

**BCAUSE LLC**

**RULEBOOK**

# BCAUSE LLC

## RULEBOOK

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# **BCAUSE LLC RULEBOOK**

## **CHAPTER 1 DEFINITIONS AND INTERPRETATIONS**

### **101. Definitions**

The following terms as used in the Rules have the meanings set forth in this Chapter, unless otherwise specifically provided elsewhere in the Rules or required by the context.

#### **Authorized Participant**

Any Customer authorized by a Clearing Firm to send orders to the Exchange System over a Conformed Front-end Access as provided in Rule 302.

#### **BCause or Exchange**

BCause LLC is a limited liability company organized under the laws of the Commonwealth of Virginia, designated by the CFTC as a contract market.

#### **Board**

The board of managers of the Exchange, appointed in accordance with the Operating Agreement and applicable Rules.

#### **Business Day**

Any day on which the Exchange is open for trading.

#### **Bylaws**

The Bylaws of BCause LLC, as may be revised from time to time.

#### **CEA or Commodity Exchange Act**

The Commodity Exchange Act, as it may be amended from time-to-time amended.

#### **Certificate of Incorporation**

The Certificate of Incorporation of BCause LLC as may be revised from time to time.

#### **CFTC**

The Commodity Futures Trading Commission.

#### **CFTC Regulations**

The regulations of the CFTC, as they may be amended from time to time.

#### **Clearing Firm**

An entity that clears Exchange Contracts as a Clearing Member of the Clearing House. If the entity is clearing transactions on behalf of Customers, the entity must be a Futures Commission Merchant ("FCM"), as defined by the Commodity Exchange Act and CFTC regulations, and registered with the National Futures Association as required by the CFTC.

## **Clearing House**

The clearing organization registered as a CEA Subpart C Derivatives Clearing Organization with the CFTC that provides clearing services to the Exchange. Whenever the Board designates a new clearing organization for the clearance of Contracts with respect to which there are open positions, each Clearing Firm will, as of the close of business on the second business day prior to the effective date of such designation, either become a Clearing Member of the new Clearing House, or cause any such open Contracts carried by it either to be transferred to a Clearing Member of such new Clearing House or to be liquidated.

## **Clearing Member of the Clearing House**

A member of the Clearing House that has been approved by the Clearing House and the Exchange to clear trades made on the Exchange.

## **Conformed Front-end**

An electronic means to send orders to the Exchange System, which has met the conformance requirements of the Exchange, including, if applicable, a web-based access application offered by the Exchange.

## **Contract**

A Futures Contract, an Option on a Futures Contract or an Options Contract traded on or subject to the Rules of the Exchange.

## **Customer**

In relation to a Clearing Firm, and except as otherwise expressly provided in the Rules, a Customer is any Person other than the Clearing Firm for which the Clearing Firm carries an account that trades Contracts on the Exchange.

## **Direct Market Access Authorized Participant**

Any Customer authorized by a Clearing Member to have a direct connection to the Exchange System to trade for such Person's proprietary account as provided in Rule 303.

## **Emergency**

Any occurrence or circumstance which, in the opinion of the Board, requires immediate action and threatens or may threaten such things as fair and orderly trading in, or the liquidation of or delivery or settlement pursuant to, any Contract. An Emergency may include, but is not limited to, the following:

- (a) Any manipulative activity or attempted manipulative activity;
- (b) Any actual, attempted or threatened corner, squeeze, congestion or undue concentration of positions;
- (c) Any circumstance which may materially affect the performance of Contracts, including failure of the payment system;
- (d) Any action taken by the federal government or any foreign government or any other governmental or quasi-governmental body, or any other contract market, board of trade or any other exchange or trade association (foreign or domestic), which may have a direct impact on trading on the Exchange;

(e) Any circumstance which may have a severe, adverse effect upon the physical functions of a contract market (i.e., a physical emergency) including, for example, fire or other casualty; bomb threats; substantial inclement weather; power failures; communications breakdowns; computer system breakdowns; screen-based Exchange System breakdowns; malfunctions of plumbing, heating, ventilation and air conditioning systems; and transportation breakdowns;

(f) The bankruptcy or insolvency of any Clearing Firm or the imposition of any injunction or other restraint by any government agency, court or arbitrator upon a Clearing Firm which may affect the ability of that Clearing Firm to perform on the Contracts it clears; and

(g) Any circumstance in which it appears that a Clearing Firm or any other Person has failed to perform its contracts, is insolvent, or is in such financial or operational condition or is conducting business in such a manner that such Person cannot be permitted to continue in business without jeopardizing the safety of customer funds, Clearing Firms, the Exchange or the Clearing House.

(h) Any other unusual, unforeseeable and adverse circumstance with respect to which it is impracticable for the Exchange to submit in a timely fashion, a reviewable rule to the Commission for prior approval.

### **Employee**

Any officer or employee of the Exchange, and any officer or employee of the Regulatory Services Provider who performs functions on behalf of the Exchange.

### **Exchange System**

The order execution system of the Exchange for the placement of orders for execution of trades in Contracts.

### **Futures Contract**

Industry standard definition which is an agreement to purchase or sell a specific amount of a commodity or financial instrument at a particular price on a stipulated future date which can be settled by physical delivery or cash settlement.

### **National Futures Association or NFA**

The National Futures Association, which is a registered futures association under the CEA.

### **Options Contract**

Industry standard definition which is an agreement to purchase or sell a specific amount of a commodity or financial instrument at a particular strike price and particular price on a stipulated future date which can be settled by physical delivery or cash settlement. An Option Contract may exercise in American or European style as stipulated by the Exchange.

### **Options on a Futures Contract**

Industry standard definition which is an agreement to purchase or sell a specific amount of a Futures Contract at a particular strike price and particular price on a stipulated future date which can be

exercised into the underlying Futures Contract. An Option on a Futures Contract may exercise in American or European style as stipulated by the Exchange.

**Person**

A natural person, association, partnership, limited liability company, joint venture, trust or corporation as set forth in Section 1(a) Part 38 of the CEA and in the CFTC Regulations.

**Regulatory Services Provider**

The organization that performs certain regulatory services on behalf of the Exchange, as may be designated by the Board, from time to time.

**Rule or Rule of the Exchange**

Any rule, interpretation, stated policy or instrument corresponding thereto of the Exchange, as the same may be adopted, amended or repealed from time to time by the Exchange.

**Rule of the Clearing House or Clearing House Rule**

Any rule, regulation, interpretation, stated policy or instrument corresponding thereto of the Clearing House regarding clearing and settlement of Contracts, as the same may be adopted, amended or repealed from time to time by the Clearing House.

**Rule of the CFTC or CFTC Rule**

Any rule, regulation, interpretation, stated policy or instrument corresponding thereto of the CFTC, as the same may be adopted, amended or repealed from time to time by the CFTC.

**102. Scope and Interpretation**

As used in any Rule, terms in the singular include the plural and vice versa and references to the masculine, feminine or neuter gender includes each other gender, unless the context expresses a clear contrary intention. As used in any Rule, time references are to Eastern Standard Time.

## **CHAPTER 2 EXCHANGE GOVERNANCE**

### **201. The Board of Managers**

(a) In accordance with the Operating Agreement, the Board shall consist of at least five (5) and not more than eleven (11) members, one (1) of whom shall be an officer or employee of a Clearing Firm. At all times not less than thirty-five percent (35%) of the directors, but no less than two individuals shall be Public Directors as defined in this Chapter 2.

(b) To qualify as a Public Director, an individual must be found, by action of the Board, to comply with CFTC Rule 38.850 and Appendix B to Part 38 – Guidance on, and Acceptable Practices in, Compliance with Core Principles.

(c) The business and affairs of the Exchange shall be managed by the Board. Subject to applicable provisions of the Operating Agreement, the Board is authorized to:

- (i) Amend, adopt or repeal any Rule;
- (ii) Provide, lease, acquire and maintain suitable Exchange offices and facilities;
- (iii) Designate and authorize officers to act on behalf of the Board and the Exchange, including the authority to execute agreements;
- (iv) Determine the Contracts that are available from time to time for trading on, or subject to the Rules of, the Exchange;
- (v) Designate, change or terminate the services of the appointed Clearing House;
- (vi) Designate, change or terminate the services of the appointed Regulatory Services Provider;
- (vii) Designate, change or terminate the services of the provider of the Exchange System;
- (viii) Establish, revise and waive Exchange fees and charges;
- (ix) Cause the Exchange to enter into agreements or memoranda of understanding with other self-regulatory associations or exchanges and their respective regulators providing for sharing of information and other mutual assistance with respect to financial surveillance, routine audits, market surveillance or other regulatory purposes;
- (x) Take emergency action; and
- (xi) Take such other action permitted or authorized under the Operating Agreement or Rules.

### **202. Delegated Authority to Adopt Rule Changes**

New Rules may be adopted and existing Rules may be amended or repealed in accordance with Exchange processes by any officer of the Exchange who is delegated such authority by the Board.

### **203. Officers**

The Chief Executive Officer is responsible for managing the day-to-day operations of the Exchange, subject to the direction and oversight of the Board and, subject to the approval of the Board, may delegate responsibility for managing the day-to-day operations of the Exchange to the President, Chief Operations Officer, Chief Regulatory Officer, Chief Financial Officer or any officer of the Exchange.

### **204. Committees**

(a) In accordance with the Bylaws, the Board may from time to time appoint an Executive Committee and other Committees, comprised of one or more members of the Board. An Executive Committee will be comprised with the appropriate number of Public Directors in a ratio to meet CFTC composition requirements.

(b) The Exchange shall have as a standing committee a Regulatory Oversight Committee appointed by the Board. The Regulatory Oversight Committee will be comprised of one or more Public Directors, each of whom will be a Public Director within the meaning prescribed in Rule 201(b).

(c) The Board may appoint from time to time a Business Conduct Committee, Hearing Committee and Arbitration Committee, each as defined in this Chapter 2, comprised of members of the Board; general partners, members, officers or employees of Clearing Firms; or other individuals deemed qualified by the Board. Each committee will be comprised of no fewer than three (3) members, at least one of whom would qualify as (but need not be) a Public Director within the meaning prescribed in Rule 201(b). No individual will be appointed to serve on both the Business Conduct Committee and the Hearing Committee for the same or any related investigative or disciplinary matter.

(d) The Board may appoint from time to time committees, including a Product Committee, comprised of officers or employees of the Exchange and/or other individuals deemed qualified by the Board to study and address matters identified by the Board. Any such committee will be comprised of no fewer than three (3) members. A Board appointed committee will serve within the guidelines established by the Board.

(e) Each committee will determine the manner, form and time of conducting its proceedings, except as may otherwise be provided in the Bylaws or Rules, and subject to the authority of the Board.

### **205. Regulatory Oversight Committee**

The Regulatory Oversight Committee, by its charter, is authorized to:

(a) Monitor the Exchange's regulatory program for sufficiency, effectiveness and independence;

(b) Oversee all facets of the Exchange's regulatory program, including trade practice and market surveillance; audits, examinations, and other regulatory responsibilities with respect to Clearing Firms; and the conduct of investigations;

(c) Review the size and allocation of the Exchange's regulatory budget and resources, and the number, hiring, termination and compensation of the Exchange's regulatory personnel;

(d) Supervise the Exchange's Chief Regulatory Officer, who will report directly to the Regulatory Oversight Committee;

(e) Assess the capacity and resources of the Regulatory Service Provider to meet its requirements under the Regulatory Services Agreement;

(f) Prepare an annual report assessing the Exchange's self-regulatory program for the Board and the CFTC;

(g) Recommend changes that would ensure fair, vigorous and effective regulation; and

(h) Review regulatory proposals and advise the Board as to whether and how such changes may impact regulation.

#### **206. Business Conduct Committee**

The Business Conduct Committee is authorized to initiate any disciplinary action or proceeding brought by the Exchange against a Person where the Committee believes there is probable cause that such Person has committed a violation within the disciplinary jurisdiction of the Exchange, and to enter into any settlement with any Person subject to a disciplinary action, including appropriate sanctions of expulsion, suspension, fine, censure or other sanction.

#### **207. Hearing Committee**

The Hearing Committee is authorized to adjudicate any disciplinary action initiated by the Board or the Business Conduct Committee, enter into any settlement with any Person subject to a disciplinary action, and impose appropriate sanctions of expulsion, suspension, fine, censure or any other appropriate sanction.

#### **208. Arbitration Committee**

The Arbitration Committee is authorized to adjudicate any claim in arbitration within the jurisdiction of the Exchange filed with the Exchange.

#### **209. Eligibility**

No individual may serve on the Business Conduct Committee, Hearing Committee or Arbitration Committee if such individual is subject to an action or proceeding that would constitute a basis for refusal to register such individual under the Commodity Exchange Act, Section 8a(2) or would be subject to disqualification under CFTC Rule 1.63 or is an Employee.

#### **210. Confidentiality of Board and Committee Deliberations**

(a) No member of the Board or any committee shall use or disclose material, non-public information, obtained as a result of participation on the Board or such committee, for any purpose other than the performance of official duties on the Board or committee.

(b) For purposes of this Rule, the terms "material information," "non-public information" and "commodity interest" have the meanings set forth in CFTC Rule 1.59.

## **211. Employee Trading**

(a) No Employee shall trade in any Exchange Contract or any commodity interest where such Employee has access to material nonpublic information concerning the commodity interest or disclose to any other Person material, non-public information obtained as a result of such Employee's employment, where such employee has a reasonable expectation that the information disclosed may assist another Person in trading any commodity interest.

(b) For purposes of this Rule, the terms "material information," "non-public information" and "commodity interest" have the meanings set forth in CFTC Rule 1.59.

## **212. Indemnification**

The Exchange shall indemnify its Board of Managers, officers, Committee members, employees and agents as provided in the Sections 6 – Indemnification and 7 - Insurance of the Operating Agreement of BCause LLC.

## **213. Conflicts of Interest**

(a) No member of the Board, the Business Conduct Committee, the Hearing Committee or any other deliberative body of the Exchange may take part in any deliberation or vote on any matter in which the named party in interest is such member, such member's employer or employee, or any other Person that has a business, employment, or family relationship with such member that warrants his abstention. A named party in interest is deemed to have a family relationship with the member, if such Person is the member's spouse, former spouse, parent, stepparent, child, sibling, stepbrother, stepsister, grandparent, grandchild, uncle, aunt, nephew, niece or in-law.

(b) Before the Board, the Business Conduct Committee, the Hearing Committee or any other deliberative body initiates deliberations with respect to any named party in interest, any member thereof who has a relationship with the named party in interest described in paragraph (a) of this Rule must disclose such relationship to the CEO or his designee (in the case of a member of the Board or a Board committee) or to the President (in the case of a member of the Business Conduct Committee, Hearing Committee or other standing committee) or his designee. Based upon such information and any other information that is reasonably available to the Exchange with respect to such member, the CEO, President or designee, as applicable, will determine whether the member must abstain from deliberating or voting with respect to such matter, and will advise the deliberative body of his determination. Upon review, the deliberative body may direct the member to abstain from deliberating or voting on such matter.

(c) No member of the Board, the Business Conduct Committee, the Hearing Committee or any other deliberative body may vote on any significant action if the member knowingly has a direct or substantial financial interest in the result of the vote, based on positions held, whether on the Exchange or elsewhere, personally or at an affiliated firm, that could reasonably be expected to be influenced by the action.

(d) Before the Board, the Business Conduct Committee, the Hearing Committee or any other deliberative body initiates deliberations with respect to any matter described in paragraph (c) of this Rule, the CEO, President or designee, as applicable, will review with each member of such deliberative body who does not choose to abstain from deliberation and voting the positions of such member and of the affiliated firm of such member, if any, known

to such member, that are reasonably expected to be affected by the significant action. Based upon such review, the CEO, President or designee, as applicable, will determine whether the member must abstain from deliberating or voting with respect to such matter, and will advise the deliberative body of his determination. Upon review, the deliberative body may direct the member to abstain from deliberating or voting on such matter. In reviewing the positions of a member of the deliberative body and the member's affiliated firm, the CEO, President or designee will consider:

(i) Gross positions held at the Exchange in the member's personal accounts or "controlled accounts," as defined in CFTC Rule 1.3(j);

(ii) Gross positions held at the Exchange in proprietary accounts, as defined in CFTC Rule 1.17(b)(3), at the member's affiliated firm;

(iii) Gross positions held at the Exchange in accounts in which the member is a principal, as defined in CFTC Rule 1.3(a);

(iv) Net positions held at the Exchange in customer accounts, as defined in CFTC Rule 1.17(b)(2), at the member's affiliated firm, and

(v) Any other types of positions, whether held at the Exchange or elsewhere, held in the member's personal accounts or the proprietary accounts of the member's affiliated firm that the Exchange reasonably expects could be affected by the significant action.

(e) The deliberative body may permit a member of such body that otherwise would be required to abstain under the provisions of this Rule to participate in the deliberations on a significant action, if the Board or oversight committee determines (i) that the member's participation is necessary to achieve a quorum in the matter, or (ii) the member has unique or special expertise, knowledge or experience in the matter under consideration. Before making such a determination, the deliberative body must fully consider the position information that is the basis for the member's direct and substantial financial interest in the result of the vote.

(f) The Board, the Business Conduct Committee, the Hearing Committee and any other deliberative body must reflect in its minutes or otherwise document that the conflicts determination procedures in this Rule have been followed. Such records must also include: (i) the names of all members of the deliberative body who attended the meeting in person or who otherwise were in attendance by electronic means; (ii) the name of any member who voluntarily recused himself or was required to abstain from deliberations and/or voting on a matter and the reason for therefore, if stated; and (iii) a description of the position information that was reviewed for each member.

(g) For purposes of this Rule:

(i) The term "deliberative body" means any "governing board," "disciplinary committee" or "oversight panel" of the Exchange as those terms are defined in CFTC Rule 1.69, including the Board and the Business Conduct and Hearing Committees.

(ii) The term "significant action" means (A) any action or Rule change that addresses an Emergency; and (B) any changes in margin level that are designed to respond to extraordinary market conditions, such as an actual or attempted corner, squeeze, congestion, or undue concentration of positions, or that otherwise are likely to

have a substantial effect on prices in any contract traded or cleared at the Exchange; but (C) does not include any rule not submitted for prior approval because such rule is unrelated to the terms and conditions of any Contract traded at the Exchange.

## **CHAPTER 3 TRADING ACCESS**

### **301. Clearing Firms and Authorized Participants Limitations**

Clearing Firms and Authorized Participants will not become a limited liability member of the Exchange and will not obtain or receive any equity or other interest in the Exchange, including voting rights or rights to receive any dividends or other distributions, whether arising from a dissolution, merger or consolidation involving the exchange or otherwise.

### **302. Clearing Firms**

(a) A Clearing Firm is required to establish and maintain access to the Exchange System for itself and its Customers through one or more of the followings means:

(i) Through an approved Conformed third-party Front-end;

(ii) a Clearing Firm-sponsored Conformed Front-end;

(iii) Through an Authorized Participant's Conformed Front-end through a direct connection to the Exchange System using leased lines, VPN connections or other means acceptable to the Exchange; or

(iv) Through an Exchange offered based Front-end, if applicable.

(b) A Clearing Firm must submit the required set of access documents to the Exchange, including an access agreement duly executed by the Clearing Firm. A Clearing Firm must maintain one or more system login applications, each with a unique system identifier, as appropriate to the nature and volume of its business.

(c) A Clearing Firm is deemed approved by the Exchange to establish a direct connection to the Exchange System as described in Rule 301(a) upon approval by the Exchange CEO or his designee, which approval is contingent upon the Clearing Firm's (i) satisfaction of applicable documentation requirements and technical requirements (including any technical requirements of the Clearing House), and (ii) designation of one or more individuals who have authority to act on behalf of the Clearing Firm, who must be reachable by the Exchange at any and all times during trading hours on the Exchange System.

(i) In the event the Exchange denies a Clearing Firm's application to establish a direct connection to the Exchange System, the Exchange will notify such Clearing Firm applicant in the manner established by the Exchange. Any Clearing Firm applicant who is denied approval to establish a direct connection to the Exchange System may submit an appeal in accordance with Exchange established procedures.

(d) A Clearing Firm may submit orders for its own account and orders for its Customers to the Exchange System over its established access to the Exchange System. A Clearing Firm may also provide its Customers with access to the Exchange System as provided in Rule 302 (for Customers accessing as Authorized Participants) or Rule 303 (for Customers accessing as Direct Market Access Authorized Participants).

### **303. Consent to Jurisdiction**

Any Person who initiates or executes a transaction on the Exchange directly or indirectly through a Clearing Firm, FCM, or other intermediary or any Person for whose benefit such transaction

has been initiated or executed, expressly agrees and consents to be bound by the Rules of the Exchange and to the Exchange's disciplinary jurisdiction and to jurisdiction to arbitrate claims as provided in Chapter 7 herein, including, but not limited to, rules that require cooperation and participation in investigatory and disciplinary processes.

#### **304. Authorized Participant Access Authorization**

(a) A Clearing Firm that has established access to the Exchange System through a Conformed Front-end, may authorize a Customer to transmit orders electronically through such Conformed Front-end.

(b) A Clearing Firm that desires to authorize a Customer to submit orders over the Clearing Firm Conformed Front-end must submit the required set of access documents to the Exchange, including an Authorized Participant Agreement duly executed by such Customer, to qualify the Customer as an Authorized Participant. The access documents include the consent of the Authorized Participant to be bound by the Rules of the Exchange and to the Exchange's disciplinary jurisdiction and jurisdiction to arbitrate claims.

(c) A Clearing Firm may terminate an Authorized Participant's access to the Exchange System by revoking the Authorized Participant's access to the Clearing Firm's Conformed Front-End, provided, however, that such termination shall be deemed effective only upon completion of access revocation to the Clearing Firm's Conformed Front-End by the Clearing Firm, or if the Clearing Firm requests the Exchange to terminate the Authorized Participant's access to the Exchange System, such termination shall be deemed effective only upon completion of the access revocation by the Exchange.

#### **305. Sponsored Direct Market Access**

(a) A Clearing Firm may authorize a Customer to have a direct connection to the Exchange System as a Direct Market Access Authorized Participant. A direct connection is a connection to the Exchange System using leased lines, VPN connections or other means acceptable to the Exchange and conformed to the Exchange System, in lieu of access over the Clearing Firm-Conformed Front-end automated order routing system. The Clearing Firm's decision to sponsor a Customer as a Direct Market Access Authorized Participant should be based on its review of such Customer's sophistication, credit-worthiness, objectives and trading practices and strategies. The Clearing Firm may enter into such arrangements with the Direct Market Access Authorized Participant, as it deems appropriate, in respect of authorizing the direct connection, provided that such arrangements are consistent with the Rules.

(b) A Clearing Firm that desires to authorize a Customer to establish a direct connection to the Exchange System as a Direct Market Access Authorized Participant must submit the required set of sponsored access documents to the Exchange, including a sponsored access agreement duly executed by such Customer. A Person is deemed approved by the Exchange to establish a direct connection to the Exchange System as a Direct Market Access Authorized Participant, upon approval by the Exchange CEO or his designee, which approval is contingent upon (i) the satisfaction of applicable documentation requirements and technical requirements (including any technical requirements of the Clearing House), and (ii) designation of one or more individuals who have authority to act on behalf of the Direct Market Access Authorized Participant, who must be reachable by the Exchange at any and all times when the Direct Market Access Authorized Participant is trading on the Exchange System. The sponsored access documents include the consent of the Direct Market Access Authorized Participant to be

bound by the Rules of the Exchange and to the Exchange's disciplinary jurisdiction and jurisdiction to arbitrate claims.

(c) A Clearing Firm may terminate any direct connection that it has authorized for a Direct Market Access Authorized Participant, provided, however, that such termination shall be deemed effective only upon completion of the following steps: (i) filing of notice of termination by the Clearing Firm in the manner and form prescribed by the Exchange, and (ii) the physical disabling or termination of the direct connection subject to termination. Pending termination, the Clearing Firm may suspend or request the Exchange to suspend any or all Direct Market Access Authorized Participants. The Clearing Firm will be responsible for all costs associated with the direct connection until the direct connection is terminated to the satisfaction of the Exchange. Prior to terminating an Authorized Participant's access to the Exchange System, a Clearing Firm may suspend an Authorized Participant's access to the Exchange System.

(d) A Direct Market Access Authorized Participant must maintain one or more Authorized Participant system login applications, each with a unique system identifier, as appropriate to the nature and volume of its business.

### **306. Customer Access Over Automated Order Routing Systems**

(a) A Clearing Firm that has established its own direct connection to the Exchange System as provided in Rule 301(a)(i) may permit its Customers to transmit orders electronically over such connection to the Exchange System using the Clearing Firm's automated order routing system or such other automated order routing system or systems as it may permit, provided, however, that such automated order routing system has completed conformance testing with, and has been approved by, the Exchange. Upon request of the Exchange, each Clearing Firm must immediately identify the source, by name, of any order submitted over its system log on.

(b) A Clearing Firm must assist the Exchange or its authorized representative in any investigation of potential violation of Exchange Rules, the CEA or CFTC Rules with respect to trading by its Customer using an automated order routing system pursuant to the Clearing Firm's authorization to send orders to the Exchange System, including assisting in obtaining documents or testimony from the Customer. The Exchange may, or may direct the Clearing Firm to, terminate a Customer's automated order routing system access to the Exchange System if the Exchange determines that the Customer's actions threaten the integrity of the Exchange System or the integrity or liquidity of any Contract, or the Customer fails to cooperate in an investigation.

### **307. Supervision of Customer Use of Automated Order Routing Systems**

The Clearing Firm must, as applicable, supervise the use by its Customers of any approved automated order routing system identified by these Rules in accordance with the NFA Interpretative Notice under NFA Compliance Rule 2-9 on Supervision of Use of Automated Order Routing Systems. Consistent with such notice:

(a) The Clearing Firm must adopt and enforce written procedures with respect to its Customers' use of any automated order routing system to send orders to the Exchange System, which procedures must be reasonably designed to prevent Customers from entering into trades that create undue risks for it or its other Customers.

(b) Any automated order routing system used by the Clearing Firm or its Direct Access Authorized Participants should allow the Clearing Firm to impose pre-execution controls.

(c) The Clearing Firm may determine whether to impose controls on a pre-execution or post-execution basis, and to decide what levels to use when setting limits, based on its review the Customer's sophistication, credit-worthiness, objectives, and trading practices and strategies.

### **308. Clearing Firm Guarantee**

The Clearing Firm guarantees the financial obligations of each Customer with respect to all transactions in Contracts executed over the means of access it has authorized for such Customer. For a give-up trade, such Clearing Firm's guarantee remains in effect as and for the period prescribed by the Clearing House. When the Clearing Firm has terminated the clearing guarantee for the direct connection access of a Direct Market Access Authorized Participant accordance with Rule 302(c), the Clearing Firm's guarantee shall not apply to any new transactions of such Person after the effective time of such termination as determined by the Exchange.

### **309. Continued Exchange Jurisdiction**

After a Person's status as a Clearing Firm Authorized Participant, Direct Market or Access Authorized Participant is terminated, such Person continues to be subject to the Exchange's disciplinary and dispute resolution jurisdiction, with respect to matters arising when such Person was a Clearing Firm, Authorized Participant or Direct Market Access Authorized Participant, until the later of: (a) 180 calendar days following such termination, (b) the conclusion of any arbitration proceeding initiated prior to or within 180 calendar days following such termination, or (c) the conclusion of any disciplinary investigation and any disciplinary proceeding resulting therefrom, which investigation is initiated by the Exchange prior to or within 180 calendar days following such termination. Nothing herein shall be construed to limit the separate jurisdiction of the Clearing House over any Clearing Firm.

### **310. System Security**

Each Clearing Firm, Authorized Participant and Direct Market Access Authorized Participant, as applicable, shall be responsible for the security of its terminals or automated order routing systems having access to the Exchange System and will be held liable for each order transmitted from any such device to the Exchange System.

### **311. Clearing Firm Not in Good Standing with Clearing House**

If the Clearing House notifies the Exchange that an Exchange Clearing Firm is no longer in good standing as a Clearing Member with the Clearing House and the Clearing House will no longer accept Exchange Contracts for clearance on behalf of the Exchange Clearing Firm, the Exchange will revoke the Clearing Firm's access to the Exchange System in accordance with Rule 605.

### **312. Insolvency of a Direct Market Access Authorized Participant**

If a Direct Market Access Authorized Participant fails to perform its contracts or is near insolvency or becomes insolvent, it must promptly notify the Exchange of such fact. In such event, and even if the Direct Market Access Authorized Participant fails to give notice to the Exchange, the Exchange may revoke Person's access to the Exchange System in accordance with Rule 605.

### **313. Failure to Satisfy Obligations**

If a Clearing Firm, Authorized Participant or Direct Market Access Authorized Participant fails to satisfy a final arbitration award or pay any fees or other charges or an Exchange fine imposed on such Person within the time period prescribed by an arbitration ruling or other Exchange sanction, the Clearing Firm, Authorized Participant or Direct Market Access Authorized Participant may be subject to interest payments, additional sanctions and termination of such Person's access to the Exchange System.

**CHAPTER 4**  
**OPERATION OF THE EXCHANGE SYSTEM AND TRADING PRACTICES**

**401. Contracts Traded on the System**

Contracts will be listed for trading on the Exchange System in accordance with the Rules.

**402. Trading Session**

The hours during which trading may occur on the Exchange shall be established by the Board from time to time. Exchange hours may vary among the Contracts traded on the Exchange.

**403. Exchange System Opening**

(a) The Exchange System will provide a single opening price for each Contract during the trading session based upon all open orders that have been entered onto the Exchange System prior to the designated opening time, provided, however, that in the absence of such orders the opening price will be the Contract's settlement price for the prior trading day. During the 15-minute period immediately prior to the opening, called the "pre-opening period," new orders may be entered onto the Exchange System and active good-till-date or good-till-cancelled orders may be modified or cancelled.

(b) If trades occur in a Contract at the opening, the Exchange System will provide a single opening price for the Contract.

**404. Exchange System Closing**

(a) Any open session orders or good-till-date orders through the date of that trading session, which are not filled by the close of the trading session, will be automatically cancelled.

(b) For a period of 15 minutes immediately following the close of the trading session, active good-till-date or good-till-cancelled orders may be modified or cancelled, but thereafter may not be modified or cancelled until the pre-opening period.

(c) Immediately following the close of the trading session, new orders will not be accepted onto the Exchange System until the pre-opening period.

**405. Trading Suspension or Halt**

During any period when trading is halted or suspended pursuant to emergency action in accordance with the Rules or failure, disruption or malfunction of the Exchange System, new orders will not be accepted and no orders previously entered may be modified or cancelled. The Exchange may, in its sole determination, elect to treat the resumption of trading as an Exchange System Opening subject to Rule 403, provided that the Exchange will provide advance notice of such determination on its website which notice will also specify the pre-opening period for purposes of Rule 403.

**406. Execution Algorithm**

The Exchange System will execute orders based on price and time priority. The Exchange may use a different execution algorithm for a particular Contract by giving notice of such algorithm and posting such notice on its public website at least ten calendar days before such algorithm is implemented.

#### **407. Exchange System Attributes**

The Exchange System will regularly be modified to improve its performance and stability. The Exchange will publish on its public website information regarding the Exchange System's structure, architecture, mechanics, characteristics and other elements that may affect how market participant orders are received and executed. The elements will address message throttling, pre-trade risk controls, different treatment of orders among products or under certain market conditions, as well as other aspects as determined by the Exchange.

#### **408. Acceptable Orders**

The Exchange System will support the follow order types. Additional order types may be offered at the discretion of the Exchange.

(a) **Market** orders are immediately executed against available opposite orders. Matching can occur at various prices depending on available opposite volume, starting from the best opposite price, then if necessary next best etc. If the opposite order book cannot fill the order in its entirety then the remaining order volume is withdrawn after all possible matching has taken place

(b) **Limit** orders have a limit price specified on the orders. If the order price cannot match immediately it is kept in the Exchange System and goes to the end of the queue for that price. If all or part of the order can be executed against available opposite orders then matching can occur at various prices but never beyond the limit price. Depending on available opposite volume, matching starts from the best opposite price, then if necessary next best price, etc. A Limit order is therefore executed at the limit price or better. If the opposite order book cannot fill the order in its entirety then the remaining order volume is kept in the system with the original limit price.

(c) **Good-Till-Cancelled** ("GTC"). An order designated as a good-till-cancelled order will remain open on the Exchange System, so long as unexecuted or not cancelled, through the end of the trading session on the last trading day for the applicable Contract. A good-till-cancelled order is not subject to early automatic cancellation in the event that the Clearing Firm's or Direct Market Access Authorized Participant's system login application is disconnected from the Exchange System.

(d) **Good-Till-Date** ("GTD"). An order designated as a good-till-date order will remain open on the Exchange System, so long as the unexecuted or not cancelled, though the "good till" date passes. A good-till-date order is not subject to early automatic cancellation in the event that the Clearing Firm's or Direct Market Access Authorized Participant's system login application is disconnected from the Exchange System

#### **409. Order Entry; Records; Bunched Orders**

(a) Each Clearing Firm, Authorized Participant and Direct Access Market Authorized Participant must when entering orders onto the Exchange System input for each order, the order type, underlying Exchange Contract code, contract month and year, price, quantity, account designation, Authorized Participant identification, CTI Code, clearing origin and, for Option Contracts, strike value. The information from orders will be maintained and utilized by the Exchange in establishing an audit trail for each Business Day.

(b) In accordance with Rule 305, prior to an order being entered into the Exchange System, the Clearing Firm must submit the order to the following pre-trade risk controls either through the Clearing Firm's pre-order screening controls or the Exchange's pre-order screening controls, if offered, to ensure each order is in compliance with the following aspects:

(i) Pricing parameters – the price on the order is within a specific range with the current market price on the Exchange System that has been set by the Clearing Firm for the specific Contract and the Clearing Firm's Authorized Participant, Customer or Direct Access Market Authorized Participant.

(ii) Order size limit - the volume size on the order is within the approved level set by the Clearing Firm for the specific Contract and the Clearing Firm's Authorized Participant, Customer or Direct Access Market Authorized Participant.

(iii) Market volume limit – the maximum net volume by product or contract month a Clearing Firm sets for an Authorized Participant Customer or Direct Access Market Authorized Participant that, in aggregate, may be traded or have orders in the market at any point in a Business Day.

(c) At the time of entry of every order into the Exchange System, each such order shall be electronically dated and time-stamped when received and when executed. The Exchange System will also assign a unique identifier to each order and execution.

(d) With respect to Customer orders received by a Clearing Firm other than by transmission over a Clearing Firm-sponsored Conformed Front-end, or an approved automated order routing system, if the order cannot be entered into the Exchange System immediately, the Clearing Firm must prepare a written record of the order in ink or other form of permanent recordation, which must include the account designation and date and time of receipt. The Clearing Firm must retain such records for five years. An Authorized Participant of the Clearing Firm must enter the order into the Exchange System as soon as possible.

(e) A Clearing Firm may accept bunched orders placed by a trading manager and permit such a bunched order to be entered into the Exchange System, subject to the following conditions:

(i) The bunched order is entered using a series designation or suspense account number;

(ii) The account manager (A) is placing the bunched order for multiple accounts that are eligible for post execution allocation under CFTC Rule 1.35(a-1)(5) or (B) has provided the Clearing Firm with a written, pre-determined allocation methodology prior to placing the bunch order; and

(iii) Allocation of the executions for bunched orders must be fair and equitable in accordance with NFA the Interpretive Notice under NFA Compliance Rule 2-10 on The Allocation of Bunched Orders for Multiple Accounts.

(f) A Clearing Firm may enter multiple non-discretionary orders received from its Customers as a bunched order into the Exchange System, subject to the following conditions:

(i) The Clearing Firm must prepare a written record of each underlying order, which must include the account designation and date and time of receipt and must retain such records for five years; and

(ii) The Clearing Firm's allocation of the executions for bunched orders must be fair and equitable in accordance with NFA the Interpretive Notice under NFA Compliance Rule 2-10 on The Allocation of Bunched Orders for Multiple Accounts.

#### **410. Modification and Cancellation of Orders**

(a) An active order may be modified to reduce the quantity and the order will retain its time priority in the Exchange System order book.

(b) Any modifications to an order's price or an increase in an order's quantity of an order will be treated as a cancellation of the existing order and the entry of a new order with a new time priority.

(c) An active order may be cancelled at any time prior to its execution.

#### **411. Errors in Handling of Customer Orders**

If a Clearing Firm discovers an error in the handling of an order for a Customer after the relevant trade is completed, and the order cannot be executed in the market at a price which is better than or equal to that which the order should have received, the Clearing Firm must execute the order in the market and compensate the Customer for the difference if the price is worse than that which the Customer should have originally received. This Rule shall not be construed to contravene any instructions received from a Customer respecting any order prior to its execution, but shall be construed to permit execution of orders under the conditions described without prior instructions from the Customer.

#### **412. Wash Trades**

No Person shall place or accept buy and sell orders in the same product and expiration month, or, in the case of a put or call option the same strike price, where the Person knows or reasonably should know that the purpose of the orders is to avoid taking a bona fide market position exposed to market risk, such transactions commonly known or referred to as "wash sales". Buy and sell orders by Persons that are entered with the intent to negate market risk or price competition shall be deemed to violate the prohibition on wash sales. Also, no Person shall knowingly execute or accommodate the execution of such orders by direct or indirect means.

#### **413. "Spoofing" Orders and Disruptive Practices**

The Exchange prohibits any trade practices that are characteristic of the practice commonly referred to as "spoofing", regardless of whether such trade practices are made intentionally or with reckless disregard for their impact. Prohibited practices include, but are not limited to:

a. the entry of any bids, offers or trades that are not made for the purpose of executing bona fide transactions, or made for illegitimate purposes;

b. entering orders with the intent to cancel the order before execution, or modifying the order to avoid execution; and

c. no person shall enter or cause to be entered an actionable or non-actionable message with the intent to disrupt, or with reckless disregard for the impact on, the orderly conduct of trading or the fair execution of transactions.

The provisions of this Rule apply to the pre-opening periods, the closing periods and all trading sessions.

#### **414. Guarantee of Execution**

A Clearing Firm is prohibited from directly or indirectly guaranteeing the execution of an order or any of its terms such as the quantity or price. This Rule shall not be construed to prevent a Clearing Firm from assuming or sharing in the losses resulting from an error or the mishandling of an order.

#### **415. Price Limits**

The contract specifications for a Contract may contain price limits that apply to trading on the Exchange System during the trading session. Whenever the Exchange System detects a buy order or sell order for any Contract that is outside of the applicable price limit, the Exchange System will reject such order.

#### **416. Execution Binding**

As all orders are to be subjected to the requirements of Rule 409(b), any trade, once executed, is final and binding on both parties to the trade, and the price at which the Contract is executed is binding even if an erroneous report in respect thereto has been given. No trade will be busted.

#### **417. Dual Trading**

A Clearing Firm and Authorized Participants of the Clearing Firm may act as both agent and principal on the Exchange System in the course of trading on a given day. A Clearing Firm or Authorized Participants of the Clearing Firm may not purchase (sell) a Contract through the Exchange System for its own account or for a proprietary or family account while holding an order for another Person for the purchase (sale) of any Contract in the same commodity which is priced such that it could be executed against passive orders in the Exchange order book or at the price at which such purchase (sale) can be made for its own account or for a proprietary or family account.

#### **418. Priority of Customer Orders**

(a) Orders received by a Clearing Firm or any employee of a Clearing Firm shall be entered onto the Exchange System by the Clearing Firm in the order received. Orders that cannot be immediately entered onto the Exchange System must be entered when the orders become executable in the sequence in which they were received.

(b) A Clearing Firm and any employee of a Clearing Firm must enter all Customer orders that the Exchange System is capable of accepting before entering an order for a proprietary account of the Clearing Firm or the employee or an order for an account over which such Person has discretion, including through orders allowing discretion as to time and price.

(c) No Clearing Firm, nor any employee of a Clearing Firm, shall knowingly execute a discretionary order, including, without limitation, an order allowing such Person discretion as to time and price, for a proprietary account of the Clearing Firm or an

immediate family member of the employee, when such Person has possession of Customer orders open as to time and price.

#### **419. Trading Against Customer Orders Prohibited**

A Clearing Firm or any Authorized Participant of the Clearing Firm having in its possession a Customer order during the trading session shall not knowingly enter into a transaction on behalf of such Customer in which: (i) the Clearing Firm; (ii) the Authorized Participant of the Clearing Firm; or (iii) any proprietary account of the Clearing Firm; or (iv) any Person trading for an account in which the Clearing Firm or Authorized Participant of the Clearing Firm has a financial interest, intentionally assumes the opposite side of the transaction.

#### **420. Withholding Orders**

No Clearing Firm, nor any Authorized Participant or employee of a Clearing Firm, shall withhold or withdraw from the market any Customer order or any part of such an order for the benefit or convenience of the Clearing Firm or any employee or proprietary account of the Clearing Firm.

#### **421. Disclosing Orders**

No Clearing Firm, nor any Authorized Participant or employee of a Clearing Firm, shall disclose another Person's order to buy or sell, except to the Exchange, its regulatory services provider or the CFTC, upon request.

#### **422. Pre-Arranged Trades; Permissible Pre-Execution Discussions**

(a) No Clearing Firm, Authorized Participant or Direct Market Access Authorized Participant shall enter an order through the Exchange System that has been pre-arranged except as otherwise expressly permitted under paragraph (b) of this Rule.

(b) A Clearing Firm, Authorized Participant or Direct Market Access Authorized Participant may engage in pre-execution discussions when it has an order, either for a Customer account (in the case of a Clearing Firm) or a proprietary account, and would like some assurance that another party is interested in taking the other side of the order. After such pre-execution discussions, the parties that engaged in discussions concerning that order must wait a minimum of five (5) seconds after entering that order onto the Exchange System before entering the opposite side onto the Exchange System.

#### **423. Buying and Selling Orders for the Same Principals**

No Clearing Firm, nor any Authorized Participant or employee of a Clearing Firm, shall accept a "simultaneous buying and selling" order from a Customer, or for any Customer accounts that are under common beneficial ownership or control, for the same Contract, including underlying commodity or interest, contract month and, for an option on a futures contract, strike value.

The Exchange may permit orders for Customer accounts under common beneficial ownership or control to be executed against each for bonafide, legitimate business purposes. Prior to allowing such executions to occur within the Exchange rules, a Clearing Firm must make a written request in the form and manner prescribed by the Exchange.

**424. Simultaneous Buying and Selling Orders for Different Principals Executed by Authorized Participant**

A Clearing Firm or Authorized Participant of a Clearing Firm who holds orders to buy and sell at the same time from different Customers for the same Contract, including underlying commodity or interest, contract month and, for a an option on a futures contract, strike value, may enter both orders into the Exchange System.

**425. Fraudulent Acts**

No Clearing Firm, Authorized Participant or Direct Market Access Authorized Participant shall engage in any fraudulent or deceptive act or engage in any scheme to defraud in connection with or related to any trade on or other activity related to the Exchange or the Clearing House.

**426. Fictitious Transactions**

No Clearing Firm, Authorized Participant, Direct Market Access Authorized Participant, or employee of such Person, shall create fictitious transactions or give an order for the purchase or sale of a Contract, the execution of which would involve no change in ownership, or execute such an order with knowledge of its character.

**427. Market Demoralization**

Orders of Contracts entered in the Exchange System for the purpose of upsetting the equilibrium of the market and bringing about a condition of demoralization in which prices do not or will not reflect fair market values, are forbidden. Any Clearing Firm, Authorized Participant, Direct Market Access Authorized Participant or employee of such Person, that makes or assists in entering such orders with knowledge of the purpose thereof, or that, with such knowledge shall be a party to assist in carrying out any plan or scheme for the entering of such orders, shall be deemed guilty of an act inconsistent with just and equitable principles of trade.

**428. Market Manipulation**

Manipulation and attempted manipulation of the market is prohibited.

**429. Emergencies**

(a) General. In the event of an Emergency (other than a physical emergency), the CEO or pursuant to authority delegated by the CEO, the President or other senior officer, with the concurrence of at least 2/3 vote of the members of the Board present at a meeting at which there is a quorum, may place into immediate effect a temporary emergency Rule which may remain in effect for up to thirty (30) Business Days and which may provide for, or may authorize the Exchange, the Board or any committee of the Board to undertake actions necessary or appropriate to meet the Emergency, including, but not limited to, such actions as:

- (i) limiting trading to liquidation only, in whole or in part;
- (ii) extending or shortening the Expiration Date or Expiration Month for trading in Contracts;
- (iii) extending the time of delivery, settlement or expiration;
- (iv) imposing or modifying position limits or price limits

(v) ordering the liquidation of Contracts, the fixing of a settlement price or the reduction in positions;

(vi) in coordination with, and with the consent of, the Clearing House, ordering the transfer of Contracts and the money, securities, and property securing such Contracts, held on behalf of Customers (or Customers whose accounts are not classified as “proprietary” under CFTC Rule 1.3(y)) by a Clearing Firm to another Clearing Firm willing to assume such contracts or obligated to do so;

(vii) extending, limiting or changing hours of trading;

(viii) suspending trading; or

(ix) modifying or suspending any provision of the Rules of the Exchange; or

(x) in coordination with, and with the consent of, the Clearing House, modifying or suspending any provision of the Rules of the Clearing House.

(b) Physical Emergency. If, in the judgment of the Exchange official authorized to take action as specified below, the physical functions of the Exchange are, or are threatened to be, severely and adversely affected by a physical emergency, such Exchange official shall have authority to take such action as he deems necessary or appropriate to deal with such physical emergency. Such authorized action shall include, but shall not be limited to, closing the Exchange, delaying the opening of trading in any one or more Contracts and/or suspending or halting trading in or extending trading hours for any one or more Contracts; provided, however, that suspension of trading ordered pursuant to this paragraph shall not continue in effect for more than five (5) Business Days unless the Board approves extending such action. The Exchange officials authorized to take action pursuant to this paragraph are any one of the following, in the order of their availability to take such action:

(i) the CEO;

(ii) the President;

(iii) the Chairman of the Board; or

(iv) other available senior Officers.

In the event such action is taken, thereafter any Exchange official who would be authorized to take action pursuant to this paragraph may order restoration of trading on the Exchange or removal of any other restriction heretofore imposed pursuant to this paragraph, in the absence of action by the Board, upon a determination by such Exchange official that the physical emergency has sufficiently abated to permit the physical functions of the Exchange to continue in an orderly manner. Any action taken by any Exchange official pursuant to this paragraph shall be subject to review, modification and/or reversal by the Board.

(c) The Exchange will when feasible post notice of any emergency action taken pursuant to this Rule as soon as reasonably possible on its website.

#### **430. Transfer Trades**

(a) A Clearing Firm may transfer open Contracts from one account to another on its books or from one account on its books to an account of another Clearing Firm, provided that no change in ownership is involved.

(b) All records and memoranda pertaining to a transfer trade under this Rule must be marked or identified by appropriate symbols or designations. Where such transfer trade remains on the books of the same Clearing Firm, the transfer must be cleared if it is between clearing origins. All transfer trades that involve two Clearing Firms must be included and identified in daily reports to the Clearing House.

#### **431. Limitation of Liability**

EXCEPT AS OTHERWISE PROVIDED, AND EXCEPT IN INSTANCES WHERE THERE HAS BEEN A FINDING OF WILLFUL OR WANTON MISCONDUCT, IN WHICH CASE THE PARTY FOUND TO HAVE ENGAGED IN SUCH CONDUCT CANNOT AVAIL ITSELF OF THE PROTECTIONS IN THIS RULE, NEITHER THE EXCHANGE (INCLUDING ITS PARENT OR ANY AFFILIATES AND ANY CONTRACTORS AND SUB-CONTRACTORS PROVIDING SERVICES TO THE EXCHANGE), CLEARING FIRMS, OTHER PERSONS ACTING AS AGENTS IN CAUSING ORDERS OF OTHERS TO BE ENTERED INTO THE EXCHANGE SYSTEM, NOR ANY OF THEIR RESPECTIVE OFFICERS, DIRECTORS OR EMPLOYEES, SHALL BE LIABLE TO ANY PERSON, INCLUDING BUT NOT LIMITED TO A CUSTOMER, FOR ANY LOSSES, DAMAGES, COSTS OR EXPENSES (INCLUDING, BUT NOT LIMITED TO, LOSS OF PROFITS, LOSS OF USE, DIRECT, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES), ARISING FROM (i) ANY FAILURE OR MALFUNCTION, INCLUDING BUT NOT LIMITED TO ANY INABILITY TO ENTER, MODIFY OR CANCEL ORDERS, OF THE EXCHANGE SYSTEM OR ANY EXCHANGE SERVICES OR FACILITIES USED TO SUPPORT THE EXCHANGE SYSTEM, OR (ii) ANY FAULT IN DELIVERY, EXPIRATION OR SETTLEMENT OR ANY DELAY, OMISSION, SUSPENSION, INACCURACY OR TERMINATION, OR ANY OTHER CAUSE, IN CONNECTION WITH THE FURNISHING, PERFORMANCE, MAINTENANCE, USE OF OR INABILITY TO USE ALL OR ANY PART OF THE EXCHANGE SYSTEM OR ANY EXCHANGE SERVICES OR FACILITIES USED TO SUPPORT THE EXCHANGE SYSTEM. THE FOREGOING SHALL APPLY REGARDLESS WHETHER A CLAIM ARISES IN CONTRACT, TORT, NEGLIGENCE, STRICT LIABILITY OR OTHERWISE. THE FOREGOING SHALL NOT LIMIT THE LIABILITY OF ANY CLEARING FIRM OR OTHER PERSON ACTING AS AGENT IN CAUSING ORDERS OF OTHERS TO BE ENTERED INTO THE EXCHANGE SYSTEM OR ANY OF THEIR RESPECTIVE OFFICERS, DIRECTORS OR EMPLOYEES FOR ANY ACT, INCIDENT, OR OCCURRENCE WITHIN THEIR CONTROL.

THERE ARE NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS PROVIDED BY THE EXCHANGE (INCLUDING ITS PARENT OR ANY AFFILIATES), RELATING TO THE EXCHANGE SYSTEM OR ANY EXCHANGE SERVICES OR FACILITIES USED TO SUPPORT THE EXCHANGE SYSTEM, INCLUDING BUT NOT LIMITED TO WARRANTIES OF MERCHANTABILITY AND WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE OR USE.

ANY DISPUTE ARISING OUT OF THE USE OF THE EXCHANGE SYSTEM OR EXCHANGE SERVICES OR FACILITIES USED TO SUPPORT THE EXCHANGE SYSTEM IN WHICH THE EXCHANGE (INCLUDING ITS PARENT OR ANY AFFILIATES) OR ANY OF THEIR RESPECTIVE OFFICERS, DIRECTORS OR EMPLOYEES IS A PARTY SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF VIRGINIA, WITHOUT REGARD TO CONFLICTS OF LAW PROVISIONS THEREOF. ANY ACTIONS, SUITS OR PROCEEDINGS AGAINST ANY OF THE ABOVE MUST BE BROUGHT

WITHIN TWO YEARS FROM THE TIME THAT A CAUSE OF ACTION HAS ACCRUED, AND ANY PARTY BRINGING SUCH ACTION CONSENTS TO JURISDICTION IN THE U.S. DISTRICT COURT LOCATED IN RICHMOND, VIRGINIA, AND WAIVES ANY OBJECTION TO VENUE. THIS PROVISION SHALL IN NO WAY CREATE A CAUSE OF ACTION AND SHALL NOT AUTHORIZE AN ACTION THAT WOULD OTHERWISE BE PROHIBITED BY THE RULES.

NOTWITHSTANDING ANY OF THE FOREGOING PROVISIONS, THIS RULE SHALL IN NO WAY LIMIT THE APPLICABILITY OF ANY PROVISION OF THE CEA OR THE CFTC REGULATIONS THEREUNDER.

## **CHAPTER 5 BUSINESS CONDUCT**

### **501. CFTC Registration**

No Clearing Firm may solicit or accept orders from customers (as defined in CFTC Rule 1.3(k)) for the purchase or sale of a Contract, unless it is registered with the CFTC as a futures commission merchant in accordance with the CEA and CFTC Rules.

### **502. Books and Records**

Each Clearing Firm shall prepare and keep current all books, ledgers and other similar records required by the CEA and the Rules of the CFTC. Such books and records shall be made available to the Exchange, its authorized representatives, the CFTC and the U.S. Department of Justice upon request.

### **503. Audit and Financial Filings**

Each Clearing Firm shall keep all books and records required pursuant to these Rules for a period of five (5) years from the date thereof unless otherwise provided in the Rules or required by law. Such books and records shall be readily accessible during the first two (2) years of such period that they are required to be maintained. During such period as they are required to be maintained by the Clearing Firm, all such books and records shall be made available for inspection by, and copies shall be delivered to, the Exchange or its authorized representatives upon request.

### **504. Minimum Financial and Related Reporting Requirements for Commission Registrants**

Each Clearing Firm that is registered (or required to be registered) with the CFTC as a futures commission merchant shall comply with the minimum financial and related reporting and record keeping requirements set forth in the CFTC Rules and with any minimum financial requirement separately imposed by the Clearing House. Any notice or written report that a Clearing Firm is required to file with the CFTC pursuant to CFTC Rule 1.12 or is required to file with the Clearing House under applicable Clearing House Rules shall be filed concurrently with the Exchange. A Clearing Firm that violates any of the foregoing CFTC or Clearing House Rules shall be deemed to have violated this Rule.

### **505. Authority of the CEO or President to Impose Restriction**

Whenever a Clearing Firm is subject to the early warning requirements set forth in CFTC Rule 1.12, the CEO or pursuant to authority delegated by the CEO, the President of the Exchange may impose such conditions or restrictions on the business and operations of such Clearing Firm as the CEO or President, as applicable, determines to be necessary or appropriate for the protection of Customers, other Clearing Firms and the Exchange.

### **506. Treatment of Customer Funds**

Each Clearing Firm that is registered (or required to be registered) with the CFTC as a futures commission merchant shall comply with the provisions of CFTC Rules 1.20 through 1.30 and CFTC Rule 1.36 relating to the treatment of customer funds (as defined in CFTC Rule 1.3(gg)) and the maintenance of books and records with respect to such funds. A Clearing Firm that violates any of the foregoing CFTC Rules shall be deemed to have violated this Rule.

### **507. Supervision**

Each Clearing Firm shall be responsible for supervising its Authorized Participants, employees and individuals registered on the Clearing Firm's behalf with the CFTC and shall be held accountable for the actions of such Authorized Participants, employees and CFTC-registered individuals.

### **508. Confirmations**

Each Clearing Firm that makes a trade for a Customer in any Contract shall promptly furnish or have furnished by the next business day a written confirmation, as may be required under and in accordance with CFTC Rule 1.33.

### **509. Customer Statements**

Each Clearing Firm shall promptly furnish or have furnished a written monthly statement of account to each of its Customers in accordance with CFTC Rule 1.33.

### **510. Solicitation Rules**

No Clearing Firm shall make any fraudulent or misleading communication relating to the purchase or sale of any Contract.

### **511. Just and Equitable Principles of Trade**

It shall be an offense against the Exchange for a Clearing Firm, Authorized Participant or Direct Market Access Authorized Participant to engage in fraud, dishonorable or dishonest conduct, or in conduct or proceedings inconsistent with just and equitable principles of trade, or to intentionally default on the performance of Contracts.

### **512. Cooperation In Investigations**

It shall be an offense against the Exchange for a Clearing Firm, Authorized Participant or Direct Market Access Authorized Participant to fail to cooperate in any investigation or inquiry undertaken by the Exchange or its authorized representatives.

### **513. Prohibition of Misstatements**

It shall be an offense against the Exchange for a Clearing Firm, Authorized Participant or Direct Market Access Authorized Participant to make a misstatement of material fact to the Exchange or its authorized representative.

### **514. Compliance with CEA and CFTC Rules**

(a) Clearing Firms, Authorized Participants and Direct Market Access Authorized Participants must comply with applicable provisions of the CEA and CFTC Rules, and may be disciplined by the Exchange for any violations thereof.

(b) Within a reasonable time following the Exchange's receipt from the CFTC of a final notice under Section (c) of the CEA that any Person has been found guilty of violation the provisions of the CEA, the Exchange will take necessary action to implement the order, as applicable to such Person's activities on the Exchange.

## **CHAPTER 6 DISCIPLINE AND ENFORCEMENT**

### **601. Scope**

The Exchange has the authority to initiate inquiries and investigations and take disciplinary action against any Clearing Firm, Authorized Participant or Direct Market Access Authorized Participant for such Person's violation of any Exchange Rule.

### **602. Inquiries and Investigations**

(a) The Exchange and its Regulatory Service Provider will investigate any matter within the Exchange's disciplinary jurisdiction that is brought to the Exchange's attention. The Chief Regulatory Officer will determine the nature and scope of inquiries and investigations.

(b) The Exchange will maintain a log of all investigations and their disposition. A written report of investigation will be prepared when the evidence gathered during any inquiry or investigation forms a reasonable basis to believe that a violation within the Exchange's jurisdiction has occurred or is about to occur.

### **603. Disciplinary Procedures**

Exchange disciplinary proceedings will be conducted in accordance with the NFA Compliance Rules.

The NFA disciplinary rules are set forth in the NFA Manual, which is available electronically on the NFA website, [www.nfa.futures.org](http://www.nfa.futures.org).

### **604. Penalties**

The Business Conduct Committee, Hearing Committee or the Board on appeal or review may impose one or more of the following penalties at the conclusion of a disciplinary proceeding before such disciplinary body:

- (i) Suspension or termination of Clearing Firm eligibility for access to the Exchange System. A decision to terminate Clearing Firm eligibility or access to the Exchange System requires a two-thirds vote of the members of the disciplinary body who are present and voting.
- (ii) Bar or suspension for a specified period from association with a member of the Exchange.
- (iii) Censure or reprimand.
- (iv) A monetary fine, not to exceed \$250,000 per violation.
- (v) Order to cease and desist.
- (vi) Any other fitting penalty or remedial action not inconsistent with this Rule 604.

## 605. Summary Responsibility Actions

(a) **Nature of Action.** A Clearing Firm, Authorized Participant or Direct Market Access Authorized Participant may be summarily suspended from access to the Exchange System, or may otherwise be directed to take remedial action, where the President, with the concurrence of the Board, has reason to believe that the summary action is necessary for the protection of the Exchange or its market users. No member of the Board will participate in a summary action if the party, or any Person with whom the party is connected, has a financial, personal or other direct interest in the matter under consideration. Notice of such summary action will be given promptly to the CFTC.

(b) **Procedure.** The following procedures will be observed in actions under this Rule 605:

(i) The respondent will, whenever practicable, be served with a notice before the action is taken. If prior notice is not practicable, the respondent will be served with a notice at the earliest opportunity. This notice will (A) state the action taken or to be taken; (B) briefly state the reasons for the action; and (C) state the time and date when the action became or becomes effective and its duration. Service may be made by personal delivery (effective upon receipt), by telefax (effective upon transmission), or by mail (effective upon deposit). When service is effected by mail, the time within which the Person served may respond shall be increased by five days.

(ii) The respondent will be given an opportunity for a hearing promptly after the summary action is taken. Any such hearing will be conducted before the Hearing Committee under the procedures of NFA Compliance Rule 3-9.

(iii) The respondent has the right to be represented by an attorney-at-law or other Person in all proceedings after the summary action is taken, but the Hearing Committee may bar from the proceeding any representative for dilatory, disruptive, or contumacious conduct.

(iv) The Chief Regulatory Officer and designees will present the Exchange's charges at a hearing.

(v) Promptly after the hearing, the Hearing Committee will issue a written and dated decision affirming, modifying or reversing the action taken, based upon the evidence contained in the record of the proceeding. A copy of the decision will be furnished promptly to the respondent, the Board and the CFTC. The decision will contain:

- (A) A summary of the charges;
- (B) A description of the action taken and the reasons for the action;
- (C) A brief summary of the evidence received at the hearing;
- (D) Findings and conclusions;
- (E) A determination as to whether the summary action that was taken should be affirmed, modified or reversed; a declaration of any action to be taken against the respondent as the result of that determination; the effective

date and duration of that action; and a determination of the appropriate relief based on the findings and conclusions; and

(F) A statement that the CFTC may review Exchange actions pursuant to Section 8c of the Act and CFTC Regulation 9.11.b.6.

(c) **Appeal.** The respondent has no right to appeal a final action taken under this Rule 605 to the Board.

(d) **Review.** The Board may on its own motion review a decision of the Hearing Committee issued under paragraph (b)(v) above, by giving written notice to the respondent of its decision to review within 15 calendar days of the date of the decision. The review will be conducted in accordance with paragraphs (d) through (g) of NFA Compliance Rule 3-13.

(e) **Relationship Between Summary Responsibility Action and Disciplinary Action.** The institution of a Summary Responsibility Action does not preclude the institution, at the same or any other time, of a disciplinary action involving the same matters or Persons, nor will any pending or completed disciplinary action involving the same matters or Persons preclude a proceeding under this Rule 605.

#### **606. Settlement Offers**

In accordance with NFA Rule 3-11 Settlement, a respondent may submit a proposed settlement in response to a disciplinary and/or access denial action or a Summary Responsibility Action. Settlement offers will be presented to an Exchange Committee as submitted by a respondent. An Exchange Committee will not alter the terms of a settlement offer nor counter an offer of settlement to a respondent. If a proposed settlement is not accepted by an Exchange Committee or is withdrawn by the respondent, the failed or withdrawn settlement will not be taken into consideration in any related disciplinary action.

#### **607. Notification of Disciplinary and Access Denial Actions**

Promptly after a disciplinary or access denial action has been rendered by the Exchange, the Exchange will issue a written and dated decision affirming, modifying or reversing the action taken, based upon the evidence contained in the record of the proceeding. A copy of the decision will be furnished to the respondent, the Board and the CFTC. The decision will contain:

- (a) A description of the action taken and the reasons for the action;
- (b) A brief summary of the evidence received at the hearing, if applicable;
- (c) Findings and conclusions;
- (d) A determination as to whether the action that was taken should be affirmed, modified or reversed; a declaration of any action to be taken against the respondent as the result of that determination; the effective date and duration of that action; and a determination of the appropriate relief based on the findings and conclusions; and
- (e) A statement that the CFTC may review Exchange actions pursuant to Section 8c of the Act and CFTC Regulation 9.11.b.6.

**608. Modification of NFA Rules**

The NFA Rules cross-referenced in the Rules in this Chapter 6 are subject to the following modifications:

(a) The term “NFA Compliance Director” or “Compliance Director” means the Exchange’s Chief Regulatory Officer.

(b) References to violation or potential violation of NFA requirements are deemed to refer to violation or potential violation of Exchange Rules.

(c) The term “Business Conduct Committee” means the Exchange’s Business Conduct Committee.

(d) The term “Hearing Committee” means the Exchange’s Hearing Committee.

(e) The term “Appeals Committee” means the Exchange’s Board.

## **CHAPTER 7 ARBITRATION**

### **701. Scope**

Disputes or controversies involving Persons subject to Exchange jurisdiction may be resolved through arbitration, as provided in this Chapter 7.

### **702. Customer Arbitration**

(a) The Exchange has jurisdiction to arbitrate any claim or grievance of a customer against any Clearing Firm, Authorized Participant or Direct Market Access Authorized Participant associated with such Clearing Firm, Authorized Participant or Direct Market Access Authorized Participant, regarding transactions made on the Exchange. The customer will have the opportunity to be heard on all claims timely filed relating thereto, and to have its claim decided by an objective and impartial Arbitration Committee. For purposes of this Rule 702, “customer” means a market user that is not an Authorized Participant or Direct Market Access Authorized Participant.

(b) Arbitration proceedings under this Rule 702 will be administered by NFA and conducted in accordance with the following Sections of the NFA Code of Arbitration, as modified by Exchange Rule 704.

The foregoing rules are set forth in the NFA Manual, which is available electronically on the NFA website, [www.nfa.futures.org](http://www.nfa.futures.org).

(c) A Clearing Firm, Authorized Participant or Direct Market Access Authorized Participant associated with such Clearing Firm, Authorized Participant or Direct Market Access Authorized Participant must submit to arbitration for any arbitration claim brought by a customer hereunder, provided that the customer’s claim or grievance is arbitrable within the scope of this Rule 702. The NFA has jurisdiction to arbitrate a counterclaim asserted in such an arbitration, but only if it arises out of the transaction or occurrence that is the subject of the customer’s claim or grievance and does not require for adjudication the presence of essential witnesses, parties or third Persons over whom the Exchange does not have jurisdiction. Other counterclaims are subject to arbitration by the NFA only if the customer agrees to the submission after the counterclaim has arisen.

### **703. Other Arbitration**

(a) The Exchange has jurisdiction to arbitrate any dispute or controversy between or among Clearing Firms, Authorized Participants, Direct Market Access Participants and Registered Users arising out of Exchange business.

(b) Arbitration proceedings under this Rule 703 will be administered by NFA and conducted in accordance with the NFA Member Arbitration Rules, as modified by the NFA time to time.

The NFA arbitration rules are set forth in the NFA Manual, which is available electronically on the NFA website, [www.nfa.futures.org](http://www.nfa.futures.org).

(c) A Clearing Firm, Authorized Participant or Direct Market Access Authorized Participant must submit to arbitration for any arbitration claim brought by another Clearing Firm, Authorized Participant or Direct Market Access Authorized Participant hereunder, provided that the dispute or controversy between the parties arises out of Exchange

business. In the event of dispute whether a controversy arises out of Exchange business, the Arbitration Committee will determine whether the controversy arises out of Exchange business.

#### **704. Modification of NFA Rules**

The Sections of the NFA Arbitration Code and NFA Member Arbitration Rules cross-referenced in the Rules in this Chapter 7 are subject to the following modifications:

(a) The term “Member” means a Clearing Firm, Authorized Participant or Direct Access Market Authorized Participant.

(b) The term “Panel” or “Arbitration Panel” means the Exchange’s Arbitration Committee designated in accordance with Exchange Rule 208.

(c) The term “President” means the President of the Exchange.

## **CHAPTER 8 CLEARING FIRM**

### **801. Clearing Firm Qualification**

(a) To become a Clearing Firm of the Exchange, a Person must submit an application to the Exchange and pay any application fee then in effect. As part of the application, the applicant agrees to abide by the Rules of the Exchange and the Rules of the Clearing House with respect to Contracts listed on the Exchange.

(b) To qualify as a Clearing Firm of the Exchange and, if granted, to maintain such status:

(i) The applicant must be a Clearing Member in good standing of the Clearing House;

(ii) The applicant is authorized by the Clearing House to clear and settle trades in Contracts.

(iii) The applicant must establish and maintain access to the Exchange System as provided in Rule 301.

(c) The CEO or pursuant to authority delegated by the CEO, the President is authorized to determine whether an applicant meets the qualifications to become a Clearing Firm of the Exchange and to grant approval of the application. If the President determines that the applicant does not meet the qualifications and the application should be disapproved, the matter will be referred to the Board along with the President's recommendation, and the Board will decide whether to approve or deny the application.

(d) The CEO or President may delegate responsibility to qualified staff to conduct a review of each application. Following their review, staff will make a recommendation on whether the application should be approved or denied.

### **802. Clearing and Settlement of Trades**

(a) A Clearing Firm is responsible for clearing and settling all trades in Contracts resulting from orders entered onto the Exchange System through its established means of access to the Exchange System as provided in Rule 301 and over the direct connection and system logon application of each Direct Market Access Authorized Participant it sponsors.

(b) The Clearing Firm shall clear and settle such trades in accordance with the Clearing House Rules applicable to the clearing and settlement of Contracts. Without limiting the foregoing, the Clearing House shall determine minimum Clearing Member margin requirements, acceptable collateral, banking and clearing system connectivity requirements, communication procedures, default procedures and the like. Any violation of applicable Clearing House Rules may be deemed conduct inconsistent with just and equitable principles of trade.

(c) Each Clearing Firm shall observe and abide by, and shall remain subject to, all Rules of the Clearing House with respect to clearing and settlement of Contracts (including without limitation regulations, resolutions, interpretations, policies, procedures, customs and usages of the Clearing House). In the event of any conflict or inconsistency between such Rules of the Clearing House and the Rules of the Exchange, the Rules of the Clearing House shall supersede and govern to the extent of such conflict or inconsistency.

**CHAPTER 9**  
**GENERAL TERMS WITH RESPECT TO CONTRACTS**

**901. Contract Specifications**

Contracts will have such specifications as the Board may determine.

**902. Customer Margin Requirements**

(a) The Clearing House will establish and may modify from time to time, in each case in consultation with the Exchange, the margin to be collected by a Clearing Firm or a non-clearing futures commission merchant from its Customers in respect of customer positions in any listed Contract. The Exchange will publish the customer margin requirements as in effect from time to time for each listed Contract. Any changes to customer margin requirements for any Contract will apply to both new and existing positions in a Customer's account. The Board reserves the right to increase the customer margin levels established by the Clearing House for any listed Contract.

(b) A Clearing Firm must collect margin from its Customers in respect of positions in Contracts in amounts no less than those imposed pursuant to this Rule and in the forms required by the Exchange. A Clearing Firm (and any non-clearing futures commission) may impose margin requirements on a Customer that are in excess of the margin requirements imposed pursuant to this Rule.

(c) If a Clearing Firm does not obtain and maintain the required minimum margin deposits for any Customer account, the Exchange may require the Clearing Firm to liquidate immediately positions in Contracts in the account to eliminate the margin shortfall.

(d) If a Customer fails to deposit the required minimum margin within a reasonable time, the Clearing Firm may, but is not required to, liquidate all or a portion of the Customer's positions in Contracts to restore the account to a properly margined level, provided, however, that the Clearing Firm's inability to liquidate all or any portion of the Customer's positions will not in any way affect the Customer's liability to the Clearing Firm.

(e) If a margin call in respect of positions in Contracts is outstanding for an unreasonable time, the Clearing Firm may only accept orders from the Customer that will reduce the Customer's margin requirements.

(f) A Clearing Firm must follow the procedures specified in the Margins Handbook published by the Joint Audit Committee for the computation, issuance, collection and offsets for margin calls and corresponding capital charges, unless the Margins Manual is inconsistent with the Rules, in which case the Rules will govern. The "Joint Audit Committee" refers to the committee comprised of representatives of the U.S. futures exchanges and NFA, which committee is responsible for, among other things, developing uniform programs for audit and financial surveillance of futures commission merchants and introducing brokers.

(g) A Clearing Firm must follow the requirements of CFTC Rule 1.58 with respect to collection of margin for any customer omnibus account it carries for another futures commission merchant or a foreign broker.

**903. Reportable Positions**

(a) Each Contract shall be subject to reportable position levels. Clearing Firms will submit to the Exchange or its agent (i) a daily report of all positions that exceed the

reportable position levels set forth in the Contract Specifications and (ii) a copy of the CFTC Form 102 (Identification of Special Accounts) for such its own accounts and its Customers.

(b) A reportable position in one contract month requires the reporting of all positions held in the Contract for a Customer or a Clearing Firm's own account.

#### **904. Contracts Subject to Position Limits or Position Accountability**

(a) Each Contract shall be subject to position accountability levels, position limits or a combination of position accountability levels and positions limits, as determined by the Board, by an officer or officers of the Exchange pursuant to delegated authority from the Board, or otherwise as provided in the Rules. The position accountability or position limit standards for a Contract shall be set forth in the specifications for such Contract. No Clearing Firm shall permit a Customer to enter into a transaction on the Exchange that would cause such Customer to exceed any applicable position limit in any Contract.

(b) In determining whether any Person has exceeded any position limit or position accountability level established under the Rules of the Exchange, all positions in accounts for which such Person by power of attorney or otherwise directly or indirectly controls trading shall be included with the positions held by such Person. In addition, the position limits shall apply to positions held by two or more Persons acting pursuant to an express or implied agreement or understanding, in the same manner as if the positions were held by a single Person.

#### **905. Settlement**

(a) Daily Settlement. The Exchange will provide the Clearing House with Daily Settlement Prices at the close of each Business Day.

(b) Final Settlement. The Final Settlement price will be determined within each Contract's Specifications.

#### **906. Positions Exceeding Position Accountability Levels**

The following provisions apply when a Person holds or controls positions exceeding an applicable accountability level:

(a) Upon request, such Person, or the Clearing Firm carrying such Person's account, will provide the Exchange Compliance Department with information regarding the nature of the position, the trading strategy, and hedging information, as applicable, on a timely basis.

(b) The Exchange may instruct such Person not to increase its position or may impose a position limit on the size of such Person's positions.

(c) Positions must be initiated and liquidated in an orderly manner.

#### **907. Position Limit Exemptions**

(a) Upon application to the Exchange, the Board or an Exchange officer or officers pursuant to authority delegated by the Board, may grant an exemption from position limits for qualified hedge transactions, including transactions related to activity in related markets (including without limitation cash and over-the-counter swaps markets).

(b) Application for exemption from speculative position limits must be made in such form and content as the Exchange may prescribe, and subject to such conditions as the Exchange may prescribe.

(c) An application for exemption from the speculative position limits for hedging purposes must be renewed annually, if applicable.

(d) The Board, or an Exchange officer or officers pursuant to authority delegated by the Board, shall have the authority to review and rescind any qualified hedge status at any time.

#### **908. Trading by Certain Persons Prohibited**

No company that is retained to collect related prices from approved sources, and no employee of such company, may trade the related Contract for such Person's own account or any other account.