be subject to appeal within the Exchange.

(vii) Notwithstanding the other provisions of this Rule 708, if the President, in his or her sole discretion, shall determine that there is a malfunction in the system for transmitting orders or other communications from or through any Member into the BTEX Trading System and that such malfunction may impair, delay or otherwise adversely affect the operation of the BTEX Trading System, the President may instruct such Member to discontinue transmissions to the BTEX Trading System from any source and may cause such steps to be taken as will disconnect such Member from the BTEX Trading System, until such time as such malfunction shall have been resolved in a manner satisfactory to the President in his or her sole discretion. In taking any such action, the President shall endeavor to communicate with the Member in question prior to taking any such action, but the inability or failure of the President to do so shall not prevent, delay or otherwise affect the ability of the President to act pursuant to this paragraph.

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

A Respondent which has been suspended or has been the subject of any other Exchange action pursuant to this Part 7, 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.

710. Conflicts of Interest or Bias.

(a) No member of the Board or any Disciplinary Committee shall knowingly participate in such body's deliberations and voting on any matter involving a named party and interest where such member is precluded from doing so pursuant to Section 6.5(c) of the Bylaws.

(b) Prior to the consideration of any matter involving a named party in interest, each member of the Board or any Disciplinary Committee must disclose to the President of the Exchange whether he or she has any one of the relationships listed in Section 6.5(c)(i) of Bylaws with the named party in interest.

(c) Any Respondent which is a named party in interest in any proceeding under this Part 7 may serve a written request on the President of the Exchange for disqualification of any

member of the Board or any Disciplinary Committee on the grounds that such member has one of the relationships listed in Section 6.5(c)(i) of the Bylaws, or that any other cause exists which might cause such member to have a bias against such Respondent.

(d) The President shall determine whether or not any member of the Board or Disciplinary Committee will be disqualified from deliberating, voting or otherwise participating in any matter based upon:

(i) Information provided by such member pursuant to paragraph (b) of this Rule;

(ii) Information provided by a Respondent which is a named party in interest pursuant to paragraph (c) of this Rule; and

(iii) Any other source of information that is reasonably available to the Exchange.

(e) The President shall promptly serve written notice on the member of the Board or Disciplinary Committee, as the case may be, and on the Respondent 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.

711. 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.

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

Part 8 – Customer Disputes

801. Procedure for Resolution.

Any dispute between a Customer and a Member arising out of or in connection with the solicitation or acceptance of any order for execution of a Contract, or the execution or performance of any Contract, shall be resolved by and pursuant to the arbitration rules of the NFA or, in the case of any Customer which is an ECP, such other self-regulatory organization as the parties may agree to; provided, however, that the submission of any such dispute to arbitration as aforesaid shall be voluntary in the case of Customers which are not ECPs. The failure by any Member to comply with any decision issued by the NFA or such other self-regulatory organization in resolving any such dispute shall, unless such decision is the subject of judicial review, constitute a violation of these Rules.

Part 9 – Miscellaneous

901. Prohibition of Compensation to Exchange Employees.

No Member, Affiliate of a Member 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 Member, Affiliate of a Member or employee of any of them; provided that the foregoing shall not preclude giving or accepting items of nominal value.

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

903. 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 Member, or concerning margin or premium payments between the Exchange or any other clearing organization and a Member, or concerning deliveries made by or to a Member, and any financial statements filed with the Exchange by any Member, 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 Member involved;

(b) To 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, the State of New York or the City of New York;

(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; or

(h) 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 Members is requested pursuant to paragraphs (b), (c) or (d) above, the Exchange shall so notify each such Member 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.