

June 20, 2016

**Paul M. Architzel**

*Via email to [FBOTapplications@cftc.gov](mailto:FBOTapplications@cftc.gov)*

+1 202 663 6240(t)  
+1 202 663 6363(f)  
[paul.architzel@wilmerhale.com](mailto:paul.architzel@wilmerhale.com)

Vince A. McGonagle  
Division of Market Oversight  
Commodity Futures Trading Commission  
1155 21<sup>st</sup> St., N.W.  
Washington, D.C. 20581

Re: Amendments to Application for Registration of CME Europe Limited as a Foreign Board of Trade Pursuant to 17 C.F.R. §48.5

Dear Mr. McGonagle:

We are filing the attached amendments updating the Application of CME Europe Limited (“CMEEL” or “Exchange”) for Registration as a Foreign Board of Trade under Commission Rule 48.5 on behalf of our client, CMEEL. This is the first set of amendments. We expect to file an additional set of amendments shortly.

The following is a list of new and revised documents supporting the Form FBOT:

- Amended CMEEL Form FBOT - Cover Page.pdf
- Amended CMEEL Form FBOT Exhibit A-3(1) - Membership Agreement.pdf
- Amended CMEEL Form FBOT Exhibit A-6(1) - Exchange Rulebook.pdf
- Amended CMEEL Form FBOT Exhibit A-6(2) - Exchange Procedures, 7 April 2016.pdf
- Amended CMEEL Form FBOT Exhibit B.pdf
- Amended CMEEL Form FBOT Exhibit C.pdf
- Amended CMEEL Form FBOT Exhibit F.pdf
- Amended CMEEL Form FBOT Exhibit G-1.pdf
- Amended CMEEL Form FBOT Exhibit G-2.pdf
- Amended CMEEL Form FBOT Exhibit G-3.pdf
- Amended CMEEL Form FBOT Exhibit G-4.pdf
- Amended CMEEL Form FBOT Exhibit H.pdf

The following is a list of new and revised documents for the Supplement S-1:

- Amended CMEEL FBOT Reg. - S-1 Cover Page.pdf
- Amended CMEEL FBOT Confidential - S-1 Exhibit A-1(2).pdf
- Amended CMEEL FBOT Confidential - S-1 Exhibit A-2(1) Risk and Audit Committee.pdf
- Amended CMEEL FBOT Confidential - S-1 Exhibit A-2(2) Product Committee.pdf
- Amended CMEEL FBOT Confidential - S-1 Exhibit A-2(3) Disciplinary Panel.pdf

June 20, 2016

Page 2

- Amended CMEEL FBOT Confidential - S-1 Exhibit A-3(1) CMECE Clearing Membership Agreement, June 2014.pdf
- Amended CMEEL FBOT Reg. - S-1 Exhibit A-5(1) - CMECE Clearing Procedures, 30-10-2015.pdf
- Amended CMEEL FBOT Reg. - S-1 Exhibit A-5(2) - CMECE Rulebook, 13-6-2016.pdf
- Amended CMEEL FBOT Reg. - S-1 Exhibit B.pdf
- Amended CMEEL FBOT Confidential - S-1 Exhibit D-3(1) CMECE Disclosure Document, April 2014.pdf
- Amended CMEEL FBOT Reg. - S-1 Exhibit E.pdf
- Amended CMEEL FBOT Reg. - S-1 Exhibit F-1.pdf
- Amended CMEEL FBOT Reg. - S-1 Exhibit F-2.pdf
- Amended CMEEL FBOT Reg. - S-1 Exhibit F-3.pdf
- Amended CMEEL FBOT Reg. - S-1 Exhibit F-4.pdf
- Amended CMEEL FBOT Reg. - S-1 Exhibit G.pdf
- Amended CMEEL FBOT Confidential - S-1 Nomination Committee Terms of Reference.pdf

Please note that certain of these amended documents have been submitted with a petition for confidential treatment.

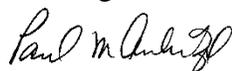
In addition, as a courtesy to the staff, we have included redlines of the revised documents for ease of reference. The redline versions are all being submitted subject to a petition for confidential treatment.

Please note that the Form FBOT and Supplement S-1 cover pages include minor updates. The original forms as certified remain in effect.

\* \* \*

If you have any questions, we would be happy to discuss this application in greater detail.

Best regards,



Paul M. Architzel

June 23, 2016

*Via email to foiasubmission@cftc.gov*

**Paul M. Architzel**

+1 202 663 6240(t)  
+1 202 663 6363(f)  
paul.architzel@wilmerhale.com

Assistant Secretary of the CFTC  
for FOI, Privacy and Sunshine Acts Compliance  
Three Lafayette Center  
1155 21st Street, N.W.  
Washington, D.C. 20581

**Re: CME Europe Limited; FOIA Confidential Treatment Request**

Dear Sir or Madam:

On behalf of our client, CME Europe Limited (“CMEEL”), we hereby request that the attached documents whose titles are listed below be afforded confidential treatment in accordance with the Freedom of Information Act (“FOIA”), 5 USC 552 and CFTC rules thereunder, 17 C.F.R. 145.9, for an indefinite period of time due to the sensitive commercial and proprietary nature of the information contained therein, public disclosure of which could be detrimental to CMEEL. As prescribed by 17 C.F.R. 145.9(d)(4), each page of the documents included in this request bears the legend “Confidential Treatment Requested by CME Europe Limited.”

- Amended CMEEL Form FBOT Redline (Confidential) Cover Page.pdf
- Amended CMEEL Form FBOT Redline (Confidential) Exhibit B.pdf
- Amended CMEEL Form FBOT Redline (Confidential) Exhibit C.pdf
- Amended CMEEL Form FBOT Redline (Confidential) Exhibit F.pdf
- Amended CMEEL Form FBOT Redline (Confidential) Exhibit G-1.pdf
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- Amended CMEEL FBOT Confidential - S-1 Exhibit A-1(2).pdf
- Amended CMEEL FBOT Confidential - S-1 Exhibit A-2(1) Risk and Audit Committee.pdf
- Amended CMEEL FBOT Confidential - S-1 Exhibit A-2(2) Product Committee.pdf
- Amended CMEEL FBOT Confidential - S-1 Exhibit A-2(3) Disciplinary Panel.pdf
- Amended CMEEL FBOT Confidential - S-1 Exhibit A-3(1) CMECE Clearing Membership Agreement, June 2014.pdf
- Amended CMEEL FBOT Confidential - S-1 Exhibit D-3(1) CMECE Disclosure Document, April 2014.pdf
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Page 2

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- Amended CMEEL FBOT Redline (Confidential) - S-1 Exhibit F-4.pdf
- Amended CMEEL FBOT Redline (Confidential) - S-1 Exhibit G.pdf

In accordance with the foregoing regulations, kindly notify me at the above address or at (202) 663-6240 of any request under FOIA for access to the enclosed documents to enable CMEEL to substantiate the grounds for confidential treatment, or if you have any questions regarding this document.

Sincerely,



Paul M. Architzel

cc: Vince A. McGonagle

**COMMODITY FUTURES TRADING COMMISSION**

**FORM FBOT**

**FOREIGN BOARD OF TRADE APPLICATION FOR REGISTRATION (IN ORDER TO PERMIT DIRECT ACCESS TO MEMBERS AND OTHER PARTICIPANTS)**

CME Europe Limited

**Name of applicant as specified in organizational documents**

One New Change, Fourth Floor, London EC4M 9AF, United Kingdom

**Address of principal executive office**

If this Form FBOT is a new application for registration, complete in full and check here.

If this Form FBOT is an amendment to a pending application or to a final application that resulted in the issuance of an Order of Registration, list and/or describe all items that are amended or otherwise updated and check here.

When appropriate, please attach additional page(s) containing a list and explanatory statement of amendment(s) or update(s).

**GENERAL INFORMATION**

1. Name under which the business of the foreign board of trade will be conducted, if different than name specified above:

\_\_\_\_\_

2. List of principal office(s) where foreign board of trade activities are/will be conducted (please use multiple entries, when applicable):

Office (name and/or location):	CME Europe Limited
Address:	One New Change Fourth Floor London EC4M 9AF United Kingdom
Phone Number:	+44 20 3379 3700
Fax Number:	+44 20 3379 3888
Website Address:	<a href="http://www.cmegroup.com/europe/">http://www.cmegroup.com/europe/</a>

3. Contact Information.

3a. Primary Contact for Form FBOT (i.e., the person authorized to receive Commission correspondence in connection with this Form FBOT and to whom questions regarding the submission should be directed):

Name: Paul M. Architzel

Title: Outside Counsel  
Email Address: paul.architzel@wilmerhale.com  
Mailing Address: 1875 Pennsylvania Ave., N.W.  
Washington, D.C. 20006  
Phone Number: (202) 663-6240  
Fax Number: (202) 663-6363

3b. If different than above, primary contact at the foreign board of trade that is authorized to receive all forms of Commission correspondence:

Name: Evelien Van Den Arend  
Title: Director, Legal & Regulatory  
Email Address: Evelien.VanDenArend@cmegroup.com  
Mailing Address: One New Change  
Fourth Floor  
London EC4M 9AF  
United Kingdom  
Phone Number: +44 20 3379 3768  
Fax Number: +44 7912 580 862

## **BUSINESS ORGANIZATION**

Describe organizational history, including date and, if applicable, location of filing of original organizational documentation, and describe all substantial amendments or changes thereto:

CME Europe Limited, formerly known as CME Rubicon Limited, is a private limited company incorporated in England, with registered number 8189042. The Exchange has been recognized by the Financial Services Authority as a Recognized Investment Exchange (“RIE”) under the Financial Services and Markets Act 2000.

## **SIGNATURES**

By signing and submitting this Form FBOT, the applicant agrees to and consents that the notice of any proceeding before the Commission in connection with the foreign board of trade's application for registration or registration with the Commission may be given by sending such notice by certified mail or similar secured correspondence to the persons specified in sections 3a and 3b above.

CME Europe Limited has duly caused this Form FBOT to be signed on its behalf by the undersigned, hereunto duly authorized, this \_\_\_\_\_ day of June, 2016. CME Europe Limited and the undersigned represent that all information and representations contained herein are true, current, and complete. It is understood that all information, documentation, and exhibits are considered integral parts of this Form FBOT. The submission of any amendment to Form FBOT represents that all items and exhibits not so amended remain true, current, and complete as previously filed.

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**Cees Vermaas, Chief Executive Officer**  
**CME Europe Limited**

CME EUROPE

# MEMBERSHIP AGREEMENT

# Contents

Paragraph	Page
1 Definitions and interpretation. . . . .	1
2 Obligations of the Member . . . . .	2
3 Term . . . . .	2
4 Representations and warranties . . . . .	2
5 Miscellaneous . . . . .	3
6 Governing law and arbitration. . . . .	6

## Disclaimer

**This document is confidential to the addressee and may not be copied or passed on, in whole or in part, or its contents discussed with any person outside the Affiliates of the addressee or their professional advisers. The contents of this document may be shared with the Affiliates of the addressee or their professional advisers but only to the extent necessary for the purpose of applying to become a member of CME Europe Limited.**

**THIS MEMBERSHIP AGREEMENT** (the **Agreement**) is entered into on 20 .

## **BETWEEN**

- (1) **CME EUROPE LIMITED** (company number 8189042), incorporated under the laws of England and Wales, whose registered office is at One New Change, London EC4M 9AF, England (the Exchange); and
- (2) **NAME OF MEMBER**, organised and existing under the laws of , whose registered office is at (the **Member**), each a **Party** and together the **Parties**.

## **WHEREAS**

- (A) The Exchange is a recognised investment exchange under section 290 of the Financial Services and Markets Act 2000 and acts in relation to certain transactions (**Transactions** and **Back-Off Transactions**) under the terms of the Exchange Rules as amended from time to time (the **Exchange Rules**).
- (B) The Member wishes to become a Member of the Exchange and agrees to be subject to the terms and conditions of this Agreement.

**IT IS AGREED** as follows:

## **1 Definitions and interpretation**

- 1.1 In this Agreement, unless defined herein or the context requires otherwise, capitalised words and phrases shall have the same meaning as set out in the Exchange Rules.
- 1.2 In this Agreement, unless otherwise specified:
  - 1.2.1 the provisions of Exchange Rules 1.2.4, 1.2.5, 1.2.6, 1.2.7, 1.2.8, 1.2.9 and 1.2.10 (regarding interpretation) shall apply;
  - 1.2.2 a document expressed to be in the **agreed form** means a document in a form which has been agreed by the Parties on or before the execution of this Agreement and signed or initialed by them or on their behalf, for the purposes of identification;
  - 1.2.3 the table of contents, the recitals and the headings are inserted for convenience only and do not affect the interpretation of this Agreement;
  - 1.2.4 references to a paragraph are to a paragraph of this Agreement; and
  - 1.2.5 references to this Agreement or any other document are to that document as from time to time amended, restated, novated or replaced, however fundamentally.
- 1.3 In the event of any conflict or inconsistency between this Agreement and the Exchange Rules, the Rules shall take precedence over this Agreement.

## 2 Obligations of the Member

- 2.1 With effect from the date on which this Agreement is entered into, the Member agrees to:
- 2.1.1 comply with and be bound by the Exchange Rules and all rights, obligations and liabilities pursuant to the Exchange Rules as if the Exchange Rules were set out in this Agreement;
  - 2.1.2 be subject to and bound by all Transactions, Back-Off Transactions and Contracts and Corresponding Transactions to which it is a party that arise pursuant to the Exchange Rules from time to time and to all rights, obligations and liabilities pursuant to such Transactions, Back-Off Transactions, Contracts and Corresponding Transactions;
  - 2.1.3 be subject to any requirement imposed as a result of a request, decision, direction, sanction, requirement or discretion that the Exchange or any Committee of the Exchange is entitled to make, exercise or impose pursuant to the Exchange Rules;
  - 2.1.4 be responsible for the acts and omissions of its Representatives as set out in the Exchange Rules;
  - 2.1.5 be bound by the Exchange Rules as a Defaulting Member, if a Declaration of Default is made in respect of it by the Exchange; and
  - 2.1.6 submit to the jurisdiction and be bound by any decision, determination, direction, sanction, requirement or award of any Disciplinary Panel, Appeals Body, arbitral tribunal, court or other body appointed or formed pursuant to the Exchange Rules or that has jurisdiction over any matter in accordance with the Exchange Rules.

## 3 Term

- 3.1.1 This Agreement shall automatically terminate only upon the Member's membership in the Exchange having terminated in accordance with the Exchange Rules. If termination of a Clearing Member's membership in the Clearing House occurs then the procedure set out in Exchange Rule 3.14.1 (regarding deeming the Clearing Member to be a Non-Clearing Member) will take effect the provisions of this Agreement will continue in full force and effect on the basis that the such Member is a Non-Clearing Member.
- 3.1.2 On termination of the Member's membership of the Exchange under paragraph 3.1.1 above, this Agreement shall cease to have effect save as provided for below at paragraph 3.1.3.
- 3.1.3 The obligations set out and referred to in Exchange Rule 3.14.3 (regarding survival of Rules relating to a Member) shall survive the termination of this Agreement.

## 4 Representations and warranties

- 4.1 The Member represents and warrants that it:
- 4.1.1 is duly incorporated and validly existing under the laws of its country of incorporation;
  - 4.1.2 has the capacity, and has taken all necessary corporate action to authorise it, to execute the Agreement and to perform the obligations it is expressed to assume under it, the Exchange Rules and each Transaction, Back-Off Transaction, Contract and Corresponding Transaction to which it is a party;

- 4.1.3 has duly executed the Agreement and its execution does not, and its performance of its obligations under this Agreement, the Exchange Rules and each Transaction, Back-Off Transaction, Contract and Corresponding Transaction to which it is a party will not, contravene or violate its constitutional documents, any Applicable Law, rights of any third parties or agreements to which it is party;
- 4.1.4 it is not prohibited from and has all necessary authorisations, licences, consents and other approvals required to enter into any Transaction, Back-Off Transaction, Contract and Corresponding Transaction to which it is a party on behalf of Clients, Non-Clearing Members and Customers ( if applicable), in any jurisdictions in which it and such Clients, Non-Clearing Members and Customers are incorporated or otherwise constituted or carry on business;
- 4.1.5 it and each of its Customers, Clients and Third Party Trade Delegates is either an eligible counterparty or a professional client as defined by the Financial Conduct Authority (or would be classified as such if such party were incorporated in the EEA); and
- 4.1.6 the obligations assumed by it under this Agreement, the Exchange Rules and each Transaction, Back-Off Transaction, Contract and Corresponding Transaction are legal, valid, binding and enforceable obligations.
- 4.2 The Member undertakes to notify the Exchange immediately in the event of its ceasing to be able to make any of the representations, warranties and undertakings set out in paragraph 4.1.
- 4.3 Each representation and warranty set out in paragraph 4.1 shall be deemed to be repeated on each Business Day during the term of the Agreement.

## 5 Miscellaneous

### 5.1 Notices

- 5.1.1 A notice or other communication given to the Exchange under or in connection with this Agreement shall be given in accordance with the Exchange Membership Procedure.
- 5.1.2 A Notice or other communication given to the Member under or in connection with this Agreement shall be given in accordance with the Exchange Membership Procedure, save that it will be sent to the address set out below or such other address as the Member may notify the Exchange Where permitted in the Exchange Rules, a Notice or other communication given to the Member may be given via email or fax to the email address and fax number set out below (as updated pursuant to paragraph 5.1.3 from time to time).

*Member:*

*Member's address:*

*E-mail address:*

*Name of Member's Nominee:*

*Fax number and person to be marked FAO:*

- 5.1.3 The Member must notify the Exchange in writing of any changes to the details provided to the Exchange from time to time under this paragraph 5.1.

## **5.2 Amendments**

- 5.2.1 Subject to paragraph 5.2.2, no purported variation of this Agreement shall be effective unless it is in writing, refers specifically to this Agreement and is executed by each Party.
- 5.2.2 The Exchange shall be entitled to make such amendments to the Agreement as it reasonably considers necessary or desirable to reflect amendments made to the Exchange Rules by providing prior written notice of any such amendments of not less than the period of notice which the Member must give to terminate its membership at the Exchange.

## **5.3 Assignment**

- 5.3.1 Subject to paragraph 5.3.2, neither Party may assign, delegate, sub-contract, transfer or create an Encumbrance over any or all of its rights and obligations under this Agreement without the prior written agreement of the other Party. Such agreement is not to be unreasonably withheld.
- 5.3.2 The Exchange shall be entitled to assign any or all of its rights or benefits under this Agreement to any Affiliate of the Exchange on terms that if any such assignee shall cease to be an Affiliate of the Exchange then (unless such rights shall previously have been assigned to a continuing Affiliate of the Exchange or the parties have agreed otherwise) such rights shall terminate.

## **5.4 Waiver**

- 5.4.1 Exchange Rules 2.7.1 and 2.7.2 (regarding waiver) shall apply to this Agreement, save that all references to the Exchange Rules shall be interpreted as references to this Agreement.

## **5.5 Severability**

- 5.5.1 Exchange Rule 2.6 (regarding severability) shall apply to this Agreement, save that all references to the Exchange Rules shall be interpreted as references to this Agreement, or each part of it as the case may be.

## **5.6 Entire Agreement**

- 5.6.1 This Agreement, the Exchange Rules and the Related Agreements constitute the entire agreement between the Parties and supersede any prior agreement, understanding, undertaking or arrangement between the Parties relating to the subject matter of the Agreement.
- 5.6.2 The Member acknowledges and agrees that by entering into this Agreement, it does not rely on any statement, representation, assurance or warranty of any person (whether a Party to the Agreement or not and whether made in writing or not) other than as expressly set out in the Agreement or the Rules.
- 5.6.3 The Member agrees that it shall have no right or remedy (other than for breach of contract) in respect of any statement, representation, assurance or warranty (whether made negligently or innocently) other than as expressly set out in this Agreement, the Exchange Rules or the Related Agreements.
- 5.6.4 Nothing in this Agreement shall exclude or limit the liability of either Party which cannot by law be excluded.

## 5.7 Relationship of Parties

5.7.1 Nothing in this Agreement is intended to create a partnership or legal relationship of any kind that would impose liability on one Party for the act or failure to act of the other Party, or to authorise either Party to act as agent for, make representations, act in the name of, on behalf of or otherwise bind the other Party.

## 5.8 Counterparts

5.8.1 This Agreement may be entered into in any number of counterparts and by the Parties to it on separate counterparts, and each of the executed counterparts, when duly exchanged or delivered, shall be deemed to be an original, but taken together, they shall constitute one and the same instrument.

5.8.2 Any counterpart may take the form of a faxed copy of this Agreement and the Party delivering the faxed counterpart shall within seven (7) days of exchange by fax, deliver the original of that counterpart to the other Party by express courier.

## 5.9 Service of process

5.9.1 If the Member does not have an office or place of business in England or Wales, it hereby irrevocably authorises and appoints [**Member to insert name and address of Process Agent here**]  
(or such other person having an office or place of business in England or Wales as the Member may at any time in the future substitute by giving prior notice in writing to the Exchange (the **Process Agent**)) to accept on its behalf service of all legal process arising out of or in connection with any arbitration proceedings or other related proceedings before the English courts commenced in connection with this Agreement. Further, the Member agrees that failure by the Process Agent to notify the Member of the process will not invalidate the proceedings concerned.

## 5.10 Contracting out of third party rights

5.10.1 No term of this Agreement is enforceable under the Contracts (Rights of Third Parties) Act 1999 by a person who is not a party to this Agreement.

## 6 Governing law and arbitration

6.1 This Agreement and any non-contractual obligations connected with it and the Exchange Rules shall be governed by and construed in accordance with the laws of England and Wales.

6.2 The provisions of Exchange Rules 2.8.2, 2.8.3, 2.8.4 and 2.8.5 (regarding disputes and arbitration) shall apply to this Agreement save that any reference to the Exchange Rules shall be interpreted as a reference to this Agreement.

**This Agreement has been entered into on the date stated at the beginning of this Agreement.**

**Signed on behalf of**

**CME EUROPE LIMITED** acting by

*Name of Director*

\_\_\_\_\_  
*Signature of Director*

and

*Director / Secretary / Witness*

\_\_\_\_\_  
*Director / Secretary / Witness*

**Signed on behalf of**

**NAME OF MEMBER** acting by

*Name of Director*

\_\_\_\_\_  
*Signature of Director*

**CME EUROPE**

# **EXCHANGE RULEBOOK**

## Contents

Rule	Page
CHAPTER 1 DEFINITIONS AND INTERPRETATION .....	1
CHAPTER 2 GENERAL PROVISIONS.....	9
CHAPTER 3 MEMBERSHIP .....	21
CHAPTER 4 <i>INTENTIONALLY BLANK</i> .....	32
CHAPTER 5 FORMATION OF TRANSACTIONS AND CONTRACTS .....	33
CHAPTER 6 TRADING .....	35
CHAPTER 7 DEFAULT .....	52
CHAPTER 8 COMPLAINTS AND ENFORCEMENT .....	57

## CHAPTER 1

### DEFINITIONS AND INTERPRETATION

1.1 Unless the context otherwise requires, for all purposes of this Exchange Rulebook, the following words shall have the meanings specified:

**Affected Market Contract** means each Market Contract to which a Defaulting Member is a party;

**Affiliate** means, when applied to any person, any subsidiary undertaking or Parent Undertaking of that person and any subsidiary undertaking of any such Parent Undertaking, and the terms subsidiary undertaking and Parent Undertaking shall have the meanings given to them in section 1162 of the Companies Act 2006;

**Appeals Body** has the meaning given in Exchange Rule 8.5.1;

**Applicable Law** means all law, statutory provisions and other rules, regulations and instruments in force from time to time, including the rules, guidance, principles and codes of practice of any Regulatory Authority;

**APS** means average price system as referred to in Exchange Rule 6.23;

**Back-Off Transaction** means a transaction formed between a Clearing Member and a Non-Clearing Member pursuant to Exchange Rule 5.1.3;

**Bid** means an Order to buy;

**Bid/Offer Reasonability Allowance** has the meaning given in Exchange Rule 6.20.5;

**Board of Directors** means the Board of Directors of the Exchange whose names have been registered as a Director of the Exchange by Companies House as such from time to time;

**Business Day** means any day on which the Exchange is open for business as set out on the Exchange's Website or as communicated to Members from time to time by any other means;

**Clearing House** means CME Clearing Europe Limited;

**Clearing House Default Rules** means the Clearing House Rules specified as default rules by the Clearing House;

**Clearing House Rules** means the rules of the Clearing House;

**Clearing Member** means any person that has been granted membership in the Exchange and satisfies the Clearing Membership Criteria;

**Clearing Membership Criteria** means the criteria set out in Exchange Rule 3.3;

**ClearPort** means the service offered by CME Inc. for the submission of transactions to the Clearing House for clearing known as ClearPort;

**Client** has the meaning given to it in the Clearing House Rules;

**Client Account** has the meaning given to it in the Clearing House Rules;

**CME Clearing Europe Limited Client Clearing Documentation** means any documentation which the Clearing House requires either Clearing Members and/or Clients to enter into from time to time in relation to Client Accounts;

**CME Inc.** means Chicago Mercantile Exchange Inc.;

**Committee** means each committee of the Exchange established for the purpose set out in this Exchange Rulebook;

**Complaint** means either or all of a GCC Complaint, Phantom Order Complaint, Exchange Complaint or a Member Complaint, as the context requires;

**Complaints Procedure** means the Complaints Procedure in the Procedures;

**Contract** means a contract formed between a Clearing Member and the Clearing House pursuant to Exchange Rule 5.1.2;

**Contract Module** means the part of the Exchange Rules setting out the Contract Specifications for each asset class;

**Contract Specification** means the part of a Contract Module setting out the terms of a particular type of Transaction;

**Customer** means a person on behalf of which a Member executes Transactions through the Exchange;

**Customer Order** means an Order submitted to the Globex Platform on behalf of a Customer;

**Declaration of Default** has the meaning given in Exchange Rule 7.2.1;

**Defaulting Member** means a Member on which the Exchange has served a Declaration of Default in accordance with Exchange Rule 7.2.1;

**Defence** has the meaning given in Exchange Rule 8.4.5;

**Direct Market Access** means an arrangement through which a Member permits a Customer to transmit Orders to the Member's internal electronic trading systems for automatic onward transmission to the Globex Platform, in accordance with Exchange Rule 3.6;

**Disciplinary Notice** has the meaning given in Exchange Rule 8.4.4;

**Disciplinary Proceedings** has the meaning given in Exchange Rule 8.4.1;

**Disciplinary Panel** has the meaning given in Exchange Rule 8.4.3;

**Emergency Committee** means the committee formed for the purpose set out in Exchange Rule 7.1.5;

**Encumbrance** means any mortgage, charge, pledge, lien, option, restriction, right of set-off, right of first refusal, right of pre-emption, claim, right, interest or preference granted to any third party, or any other encumbrance or security interest of any kind (or an agreement or commitment to create any of the same);

**ESMA Guidelines** means the Guidelines issued by the European Securities and Markets Authority on 24 February 2012 entitled Systems and controls in an automated trading environment for trading platforms, investment firms and competent authorities and referred to as ESMA/2012/122, as shall be amended or replaced by equivalent guidance from time to time;

**Euro** means the lawful single currency of the member states of the European Union that have adopted and continue to retain such common single currency in accordance with European Union treaty law (as amended from time to time);

**Event of Default** has the meaning given in Exchange Rule 7.1.3;

**Exchange** means CME Europe Limited;

**Exchange Complaint** means a Complaint made by a Member that arises in connection with the performance of, or alleged failure to perform by, the Exchange any of the obligations to which it is subject under or by virtue of FSMA;

**Exchange for Related Positions** has the same meaning as in Exchange Rule 6.15;

**Exchange Default Rules** means Chapter 7 of the Exchange Rules;

**Exchange Rulebook** means the rules of the Exchange as set out herein as they may be amended from time to time;

**Exchange Rules** means:

- (a) where used in reference to one or more provisions of the Exchange Rulebook, those provisions of the Exchange Rulebook; or
- (b) otherwise, the Exchange Rulebook, the Contract Module, the Procedures and any Notices issued pursuant to the Exchange Rulebook and, for the purposes of any Rules concerning non-compliance with or breach of or failure to discharge any of the Rules, shall include provisions of the Membership Agreement;

**FCA** means the Financial Conduct Authority, including any successor body or bodies thereto;

**Fees and Charges Notice** means the Notice setting out the fees and charges of the Exchange from time to time;

**FSMA** means the Financial Services and Markets Act 2000;

**Global Command Centre** or **GCC** means the division of CME Inc. known as the Global Command Centre or any successor division of CME Inc.;

**GCC Complaint** means a Complaint the subject of which relates to direct losses caused by the negligence of GCC or other Exchange staff, or order status errors provided to a Member by GCC;

**Globex Platform** means the Globex electronic trading system, including certain software licensed to the Exchange by CME Inc. and its licensors, including any modification to the Globex Platform or any successor electronic trading platform on which the Products may be traded;

**Globex Operator** has the meaning given in Exchange Rule 6.5.1;

**Guarantor** means any person that provides a guarantee to the Exchange in respect of a Member's obligations under the Exchange Rules;

**Independent Investigator** has the meaning given in the Complaints Procedure;

**Insolvency Event** means, in relation to a person, that the person ceases to trade, or is unable to pay its debts as they fall due or has a petition presented or a meeting convened for the purpose of its winding up (provided that such petition is not merely frivolous) or if it enters into liquidation whether compulsorily or voluntarily or compounds with its creditors generally or an administration order is made in relation to it or it has a receiver or administrative receiver appointed over all or a substantial part of its assets

or distraint is levied over any of its assets or any similar or analogous order is made or proceeding is commenced or officer is appointed or action is taken in the United Kingdom or in any jurisdiction or outside the United Kingdom in consequence of debt;

**Investigation** has the meaning given in Exchange Rule 8.2.1;

**Liquidity Scheme** means a scheme that is operated by the Exchange and which is designed to enhance market liquidity;

**Market Contract** has the meaning set out in section 155(2) Companies Act 1989 and includes Contracts, Transactions and Back-Off Transactions;

**Member** means any person that has been granted membership in the Exchange pursuant to Chapter 3 of the Exchange Rules including a Non-Clearing Member and a Clearing Member;

**Member Complaint** means a Complaint made by a Member that alleges a breach of the Exchange Rules by another Member;

**Membership Agreement** means the agreement of the same name entered into between the Exchange and each Member setting out each party's obligations in respect of the services of the Exchange;

**Membership Criteria** means the criteria set out in Exchange Rule 3.2;

**Membership Procedure** means the Membership Procedure in the Procedures;

**Non-Clearing Member** means any person that has been granted membership in the Exchange and is not a Clearing Member;

**Non-Reviewable Trading Range** has the meaning set out in the Trading Parameters Document;

**Notice** means any Notice published by the Exchange as such;

**Offer** means an Order to sell;

**Opening Hours** means the hours during which the Exchange is open for operations as set out on the Exchange's Website or as communicated to Members from time to time by any other means;

**Order** means a Bid or an Offer;

**Over the Counter** or **OTC** means executed outside the Exchange;

**Parent Undertaking** has the meaning given in section 1162 of the Companies Act 2006;

**Phantom Order** has the meaning given in Exchange Rule 6.19.1;

**Phantom Order Complaint** a Complaint the subject of which relates to a loss arising from a Phantom Order;

**Procedures** means the Procedures of the Exchange published as such;

**Product** means each type of Transaction that can be entered into through the Exchange and for which there is a Contract Specification;

**Regulatory Authority** means any relevant government entity or other authority, in any jurisdiction, which is responsible for authorising, supervising or otherwise regulating any part of the Exchange or its services or the Member or its business, as appropriate, or has any other regulatory, investigative, administrative or quasi-judicial jurisdiction, power or other similar function in relation to any part of the Exchange or its services or the Member or its business, as appropriate;

**Regulatory Functions** takes its meaning from section 291(3) of FSMA;

**Related Agreements** means the Customer Connection Agreement, Market Data Licence Agreement and any other agreement the Exchange requires Members to enter into in relation to activity on the Exchange, other than the Membership Agreement and the Exchange Rules;

**Representative** means, when applied to any person, any person which carries out or is responsible for any of that person's functions and shall include each director, officer, employee or agent of such person;

**Settlement Price** means, in relation to each Product, the official daily closing price as determined by the Exchange in accordance with Exchange Rule 6.2.2;

**Trading Procedure** means the Trading Procedure in the Procedures;

**Trading Session** means, in relation to each Product, each individual period during which Transactions can be executed on the Globex Platform as set out on the Website;

**Transaction** means a transaction formed between two Clearing Members in accordance with Chapter 5 of the Exchange Rules;

**User ID** means the unique user identification required to access the Globex Platform in accordance with Exchange Rule 6.5.1; and

**Website** means the Exchange's website from time to time at [www.cmeeurope.com](http://www.cmeeurope.com).

**1.2** In these Exchange Rules unless otherwise specified:

- 1.2.1 the table of contents and the headings are inserted for convenience only and do not affect the interpretation of these Exchange Rules as specified;
- 1.2.2 references to Chapters are to the chapters of this Rulebook;
- 1.2.3 references to Exchange Rules are to the Exchange Rules or any particular one of the Exchange Rules;
- 1.2.4 references to any document are to that document as from time to time amended, restated, novated or replaced, however fundamentally;
- 1.2.5 references to a person include an individual, partnership, company, corporation, unincorporated body of persons and any government entity;
- 1.2.6 references to any statute or statutory provision include any subordinate legislation made under it;
- 1.2.7 references to any statute or statutory provision include any provision amending it or re-enacting it (whether with or without modification) which is the same as, or substantially similar to, the obligations imposed by the specified statute or statutory provision;
- 1.2.8 references to time are to London time unless otherwise specified and are set out in the 24 hour clock convention;
- 1.2.9 words importing the plural include the singular and vice versa and the use of any gender includes the other gender;
- 1.2.10 the words other, including and in particular shall not limit the generality of any preceding words or be construed as being limited to the same class as the preceding words where a wider construction is possible; and
- 1.2.11 any reference to the discretion exercised by the Exchange shall mean the Exchange's sole, unfettered and absolute discretion.

**1.3** The Board of Directors shall have the authority to interpret the Exchange Rules. Save as otherwise provided, any such interpretations shall be final and conclusive.

**1.4** This Exchange Rulebook shall be interpreted in conjunction with any Contract Module, Procedure and Notice. Each Member will be bound by such Contract Modules,

Procedures and Notices as may be relevant to it which shall be set out on the Exchange's Website.

**1.5** In the event of any conflict between:

1.5.1 the Exchange Rulebook and the Membership Agreement, the Exchange Rulebook shall take precedence;

1.5.2 the Exchange Rulebook and the Procedures, the Exchange Rulebook shall take precedence;

1.5.3 the Exchange Rulebook and a Notice, the Exchange Rulebook shall take precedence except to the extent that a Notice amends the Exchange Rulebook;

1.5.4 the Exchange Rulebook and a Contract Module, the Contract Module shall take precedence insofar as the conflict relates to the Contract Specification for the type of Transaction governed by the Contract Module;

1.5.5 between a Contract Module and the Clearing House Rules, the Clearing House Rules shall take precedence;

1.5.6 between the Exchange Rules and any Related Agreement, the Exchange Rules shall take precedence; and

1.5.7 between the Exchange Rules and the Clearing House Default Rules, the Clearing House Default Rules shall take precedence as set out in Exchange Rule 7.1.2.

**1.6** No other exchange's rules shall apply to any activity on the Exchange.

## **CHAPTER 2**

### **GENERAL PROVISIONS**

#### **2.1 General**

- 2.1.1 The Exchange Rules, together with the Membership Agreement and any other documentation given contractual force pursuant to these Exchange Rules, form a contract between the Exchange and each Member. No person other than the Exchange has any obligation to Members under these Exchange Rules, the Membership Agreement or any Contracts, Transactions or Back-Off Transactions. No person who is not a Member, including for the avoidance of doubt a Customer, shall have any rights pursuant to the Contract (Rights of Third Parties) Act 1999 to enforce any provision of these Exchange Rules or the Membership Agreement.
- 2.1.2 A Member shall not assign, transfer or create any Encumbrance in relation to any of its rights or obligations under the Exchange Rules, the Membership Agreement or any Contract, Transaction or Back-Off Transaction save as otherwise set out in the Exchange Rules.

#### **2.2 Fees and set-off**

##### **Fees**

- 2.2.1 Members are liable to pay such fees and charges as shall be specified in the Fees and Charges Notice as published on the Website and emailed to Members, from time to time. The Exchange may amend its fees and charges at any time by way of a Notice and shall endeavour, but shall not be obliged, to give prior notice of any amendment by way of a Notice. The fees and charges incurred by a Member will reflect any discounts due to the Member from participation in any Liquidity Schemes that the Exchange may offer from time to time. Details of any Liquidity Schemes will be available on the Website.
- 2.2.2 The Clearing House will collect all fees due and payable under the Exchange Rules on behalf of the Exchange. The Clearing House shall invoice each Clearing Member in accordance with the Clearing House Rules for fees and charges incurred during the preceding month by that Clearing Member and any Non-Clearing Member or Customer for which it has cleared any Transaction during such preceding month. Each Clearing Member shall pay all such fees and charges incurred by it and any Non-Clearing Members or Customers for which it clears Transactions to the Clearing House in accordance with the Clearing House Rules.
- 2.2.3 Interest will be charged on any due but unpaid amount from the date on which the amount becomes due and payable under the Exchange Rules until the date of delivery

at such rate per annum as is set out in the Fees and Charges Notice and will be compounded daily.

2.2.4 All amounts set out in the Exchange Rules and elsewhere as being payable to the Exchange shall be deemed to be exclusive of any value added tax which is chargeable on the supply to which that amount relates. Accordingly, if value added tax is chargeable on any such supply and the corresponding amount, the relevant Member shall be responsible paying it in addition to the amount stated as payable.

2.2.5 All amounts payable by Members in connection with these Exchange Rules and any Transaction, Contract or Back-Off Transaction shall be paid without any deduction or withholding for or on account of tax unless such deduction or withholding is required by Applicable Law, in which case the amount of the payment due shall be increased to an amount which (after making the deduction or withholding) leaves an amount equal to payment which would have been due if no deduction or withholding had been required.

#### **Set off**

2.2.6 The Exchange may set off any obligation (whether mature or contingent) due to it from a Member against any obligation (whether matured or contingent) owed by the Exchange to the Member, regardless of the place of payment, account, branch or currency of either obligation.

2.2.7 If the obligations in relation to Exchange Rule 2.2.6 are in different currencies, the Exchange may convert either obligation at such rate of exchange prevailing at the time of calculation for the purpose of the set off. The Exchange shall be entitled to instruct the Clearing House, and the Clearing House shall be entitled to make any necessary adjustments to the Clearing Member's Accounts resulting from the exercise of its rights of set off.

2.2.8 Nothing in this Exchange Rule 2.2 will be effective to create a charge or other security interest. The rights of the Exchange under Exchange Rules 2.2.6 and 2.2.7 are without prejudice and in addition to any rights of set-off, lien, netting, liquidation, combination of accounts or appropriation under the Exchange Rules or otherwise.

#### **Currency of payment**

2.2.9 Amounts payable to the Exchange shall be paid in the currency stated by the Exchange. If a Member makes a payment in a currency other than that stated, the Exchange may convert such amount at such rate prevailing at the time of the calculation as it shall reasonably select. The Member shall indemnify the Exchange against any loss which the Exchange may suffer as a result of such conversion.

## **2.3 Amendments**

- 2.3.1 The Exchange may amend the Exchange Rules at any time by issuing a Notice setting out the text of the amended Exchange Rules and, where appropriate, a brief explanation of the reason for the amendment.
- 2.3.2 Subject to Exchange Rule 2.3.5, the Exchange will publish any proposed amendment to an Exchange Rule for consultation and will invite Members to submit comments in writing within a specified deadline save that the Exchange shall not be required to consult on any amendments to Exchange Rules which:
- (a) are minor changes of an administrative or commercial character or where the Exchange reasonably considers that the amendment would not significantly affect the rights, obligations or liabilities of Members or that consultation is otherwise not appropriate;
  - (b) are considered by the Exchange necessary to ensure compliance with the Applicable Laws or a requirement of a Regulatory Authority by the Exchange or any Member;
  - (c) are considered by the Exchange necessary as a result of an Event of Default; or
  - (d) are otherwise considered by the Exchange to be necessary for the purpose of mitigating a significant risk to the Exchange (including by mitigating a significant risk to a Member) provided that the Exchange shall consult with Members on the continued applicability of the amendment following the conclusion of the urgent situation.
- 2.3.3 The Exchange may consult on a proposed amendment to the Exchange Rules with only a limited number of Members if it reasonably considers it appropriate to do so including where, in the Exchange's reasonable opinion, a proposed amendment will affect a limited number of Members or in the Exchange's reasonable opinion is a limited technical amendment.
- 2.3.4 Subject to Exchange Rule 2.3.5, a Notice setting out an amendment to the Exchange Rules shall state the date from which such amendment comes into effect, which shall not be earlier than ten (10) Business Days from the date of the Notice except that any of the amendments set out in Exchange Rule 2.3.2(a) to 2.3.2(d) may take immediate effect on the date of the Notice.
- 2.3.5 The Exchange may amend any Contract Module, any Contract Specification, the Procedures and Notices at any time by issuing a Notice setting out the text of the

amended Contract Module, Contract Specification, Procedure or Notice. Any such amendment shall have immediate effect unless otherwise stated in the Notice.

- 2.3.6 By continuing to use the Exchange, a Member will be deemed to accept any amendments to the Exchange Rules pursuant to Exchange Rules 2.3.1 and 2.3.5. For the avoidance of doubt, no Member shall be entitled to use the Exchange unless it accepts the Exchange Rules.
- 2.3.7 No amendment to the Exchange Rules shall have the effect of extinguishing any right or discharging any liability incurred under the Exchange Rules before such amendment came into effect.
- 2.3.8 The Exchange shall notify Members of any changes in its Business Days and Opening Hours from time to time by Notice published on the Website and emailed to Members.
- 2.3.9 If at any time the Exchange decides to cease acting as an exchange, either generally or in relation to a particular type of Product, it shall give prior notice to Members where possible and as soon as reasonably practicable of the proposed withdrawal date, by publishing a Notice on the website and by email to Members.

## **2.4 Limitations of liability and indemnity**

- 2.4.1 Neither this Exchange Rule 2.4 nor any other Exchange Rule shall affect the application of section 291 FSMA nor exclude or restrict the liability of the Exchange or any other person:
- (a) in respect of fraud, bad faith or wilful default;
  - (b) in respect of personal injury or death resulting from negligence, recklessness or an intentional act or omission; or
  - (c) otherwise to the extent it cannot be excluded or restricted in accordance with the Applicable Law.
- 2.4.2 Except as provided in Exchange Rule 2.4.6 and Exchange Rule 2.4.7, the Exchange and each of its Affiliates and each of their respective Representatives shall not be liable to any person for any losses, liabilities, damages, claims, costs or expenses arising from:
- (a) any failure, malfunction, fault in delivery, delay, omission, suspension, inaccuracy, interruption, termination, or any other cause, in connection with the furnishing, performance, operation, maintenance, use of or inability to use, all or any part of any of the systems and services of the Exchange or services, equipment or facilities used to support such systems and services, including electronic order entry and delivery, trading through any electronic means,

electronic communication of market data or information, workstations used by Members or Customers and authorised employees of Members or Customers, price reporting systems and any and all terminals, communications networks, central computers, software, hardware, firmware and printers relating thereto; or

- (b) any failure or malfunction, fault in delivery, delay, omission, suspension inaccuracy, interruption or termination, or any other cause, of any system or service of the Exchange or services, equipment or facilities used to support such systems or services, caused by any third parties including independent software vendors and network providers; or
- (c) any errors or inaccuracies in information used in any systems of the Exchange or provided by the Exchange or any Exchange systems, services or facilities; or
- (d) any unauthorised access to or unauthorised use of any Exchange systems, services or facilities by any person; or
- (e) any error, delay or inaccuracy in the submission of an Order or the transmission of information to the Exchange; or
- (f) the acts or omissions of the Exchange, the Clearing House, any Member, any Customer or any third party and any of their respective Representatives;
- (g) any dispute relating to the validity, existence or terms of any Transaction, Contract or Back-Off Transaction; or
- (h) any inability to perform its obligations under these Exchange Rules as a result of an event of force majeure (as defined in Exchange Rule 3.13.1(e)).

2.4.3 The limitations of liability in Exchange Rule 2.4.2 shall apply whether:

- (a) a claim arises in contract, tort, negligence, strict liability, breach of statutory duty, contribution or otherwise; or
- (b) a claim is brought directly or as a third party claim.

2.4.4 Neither the Exchange nor any of its Affiliates, nor any of their respective Representatives, shall in any circumstances be liable to a Member or any other person for:

- (a) loss of or anticipated loss of profit, loss of or anticipated loss of revenue, loss of use, business interruption, loss of use of any equipment, loss of any contract or other business opportunity or goodwill or punitive loss; or

(b) indirect loss or consequential loss,

2.4.5 regardless of whether the Exchange has been advised of the possibility of such loss or whether such loss otherwise could have been foreseen.

*Liability in relation to GCC*

2.4.6 The Exchange may, in its sole discretion, assume responsibility for direct losses caused by the negligence of GCC or other Exchange staff and/or order status errors provided by GCC. If such liability is accepted, the total aggregate obligations for the Exchange shall not exceed USD 25,000 for all losses suffered from all causes in a single calendar month, except for losses caused by Phantom Orders which are subject to the provisions of Exchange Rules 2.4.10 to 2.4.14.

*Collective total aggregate liability per month in relation to GCC*

2.4.7 Without prejudice to Exchange Rule 2.4.1 to Exchange Rule 2.4.4, in no circumstances shall the collective total aggregate liability of the Exchange exceed USD 25,000 in any single calendar month for any claims arising out of any negligence, inaccuracies, interruptions, faults in delivery, delays, omissions, suspensions, other causes, except for Phantom Orders which are subject to the provisions of Exchange Rules 2.4.10 to 2.4.14, in connection with the furnishing, performance, operation, maintenance, use of or inability to use all or any part of the Exchange's systems or services, or services, equipment or facilities used to support such systems and services, or the negligence of Exchange staff.

2.4.8 Any initial claim of loss made under Exchange Rule 2.4.6 shall include a detailed description of any loss suffered and must be submitted to the Exchange within ten (10) Business Days of the date of the incident that caused the loss. A claimant's failure to pursue its claim within these time limits shall bar recovery on such claim under Exchange Rule 2.4.6. For the avoidance of doubt, should a Member fail to submit an initial claim of loss in accordance with this Exchange Rule 2.4.8, or not wish to have a GCC Complaint considered in accordance with Exchange Rule 2.4.6, the Member shall be entitled to submit an Exchange Complaint, in accordance with the Complaints Procedure, which covers the same content that could have formed the GCC Complaint had an initial claim of loss been filed under this Exchange Rule 2.4.8.

2.4.9 If the number of allowable claims in a single calendar month cannot be fully satisfied because to fully satisfy all claims would result in the monthly liability limitation set out in Exchange Rule 2.4.6 or Exchange Rule 2.4.7 being exceeded, all claims received in the relevant calendar month shall be settled with reference to a pro rata share of the maximum monthly liability limit.

*Liability in relation to Phantom Orders*

- 2.4.10 If Transactions executed on the Globex Platform, which have arisen from a Phantom Order are not voided in accordance with Exchanges Rules 6.19.3 or 6.19.4, the person who traded opposite such Phantom Order shall have no recourse against the Exchange. The gain or loss on the liquidation of positions resulting from execution of such Phantom Orders shall be the Exchange's responsibility. The Exchange's liability to such person shall be limited to the prices at which the positions could have been liquidated during the relevant time period set out in Rule 6.19.5. Without prejudice to the exclusion of liability above, in no circumstances shall the total aggregate obligations for the Exchange exceed USD 25,000 for all such losses in relation to which liability is accepted by the Exchange in a single calendar month.
- 2.4.11 Subject to Exchange Rule 2.4.1, the collective total aggregate liability of the Exchange for direct losses caused by Phantom Orders shall not exceed USD 25,000 in any single calendar month. Claims made under Exchange Rule 2.4.10 shall not be considered by the Exchange until a Member has liquidated all positions resulting from execution of Phantom Orders, as directed by the Exchange in accordance with Exchange Rule 6.19.5.
- 2.4.12 The initial claim of loss, including a detailed description of any loss suffered, must be made to the Exchange within ten (10) Business Days of the date of the incident that caused the loss. A claimant's failure to pursue its claim within these time limits shall bar any recovery on such claim under Exchange Rule 2.4.10. For the avoidance of doubt, should a Member fail to submit an initial claim of loss in accordance with this Exchange Rule 2.4.12, or not wish to have a Phantom Order Complaint considered in accordance with Exchange Rule 2.4.10, the Member shall be entitled to submit an Exchange Complaint, in accordance with the Complaints Procedure, which covers the same content that could have formed the Phantom Order Complaint had an initial claim of loss been filed under this Exchange Rule 2.4.12.
- 2.4.13 If the aggregate total liability of the Exchange for direct losses caused by Phantom Orders in a single calendar month cannot be fully satisfied because to fully satisfy all claims would result in the monthly liability limitation set out in Exchange Rule 2.4.10 being exceeded, all claims received in the relevant calendar month shall be settled with reference to a pro rata share of the maximum monthly liability limit.
- 2.4.14 Subject to Exchange Rule 2.4.1, a claim against the Exchange which arises out of any failure, malfunction or Phantom Order shall be strictly subject to the respective liability limits of this Exchange Rule.

*No warranty*

- 2.4.15 Except as expressly stated in the Exchange Rules and to the extent permitted by law, neither the Exchange, nor its Affiliates, nor any of their respective Representatives gives any express or implied warranties or representations (including warranties of satisfactory quality and fitness for a particular purpose or use) relating to any systems or services of the Exchange or services, equipment or facilities used to support such systems and services, including the Globex Platform.

*Indemnity*

- 2.4.16 Each Member shall indemnify the Exchange, each of its Affiliates and each of their Representatives against any and all losses, liabilities, damages, claims, costs or expenses suffered or incurred by the Exchange, an Affiliate or any of their Representatives arising out of or in connection with the Member's conduct or its breach of these Exchange Rules, any Transaction, Contract or Back-Off Transaction or the Applicable Law.
- 2.4.17 Nothing in these Exchange Rules shall require the Member to indemnify the Exchange to the extent not permissible in accordance with the Applicable Law.
- 2.4.18 Without prejudice to Exchange Rule 2.4.3, the Exchange shall not be liable to any person which is not a Member.
- 2.4.19 For the avoidance of doubt, each, and each part of, each Exchange Rule 2.4.1 to Exchange Rule 2.4.18 shall be construed separately, applying and surviving if for any reason one or more than one of the other of Exchange Rules 2.4.1 to Exchange Rule 2.4.18 or any part thereof is held in any jurisdiction to be invalid, illegal or unenforceable.

**2.5 Confidentiality**

- 2.5.1 The Exchange will treat as confidential all information received from a Member acquired by it in the course of its operations or investigations or which is held by the Exchange and relates to Transactions, Contracts and Back-Off Transactions which the Member has entered into as confidential and, subject to Exchange Rule 2.5.2, shall not disclose it to any other person unless the Member agrees otherwise, or the information is or comes into the public domain other than as a result of a breach of this Exchange Rule 2.5.1 by the Exchange or its Representatives.
- 2.5.2 The Exchange may disclose such information to such persons, agencies or authorities having responsibility for or in connection with the regulation of investment or any other financial business and this shall include without limitation the Secretary of State or his designated agency and investment exchanges, clearing houses and self regulating

organisations recognised under FSMA or in connection with the enforcement of any Applicable Law as the Exchange thinks fit (but without prejudice to any other right to disclosure given to it in the Exchange Rules) or to any other person to which, and on such terms, as the Exchange considers it reasonably appropriate to disclose such information.

2.5.3 Members shall be deemed to consent to any disclosure or non-disclosure of information by the Exchange that is required or permitted by section 348 of FSMA.

2.5.4 Any information that is provided to a Clearing Member in order to facilitate a delivery in accordance with Rule 11.3.1 of the Clearing House Rules, including, but not limited to, the subject matter of the Contract, the identity of the other Clearing Member and the value of the delivery, may only be used by the Clearing Member for the sole purpose of making the delivery as directed by the Clearing House.

2.5.5 As between the Exchange and each Member, the Exchange shall own all intellectual property rights in any data submitted to the Exchange by the Member or a Customer of the Member. The Member will promptly execute, and will use reasonable endeavours to procure that any third parties promptly execute, such documents and do such acts as the Exchange may reasonably consider necessary to give full effect to this provision. Notwithstanding Exchange Rule 2.5.1, the Exchange may licence such data in accordance with normal market practice.

#### **Data protection**

2.5.6 The Exchange is a data controller in relation to personal information provided by the Members and their Representatives. Each Member shall ensure that any of its Representatives whose personal data is provided to the Exchange has consented in advance to such data being controlled and processed by or on behalf of the Exchange and that the disclosure of such personal data is lawful.

2.5.7 The Exchange shall be entitled to disclose personal data to such persons and for such purposes as set out in Exchange Rule 2.5, and the Exchange and any such person to which personal data is provided may transfer it outside the European Economic Area for processing.

2.5.8 Each data subject may, on application to the Exchange and payment of a small fee to the Exchange, receive a copy of the personal data held by the Exchange in respect of it and require the Exchange to correct any errors or inaccuracies.

2.5.9 In this Exchange Rule 2.5.9, the terms **personal data**, **controller** and **data subject** have the meanings given to such terms in the Data Protection Act 1998.

## **2.6 Severability**

2.6.1 Each of the Exchange Rules is severable and distinct from the others. It is intended that every Exchange Rule and every part of each Exchange Rule shall be and remain valid and enforceable to the fullest extent permitted by law. If any Exchange Rule or part of an Exchange Rule is or at any time becomes to any extent invalid, illegal or unenforceable for any reason, it shall to that extent be deemed not to form part of these Exchange Rules but the validity, legality and enforceability of the remaining Exchange Rules and parts of these Exchange Rules shall not be thereby affected or impaired.

## **2.7 Waiver**

2.7.1 Except as specifically provided in these Exchange Rules, no waiver of any of these Exchange Rules or any part thereof shall be effective unless the same shall be in writing, and then such waiver shall be effective only in the specific instance, for the purpose for which the same is given, and such waiver shall not operate as a waiver of any future application of such Exchange Rule or part thereof.

2.7.2 The waiver of any right, and the failure to exercise any right or to insist on the strict performance of any of the Exchange Rules, shall not operate as a waiver of, or preclude any further or other exercise or enforcement of that or any other right.

2.7.3 Any times fixed by these Exchange Rules for the doing of any act or acts required by these Exchange Rules may be waived or suspended by the Exchange, the Board of Directors or such Committee as the Board of Directors may designate, whenever, in its judgment, such extension, waiver or suspension is necessary or expedient.

## **2.8 Governing law and arbitration**

2.8.1 The Exchange Rules shall be governed by and construed in accordance with the laws of England and Wales.

2.8.2 Subject to Exchange Rule 2.8.4, any dispute between the Exchange and Member arising out of or in connection with the Exchange Rules or any Transaction, Contract or Back-Off Transaction including any question regarding the validity of the Membership Agreement shall be referred to and finally resolved by arbitration under the rules of the London Court of International Arbitration, which rules are deemed to be incorporated by reference into this Exchange Rule 2.8.

2.8.3 The number of arbitrators shall be three (3). Each party shall appoint one (1) arbitrator and the remaining arbitrator shall be appointed by agreement between the arbitrators appointed by each party. The third arbitrator shall serve as chairman. The seat, or legal

place, of arbitration shall be London. The language to be used in the arbitral proceedings shall be English.

2.8.4 A Member may not submit a dispute, the subject matter of which could constitute a Complaint or which is subject to Disciplinary Proceedings under Chapter 8 of the Exchange Rules, to be resolved by arbitration in accordance with Exchange Rule 2.8.2 unless and until it has submitted a Complaint on such subject in accordance with the Exchange Rules and that Complaint has been subjected to the procedures set out in the Exchange Rules or the Disciplinary Proceedings to which it is subject have finished, including, where relevant, any related Appeal pursuant to Exchange Rule 8.5.

2.8.5 The commencement of any arbitral proceedings pursuant to Exchange Rule 2.8.2 shall be without prejudice to and shall not limit in any way the right of the Exchange to instigate any procedure under the Exchange Rules, including without limitation in relation to any Event of Default or any Investigation or Disciplinary Proceedings.

2.8.6 The Exchange will not be responsible for compliance or non-compliance by any other person with the requirements under the FCA's Rules, including concerning offers made to the public.

## **2.9 Waiver of sovereign immunity**

2.9.1 In the event that a Member purports to be a state entity, such entity irrevocably acknowledges and accepts that the Exchange Rules and all agreements entered into or in connection herewith (including all appendices, schedules and exhibits thereto) and the performance or non-performance of its obligations under the Exchange Rules are commercial rather than public or governmental acts. In any event, the Member hereby waives in relation to any disputes arising out of or in connection with the Exchange Rules under any law or in any jurisdiction, notwithstanding the dispute(s) relate(s) to acts of a sovereign or governmental character, any claim the Member may have or may acquire to immunity on the grounds of sovereignty or otherwise (for itself/themselves and its/their property, present or subsequently acquired) from:

- (a) any jurisdiction and the service and pursuit of any proceedings in that jurisdiction;
- (b) procedural privileges relating to the obligation to disclose documents or information; and
- (c) any relief, before or after proceedings have been commenced, including but not limited to orders for injunction, specific performance, or recovery of land; any set off, attachment or execution or enforcement of a judgment or arbitral award against its sovereign property (or in an action in rem for the arrest, detention or

sale of its sovereign property) irrespective of that property's use or intended use, whether commercial or otherwise, including without prejudice to the generality of sovereign property, any assets held on behalf of a central bank, diplomatic assets, tax revenues or other payments to the sovereign or cultural, historic or scientific collections.

## **2.10 No Proceedings**

- 2.10.1 No Member shall take any action to commence an insolvency or reorganisation proceeding (including, without limitation, by presentation of a winding up petition) in relation to the Exchange.
- 2.10.2 No Member shall take any action (including, but not limited to, commencing a court or arbitral proceeding) with the intention of or that would limit or interfere with the ability of the Exchange, acting lawfully and in good faith, to exercise its rights and perform its obligations in connection with its Regulatory Functions. For the avoidance of doubt, nothing in this provision shall prevent Members from taking any actions permitted under Chapter 8 of the Exchange Rules.

## **CHAPTER 3**

### **MEMBERSHIP**

#### **3.1 Types of membership and application**

- 3.1.1 A person must, at a minimum, demonstrate to the Exchange that it can satisfy the Membership Criteria. The process for applying for membership is set out in the Membership Procedure. Each application for membership shall be accompanied by the appropriate fee as set out in the Membership Procedure, unless such fee has been waived by the Board of Directors. The application fee is non-refundable in any event.
- 3.1.2 There are two categories of membership: Clearing Member and Non-Clearing Member. The Exchange may create further categories of Member depending on the types of Transaction to be executed. The Exchange may apply different Membership Criteria in respect of different categories of Member.
- 3.1.3 A Member must continue to satisfy the Membership Criteria applicable to its category of membership for so long as it remains a Member of that category.
- 3.1.4 Each Member shall, and shall procure that its Representatives shall act in accordance with the Exchange Rules. Different Exchange Rules may apply to different categories of Member and the applicable Exchange Rules may include a Contract Module that is specific to the type of Transaction entered into by a particular category of Member.

#### **3.2 Membership Criteria**

- 3.2.1 To satisfy the Membership Criteria, a person must at all times:
- (a) be incorporated as a body corporate, partnership or other business organisation or entity in any jurisdiction;
  - (b) have all necessary authorisations, licences, permissions, approvals or equivalent in respect of each Regulatory Authority;
  - (c) comply with all Applicable Law and the requirements of each Regulatory Authority which has jurisdiction over it;
  - (d) not be subject to an Insolvency Event or an Event of Default or any circumstances pursuant to which either an Insolvency Event or an Event of Default could be declared;
  - (e) have capital of at least the amount set out in the Membership Procedure for this purpose;

- (f) be party to an executed Membership Agreement and such other agreements as required by the Exchange from time to time, including where applicable the Related Agreements;
- (g) be a Clearing Member or ensure that a Clearing Member assumes responsibility for any Transactions and Contracts resulting from their activities and the activities of any of their Customers on the Exchange;
- (h) have nominated a Representative, who is sufficiently senior and familiar with the Exchange Rules and the Member's activities in relation to the Exchange, to be available to deal with any query or issue raised by the Exchange and be responsible for the Member's actions and the representation of the Member before the Exchange and its Committees (a **Nominee**);
- (i) not have been, or have any senior Representative who has been, convicted of any offence involving fraud, theft, false accounting, offences against the administration of public justice, serious tax offences or other dishonesty or an offence relating to companies, insurance, banking, other financial services, consumer credit or consumer protection, money laundering, bribery, market abuse or insider dealing or be, or have any senior Representative who is, under investigation for committing such an offence;
- (j) satisfy the Exchange as to its fitness and propriety, financial, operational, technical and risk management capacity, competence, facilities and organisational arrangements to be able to satisfy its obligations under the Exchange Rules and demonstrate, to the satisfaction of the Exchange, that its systems and controls ensure that all personnel, agents and representatives who act on behalf of or in the name of the Member in the conduct of business on the Exchange are fit and proper with appropriate qualifications and experience and are trained and properly supervised to perform such functions in connection with the conduct of business on the Exchange;
- (k) satisfy the Exchange that it has in place adequate systems and controls surrounding the submission of Orders to the Exchange, including any controls required by the Exchange or any Regulatory Authority and systems and controls to ensure that any individuals who submit Orders to the Exchange in its name are fit and proper, suitable, adequately trained and properly supervised to perform such activity;
- (l) satisfy the Exchange that it has in place adequate written anti-money laundering, bribery and corruption, risk management and disaster recovery and

business continuity policies and procedures to ensure that it is able to perform its obligations under the Exchange Rules and Applicable Law;

- (m) be engaged in or demonstrate immediate capacity to engage in activity on the Exchange;
- (n) demonstrate that it is in compliance with the Exchange Rules; and
- (o) satisfy any further requirements which the Exchange may reasonably impose on a Member from time to time, including, for the avoidance of doubt, in the case of an entity that is not authorised by the FCA or a Regulatory Authority within another Member State of the European Union, to agree to be bound by the ESMA Guidelines.

3.2.2 The Membership Criteria set out in paragraphs 3.2.1(b) to 3.2.1(d) shall also apply to each of the Member's Parent Undertakings and Guarantors.

### **3.3 Clearing Membership Criteria**

3.3.1 To satisfy the Clearing Membership Criteria, a person must at all times:

- (a) satisfy the Membership Criteria; and
- (b) be a member of the Clearing House which is permitted to clear Transactions under the Clearing House Rules and be in compliance with the Clearing House Rules.

### **3.4 Trading for Customers**

3.4.1 Each Member may submit Orders to the Exchange on behalf of a Customer provided that the Member shall be deemed to submit such Orders as principal.

3.4.2 Where a Member submits Orders to the Exchange on behalf of a Customer:

- (a) it shall provide such further information about such Customer and the Orders submitted on its behalf as the Exchange may require and use its best endeavours to procure that each Customer provides to the Exchange such information about such Customer and the Orders submitted on its behalf as the Exchange may require;
- (b) it must satisfy itself that the acts and omissions of its Customers and their Representatives will not prevent it from complying with the Exchange Rules, it must impose the prohibitions set out in Exchange Rule 3.11 on each Customer and its Representatives and it must procure that each Customer and its

Representative complies with Chapter 6 of the Exchange Rules as if the Customer were a Member; and

- (c) it must procure that each Customer cooperates with the Exchange in the event of any action being taken against the Member in the same way as set out in Exchange Rule 8.2.2 save that the Customer shall not be required to permit access without notice to its business premises.

3.4.3 Without prejudice to Exchange Rules 3.12 and 3.13, if the Exchange has reason to believe or suspect that any Customer is conducting trading activities in violation of the Exchange Rules or in a manner that otherwise threatens the integrity or liquidity of any Product, the Exchange may request such Customer to submit to the processes set out in Chapter 8 of the Exchange Rules for the purpose of such matter, in which case Chapter 8 of the Exchange Rules will apply to such matter as though the Customer were a Member and the Member shall cooperate with the Exchange in the same way as set out in Exchange Rule 8.2.2.

### **3.5 Clearing for Clients**

3.5.1 Each Clearing Member shall be responsible for ensuring that, where applicable, each Non-Clearing Member for which the Clearing Member assumes responsibility in accordance with Exchange Rule 3.2.1(g) and each Customer for which a Clearing Member submits Orders to the Exchange in accordance with Exchange Rule 3.4 or allows to submit Orders to the Exchange via Direct Market Access in accordance with Exchange Rule 3.6 shall enter into the CME Clearing Europe Limited Client Clearing Documentation (where applicable).

3.5.2 Each Non-Clearing Member for which a Clearing Member assumes responsibility in accordance with Exchange Rule 3.2.1(g) shall be a Client of that Clearing Member for the purposes of the Clearing House Rules.

3.5.3 Each Customer for which a Clearing Member submits Orders to the Exchange in accordance with Exchange Rule 3.4 or allows to submit Orders to the Exchange via Direct Market Access in accordance with Exchange Rule 3.6 shall be a Client of that Clearing Member for the purposes of the Clearing House Rules.

### **3.6 Direct Market Access**

3.6.1 Members may provide Direct Market Access.

3.6.2 Any Member responsible for providing Direct Market Access shall be responsible for all activity conducted and any messages, including any Orders, submitted to the Globex Platform, by any of its Customers via Direct Market Access. For the avoidance of doubt,

any Orders submitted via Direct Market Access will be deemed to have been submitted by the Member providing the service as principal and the Exchange may take disciplinary action, in accordance with Chapter 8 of these Exchange Rules, against a Member for failure to ensure that the provision of the Direct Market Access complies with this Exchange Rule 3.6.

3.6.3 Any Member who provides Direct Market Access must:

- (a) have systems and controls in place, including pre-trade and post-trade controls, to ensure the provision of Direct Market Access does not cause the Member to breach any Exchange Rule, lead to disorderly trading or facilitate conduct that may involve market abuse;
- (b) satisfy itself that any Customer to which it provides Direct Market Access is permitted to access Direct Market Access services from that Member and has the relevant level of fitness and propriety, financial, operational, technical and risk management capacity and competence to submit Orders via Direct Market Access, and provide evidence of such to the Exchange upon request; and
- (c) upon request, provide to the Exchange information about any Direct Market Access services it offers, including copies of any policies and procedures it has in place to ensure compliance with this Exchange Rule 3.6.3.

### **3.7 Liquidity schemes**

3.7.1 The Exchange may from time to time, in the interest of promoting market liquidity, operate one or more Liquidity Schemes. The Exchange shall, in relation to each Liquidity Scheme, determine the terms of the Liquidity Scheme including, but not limited to, the categories of Member who shall be eligible to participate in a Liquidity Scheme, the maximum number of participants in a Liquidity Scheme, the benefits to the participating Members of a Liquidity Scheme and the Products to which the Liquidity Scheme shall relate. Details of any Liquidity Schemes offered by the Exchange from time to time will be published on the Website.

### **3.8 Clearing Member Responsibilities**

3.8.1 A Clearing Member must promptly suspend or terminate a Non-Clearing Member's or a Customer's access to the Globex Platform if the Exchange considers it appropriate to protect the integrity of the Exchange or the liquidity of any Product or to deal with a violation of any Exchange Rule or if the Non-Clearing Member or Customer fails to cooperate in an Investigation and the Exchange so requests.

3.8.2 If a Clearing Member has not suspended or terminated a Non-Clearing Member's or a Customer's access to the Globex Platform, as required by Exchange Rule 3.8.1, within a period of time that either the Exchange or GCC considers in their sole discretion to be reasonable, the Exchange or GCC may take such action as is required to immediately suspend or terminate the NCM's or Customer's access to the Globex Platform.

### **3.9 Notification Requirements**

3.9.1 Each Member shall notify the Exchange in writing immediately in the event of any of the following:

- (a) it ceases to be able to satisfy any of the Membership Criteria and, if applicable, the Clearing Membership Criteria, or reasonably believes it may cease to do so;
- (b) any material changes are made to the information previously provided to the Exchange;
- (c) the Member is notified that a Regulatory Authority shall investigate any of its affairs or those of any of its Parent Undertakings or Guarantors which is material in terms of the overall size of its group or take disciplinary or other formal action against it or a Parent Undertaking or Guarantor or the Member has reason to believe that a Regulatory Authority is considering the same; and
- (d) of anything relating to the Member of which the Exchange would reasonably expect notice.

3.9.2 Each Member shall give the Exchange prompt prior written notice of any material change in its form or organisation, ownership structure, or business operations, including:

- (a) a merger, combination or consolidation between the Member and another person;
- (b) a change in the direct or indirect beneficial ownership of 10% or more of the equity of the Member;
- (c) the sale of a significant part of the Member's business or assets to another person; and
- (d) a material change in its business operations.

3.9.3 Each Member shall furnish to the Exchange such documents in a timely manner with respect to any of the foregoing events as the Exchange may from time to time require.

3.9.4 All information provided to the Exchange by or on behalf of the Member shall be accurate, complete and not misleading and shall be provided in a format approved by the Exchange. All information provided to the Exchange shall be in English.

### **3.10 Right to audit**

3.10.1 The Exchange shall be entitled to conduct audits on each Member's compliance with the Exchange Rules. Each Member shall for such purposes:

- (a) provide such information, books and records as the Exchange may reasonably request; and
- (b) cooperate with the Exchange in the same way as set out in Exchange Rule 8.2.2 for such purposes save that the Member shall not be required to permit access without notice to its business premises.

### **3.11 Prohibitions**

3.11.1 A Member shall not:

- (a) breach any Applicable Law or requirements of a Regulatory Authority or any of these Exchange Rules;
- (b) engage in any behaviour which amounts to market abuse, insider dealing, market manipulation, money laundering, bribery or corruption, fraud or which is in breach of any similar Applicable Law and, which in the reasonable opinion of the Exchange, would be likely to have a material adverse effect on the Member's suitability as a Member;
- (c) engage in any other practice which the Exchange reasonably considers to be capable of impairing the integrity of the Exchange;
- (d) take any action which in the reasonable opinion of the Exchange is likely to bring the Exchange or any of the Members into disrepute or otherwise damage the reputation of the Exchange;
- (e) use any of the facilities provided by the Exchange in contravention of the Exchange Rules or other than for the purpose of conducting its business as a Member; or
- (f) fail to supervise properly its Representatives and Customers and their Representatives in their use of the Exchange in the reasonable opinion of the Exchange.

### **3.12 Summary access denial**

- 3.12.1 The Chief Executive Officer or the Chief Regulatory and Surveillance Officer of the Exchange or any of their delegates, upon a good faith determination that there are substantial reasons to believe that such immediate action is necessary to protect the best interests of the Exchange, may order that any Member and/or Customer be denied access to the Exchange and/or the Globex Platform.
- 3.12.2 The relevant persons shall promptly be informed of the action taken pursuant to Exchange Rule 3.12.1, the reasons, and the effective date, time and duration of the access denial. If a Member wishes to have its access to the Exchange and/or the Globex Platform restored before the end of the stated period, it may request in writing the Exchange to refer the matter to a Disciplinary Panel. The Disciplinary Panel will hear the matter in accordance with Exchange Rules 8.4.10 to 8.4.17. In addition to the sanctions available to the Disciplinary Panel pursuant to Exchange Rule 8.4.14, the Disciplinary Panel shall have the right to cancel, shorten or extend the period for which the Member is denied access to the Exchange and/or the Globex Platform. The Member shall cooperate with the Exchange as set out in Exchange Rule 8.2.2 and the appeal process set out in Exchange Rule 8.5 shall also apply.
- 3.12.3 If a Customer wishes to have its access to the Exchange and/or the Globex Platform restored before the end of the stated period, it may request the Exchange to refer the matter to a Disciplinary Panel as if it were a Member seeking to have its access restored in accordance with Exchange Rule 3.12.2.

### **3.13 Emergency actions**

- 3.13.1 The Chief Executive Officer or Chief Regulatory and Surveillance Officer of the Exchange or any of their delegates is authorised to determine whether an emergency exists and whether emergency action is warranted. The following events and/or conditions may constitute emergencies:
- (a) any actual, attempted or threatened behaviour contrary to Exchange Rule 3.11 or Exchange Rule 6.11;
  - (b) any action taken by any government or government body or any Regulatory Authority or any other exchange or clearing house which may have a direct impact on trading on the Exchange;
  - (c) the occurrence of an actual or threatened Insolvency Event in respect of a Member or the imposition of any injunction or other restraint by a Regulatory Authority or a Member which may affect the ability of that Member to perform

any obligations it may have under any Transactions, Contracts or Back-Off Transactions;

- (d) any circumstance in which it appears that a Member or any other person has failed to perform any obligations it may have under any Transactions, Contracts or Back-Off Transactions or the Member or such person is in such financial or operational condition or is conducting business in such a manner that the Member or such person cannot be permitted to continue in business without jeopardizing the safety of Members or the Exchange;
- (e) Force majeure, which shall mean any circumstances (including but not limited to a strike, lockout, national emergency, governmental action, or act of God) which is beyond the control of the buyer or seller, and which prevents the buyer or seller from making or taking delivery or effecting payment when and as provided for in the Exchange Rules (each of which is a **Force Majeure Event**);
- (f) any other circumstance which may have a severe or adverse effect on the functioning of the Exchange.

3.13.2 In the event that the Chief Executive Officer or the Chief Regulatory and Surveillance Officer of the Exchange or any of their delegates determines pursuant to Exchange Rule 3.13.1 that an emergency exists, such person may take any of the following actions or any other action that may be appropriate to respond to the emergency:

- (a) terminate trading;
- (b) limit or deny access to the Exchange or the Globex Platform;
- (c) limit trading to liquidation of Transactions, Contracts or Back-Off Transactions only;
- (d) impose or modify position limits and/or order liquidation of all or a portion of a Member's or Customer's account;
- (e) order liquidation of positions as to which the holder is unable or unwilling to make or take delivery;
- (f) confine trading to a specific price range;
- (g) modify price limits;
- (h) modify the Trading Sessions;
- (i) modify conditions of delivery;

- (j) establish the Settlement Price and/or the final settlement price of any Transactions, Contracts or Back-Off Transactions;
- (k) amend any Contract Specifications;
- (l) order any other action to address or relieve the emergency.

3.13.3 The Exchange shall notify the FCA of any actions taken pursuant to this Exchange Rule 3.13.

### **3.14 Termination of membership**

3.14.1 A Member shall give notice of its intention to terminate its membership of the Exchange by providing the Exchange with notice in writing. The termination will not be effective until thirty (30) Business Days from the date of the notice. For the avoidance of doubt, if a Clearing Member ceases to be a Clearing Member in accordance with the Clearing House Rules, such Member will cease to be a Clearing Member under the Exchange Rules. In such circumstances, the Exchange shall deem the Member to be a Non-Clearing Member provided that the Membership Criteria in Exchange Rule 3.2 continue to be met. If the Membership Criteria in Exchange Rule 3.2 are not met when the Member ceases to be a Clearing Member of the Clearing House, the Exchange shall, in its sole discretion, terminate the Member's membership of the Exchange with immediate effect.

3.14.2 Subject to Exchange Rule 8.4.14, the Exchange may terminate the membership of any Member by providing the Member with not less than thirty (30) Business Days notice in writing.

3.14.3 Following termination of a Member's membership, the Member shall:

- (a) remain subject to the Exchange's jurisdiction as set out in Chapter 7 until any actions arising as a result of a Declaration of Default having been issued to the Member have been completed;
- (b) remain subject to the Exchange's jurisdiction as set out in Chapter 8 with respect to matters that occurred prior to termination provided that the Exchange gives written notice of the commencement of an inquiry into such matters to the former Member within one (1) year of termination; and
- (c) promptly discharge any of its remaining obligations under the Exchange Rules and take such other actions as the Exchange deems necessary or appropriate for this purpose.

### **3.15 Suspension**

- 3.15.1 A Member which is suspended under Chapter 8 may not submit Orders but shall continue to comply with the Exchange Rules and take such actions or cease to take such actions as the Exchange deems necessary or appropriate.

**CHAPTER 4**  
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## CHAPTER 5

### FORMATION OF TRANSACTIONS AND CONTRACTS

#### 5.1 Formation of Transactions

5.1.1 When one Order is matched with another Order on the Globex Platform, a Transaction is created between the Clearing Member which submitted one of the Orders or which is responsible for the relevant Order pursuant to Exchange Rule 3.2.1(g) and the Clearing Member which submitted the other Order or which is responsible for the relevant Order pursuant to Exchange Rule 3.2.1(g).

5.1.2 Subject to this Exchange Rule 5.1.2, each Transaction is immediately deemed to be discharged by novation to the Clearing House so that two Contracts are formed on identical terms to the Transactions and:

- (a) the Clearing House shall assume, for one Contract, the position of seller to the buyer and, for the other Contract, the position of buyer to the seller, in each case in respect of the Transaction;
- (b) the Clearing House shall have all the rights and be subject to all the liabilities of each Clearing Member which was, or was deemed to be, party to the Transaction with respect to such Contract; and
- (c) each Clearing Member which has, or is deemed to have, any rights or obligations under the Transaction shall be released and discharged from all such rights and liabilities,

If a Transaction relates to a Contract Specification which is not capable of being accepted for clearing by the Clearing House it shall not be novated. If the Transaction is not novated, it shall be unwound by the Clearing Members concerned.

5.1.3 Where a Transaction is entered into by a Clearing Member on behalf of a Non-Clearing Member, immediately on the creation of the Contract, a Back-Off Transaction shall be formed between that Clearing Member and that Non-Clearing Member, the terms of which shall be identical to those of the Contract save that the Clearing Member shall assume the obligations of the Clearing House and the Non-Clearing Member shall assume the obligations of the Clearing Member.

5.1.4 For Transactions made pursuant to Exchange Rules 6.14 and 6.15, the Contract is formed on the basis set out in the Clearing House Rules and any Back-Off Transaction is formed at the time at which the Contract becomes unconditional in accordance with such rules. If the novation of the Transaction to the Clearing House does not become

unconditional in accordance with the Clearing House Rules, the Transaction shall be unwound by the Members concerned.

## **5.2 Transactions**

- 5.2.1 Transactions may only be entered into by Clearing Members.
- 5.2.2 Each Clearing Member shall be party to and liable as principal in respect of each Transaction it enters into regardless of whether it is acting on its own behalf or on behalf of a Non-Clearing Member or a Customer.
- 5.2.3 Each Clearing Member shall be party to and liable as principal in respect of each Back-Off Transaction it enters into.
- 5.2.4 Each Non-Clearing Member shall be party to and liable as principal in respect of each Back-Off Transaction it enters into regardless of whether it is acting on its own behalf or on behalf of a Customer.
- 5.2.5 The Exchange has no contractual relationship with Customers under the Exchange Rules and Customers do not have any of the rights or benefits of a Member.
- 5.2.6 The validity of a Transaction is determined pursuant to the Exchange Rules. Each Transaction is subject to the Exchange Rules.

## **5.3 Contracts**

- 5.3.1 The validity of a Contract is determined pursuant to these Exchange Rules and the Clearing House Rules. Each Contract is subject to the Exchange Rules and the Clearing House Rules as applicable.

## **5.4 Transactions on behalf of Customers**

- 5.4.1 Where a Clearing Member enters into a Transaction on behalf of a Customer or a Non-Clearing Member enters into a Back-Off Transaction on behalf of a Customer, if the Member is buying from the Customer, it will be selling under the Transaction (if it is a Clearing Member) or the Back-Off Transaction (if it is a Non-Clearing Member) and if the Member is selling to the Customer, it will be buying under the Transaction (if it is a Clearing Member) or the Back-Off Transaction (if it is a Non-Clearing Member). For the avoidance of doubt, a contract between a Clearing Member and a Customer, or between a Non-Clearing Member and a Customer are not Market Contracts.
- 5.4.2 A Member must not represent to a Customer that it has entered into a CME Europe Exchange Limited transaction (in whatever terms) for a Customer unless a Transaction is entered into in respect of the relevant contract with the Customer.

## **CHAPTER 6**

### **TRADING**

#### **6.1 General**

- 6.1.1 Transactions shall be executed on the Exchange in accordance with this Chapter 6 and the Trading Procedure.
- 6.1.2 Transactions may be executed on the Exchange in any Product. The Exchange will only allow a Product to be traded if it believes the Product will satisfy the requirements of paragraph 7A(2) and (3) Financial Services and Markets Act 2000 (Recognition Requirements for Investment Exchanges and Clearing Houses) Regulations 2001.
- 6.1.3 The Exchange shall not exercise its power to suspend or remove from trading any financial instrument which no longer complies with the Exchange Rules where such an action would be likely to cause significant damage to the interests of Members or Customers or the orderly functioning of the Exchange.
- 6.1.4 The Exchange shall determine the Trading Session for each Product and set them out on the Website.
- 6.1.5 The Exchange may impose minimum and maximum price fluctuations in respect of any Product. Such limits are set out in the Contract Specifications.
- 6.1.6 The Exchange may impose trading parameters in respect of any Product as set out in the Trading Procedure.

#### **6.2 Globex opening and closing**

- 6.2.1 Prior to the opening of each Trading Session, the Globex Platform will provide an indicative opening price or prices for each Product, based on the Globex equilibrium price algorithm described in the Trading Procedure and on all pending Orders that may be executed on the opening. During the 30-second period prior to the opening, no previously entered Orders may be modified or cancelled, although new Orders may be entered.
- 6.2.2 The Exchange shall implement such procedures as it deems appropriate for determination of the Settlement Price and which are set out in the Trading Procedure.

#### **6.3 Globex access restrictions**

6.3.1 All connections to the Globex Platform, including direct connections of Non-Clearing Members, must be guaranteed by a Clearing Member that assumes full responsibility for all activity through the connection including the performance of all obligations under Transactions, Contracts and Back-Off Transactions formed pursuant to such activity.

#### **6.4 Give ups**

6.4.1 A Clearing Member may give up a Contract to another Clearing Member in accordance with the Clearing House Rules, in which case, the guarantee referred to in Rule 6.3.1 is effective only until such time that the other Clearing Member accepts the Contract.

#### **6.5 Identification of Globex Operators**

6.5.1 Each individual using the Globex Platform (a **Globex Operator**) must use a unique User ID to access it. If User IDs are required to be registered with the Exchange, the Clearing Member shall ensure that each such registration is current and accurate at all times. In no event may a person enter an Order or permit the entry of an Order by an individual using a User ID other than the individual's own User ID.

6.5.2 Any individual who submits Orders to the Exchange must have all necessary authorisations, licences, permissions, approvals or equivalent required by any relevant Regulatory Authority.

#### **6.6 GCC**

##### ***Customer Support***

6.6.1 GCC provides Globex customer support and problem management to Representatives of Members and Customers designated by Clearing Members that have registered with GCC (**Registered Contacts**). GCC may not always be available to assist Registered Contacts. The telephone number through and hours during which GCC is available are on the Website. Persons other than Registered Contacts must contact their Clearing Members to make support requests.

##### ***Order Status***

6.6.2 A Member who has submitted an Order or executed a Transaction shall promptly advise GCC in the event that information relating to such Order or Transaction is not displayed or is displayed incorrectly.

6.6.3 In addition to the obligation set out in Exchange Rule 6.6.2, a person who believes he has received an incorrect Order status or does not receive an appropriate Order status shall immediately notify GCC or a Registered Contact who will do so on its behalf. Additionally, such person shall take any necessary and appropriate market action to

mitigate any potential losses arising from the incorrect Order status or lack of appropriate Order status immediately after the person knew or should have known that the Order status information was incorrect or should have been received.

## **6.7 Globex Transaction matching algorithms**

The Globex Platform may employ one or more of several predefined sets of matching algorithms to match Bids and Offers on the Exchange. Information on the operation of each of the matching algorithms is available on the Website.

## **6.8 Customers**

### ***Priority of Orders***

- 6.8.1 A person shall exercise due diligence in the handling and execution of Customer Orders.
- 6.8.2 A person submitting non-discretionary Customer Orders as well as Orders for its own account (**House Orders**) shall always give priority to the Customer Orders. This Exchange Rule does not require a Member with a House Order which is already entered in the Globex Platform when a Customer Order is received to give precedence to that Customer Order.
- 6.8.3 Non-discretionary Customer Orders received by a Globex Operator shall be entered into the Globex Platform in the sequence received. Non-discretionary Orders that cannot be immediately entered into the Globex Platform must be entered when the Orders become executable in the sequence in which the Orders were received.

### ***Trading against a Customer***

- 6.8.4 A person may not knowingly trade against a Customer Order, an account in which it or any of its Representatives has a direct or indirect financial interest or an account over which it has discretionary trading authority unless the Customer Order has been entered immediately upon receipt and has first been exposed on the Globex Platform for a minimum of 5 seconds in the case of futures Orders or for a minimum of 15 seconds in the case of options Orders.

## **6.9 Disclosing, withholding and withdrawing Orders**

- 6.9.1 No person shall disclose another person's Order except to the Exchange or a Regulatory Authority, and no person shall solicit or induce another person to disclose Order information. No person shall take action or direct another to take action based on non-public Order information, however acquired.

6.9.2 Any person entering Orders on the Globex Platform shall not withhold or withdraw from the market any Order or any part of any Order for the benefit of any person.

#### **6.10 Pre-execution communications**

6.10.1 Subject to Exchange Rule 3.11 and Exchange Rule 6.11, persons may engage in pre-execution communications with regard to Transactions and Back-Off Transactions executed on the Globex Platform where one party which initiates the pre-execution communication (the first party) wishes to be assured that a contra party (the second party) will take the opposite side of the Order under the following circumstances:

- (a) A person may not engage in pre-execution communications with other market participants on behalf of another person unless the person for whose benefit the Transaction or Back-Off Transaction is being made has previously consented to permit such communications.
- (b) Parties to pre-execution communications shall not (i) disclose to a non-party the details of such communications or (ii) enter an Order to take advantage of information conveyed during such communications except in accordance with this Exchange Rule.
- (c) In the case of futures Orders, the first party's Order must be entered into the Globex Platform first and the second party's Order may not be entered into the Globex Platform until a period of 5 seconds has elapsed from the time of entry of the first Order.
- (d) In the case of options Orders, subsequent to the pre-execution communication, a Request for Quote (**RFQ**) for the particular option or option spread or combination must be entered into the Globex Platform. Thereafter, a Request for Cross (**RFC**) Order which contains both the buy and the sell Orders must be entered into the Globex Platform no less than fifteen (15) seconds and no more than thirty (30) seconds after the entry of the RFQ in order to proceed with the Transaction or Back-Off Transaction, except in equity options where the RFC Order must be entered no less than five (5) seconds and no more than thirty (30) seconds after the entry of the RFQ. The RFQ and the RFC Order must be entered within the same Trading Session. Failure to enter the RFC Order within 30 seconds after the entry of the RFQ will require a new RFQ to be entered prior to the entry of the RFC Order, which must be entered in accordance with the time parameters described above in order to proceed with the Transaction or Back-Off Transaction.
- (e) An RFC cannot be used to cross futures Orders.

### ***Guaranteeing execution of Transactions***

6.10.2 A Member is prohibited from directly or indirectly guaranteeing the execution of an Order or any of its terms such as the quantity or price. A Member may only report an execution that has been effected through the Globex Platform or has been executed as a permissible privately negotiated Transaction in accordance with Exchange Rule 6.11.2(e). This Exchange Rule shall not be construed to prevent a Member from assuming or sharing in the losses resulting from an error or the mishandling of an Order.

### **6.11 Prohibited practices**

6.11.1 A person shall not engage in any of the behaviour set out in Exchange Rule 3.11.

6.11.2 Notwithstanding the generality of, and without prejudice to, Exchange Rule 6.11.1 a Member shall not engage in the following practices or behaviour:

- (a) Reporting or publication of false information about Orders or Transactions;
- (b) Transactions or Back-Off Transactions in which a party is improperly indemnified against losses;
- (c) Orders and Transactions which create a false appearance of trading activity or are intended to do so as further detailed in Exchange Rule 6.12 and the Trading Procedure;
- (d) Cross trades executed otherwise than in accordance with Exchange Rule 6.13.
- (e) Prearranging or pre-negotiating a Transaction made or intended to be made on the Exchange, except a Transaction made or to be made under Exchange Rule 6.10 or Exchange Rule 6.15;
- (f) knowingly, or having reason to know, entering into a Transaction or Back-Off Transaction in an attempt to conceal a potential or actual trading abuse by the Member or another person;
- (g) entering into a Transaction or Back-Off Transaction which the Member or the other party does not intend to close out or settle;
- (h) assigning a Transaction or Back-Off Transaction due to a Customer to another account;
- (i) executing one or more Transactions the principal rationale of which is to effect a monetary transfer between accounts in a concealed manner without creating or eliminating open interest or for no legitimate purpose; and

- (j) disorderly trading.

## **6.12 Wash trades**

Without prejudice to the generality of Exchange Rule 6.11.2(c), no person shall place or accept buy and sell Orders in the same Product and Contract Month, or, for 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. Buy and sell Orders for different accounts with common beneficial ownership that are entered with the intent to negate market risk or price competition shall also be deemed to violate the prohibition in Exchange Rule 6.11.2(c). Additionally, no person shall knowingly execute or accommodate the execution of such Orders by direct or indirect means.

## **6.13 Cross trades**

Opposite Orders for different beneficial owners that are simultaneously placed by a person with discretion over both accounts may be entered into the Globex Platform provided that one Order is exposed for a minimum of 5 seconds in the case of futures Orders or a minimum of 15 seconds in the case of options Orders before the other is entered. An Order allowing for price and/or time discretion, if not entered immediately upon receipt, may be knowingly entered opposite another Order entered by the same firm only if this other Order has been entered immediately upon receipt and has been exposed on the Globex Platform for a minimum of 5 seconds for futures Orders or a minimum of 15 seconds for options Orders.

## **6.14 Block trades**

- 6.14.1 The Exchange shall, in the Trading Procedure, designate the Products in which block trades shall be permitted and determine the minimum quantity thresholds for such Transactions.
- 6.14.2 A block trade must be for a quantity that is at or in excess of the applicable minimum threshold. Orders may not be aggregated in order to achieve the minimum Transaction size.
- 6.14.3 A Member shall not execute any Order by means of a block trade for a Customer unless such Customer has specified that the Order be executed as a block trade. During subsequent negotiation of the Order, it must be made clear to any potential counterparties that the price being quoted is a block trade price. A Member must not disclose the identity of the party to a block trade order to potential counterparties unless the Member has previously received that party's permission to do so.

- 6.14.4 The price at which a block trade is executed must be fair and reasonable in light of
- (a) the size of the block trade;
  - (b) the prices and sizes of other Transactions in the same Product at the relevant time;
  - (c) the prices and sizes of Transactions in other relevant markets including the underlying cash market or related futures markets at the relevant time; and
  - (d) the circumstances of the markets or the parties to the block trade.
- 6.14.5 Block trades shall not set off conditional Orders or otherwise affect Orders ordinarily submitted to the Globex Platform.
- 6.14.6 The seller or a third party authorised by the seller to act on its behalf (i.e. broker, the buyer, Clearing Member) must ensure that each block trade is reported within the time frame set out in Annex 1 of the Trading Procedure. The report must include the Product, contract month, price, quantity of the Transaction, the respective Clearing Members, the time of execution, and, for options, strike price, put or call and Contract Month. The Exchange shall promptly publish such information separately from the reports of Transactions submitted to the Globex Platform.
- 6.14.7 Block trades must be submitted to the Clearing House for clearing as set out in the Trading Procedure.
- 6.14.8 Members involved in the execution of block trades must maintain a record of the Transaction in accordance with Exchange Rule 6.21. The time of execution of the block trade must also be recorded.

## **6.15 Exchange for related positions**

- 6.15.1 The following Transactions may be permitted by arrangement between the parties in accordance with the requirements of this Exchange Rule 6.15 and the Trading Procedure:
- (a) Exchange for Physical (**EFPP**) – A privately negotiated and simultaneous exchange of a futures Transaction for a corresponding cash position.
  - (b) Exchange for Risk (**EFR**) – A privately negotiated and simultaneous exchange of a futures Transaction for a corresponding OTC swap or other OTC instrument.

- (c) Exchange of Options for Options (**EOO**) – A privately negotiated and simultaneous exchange of an option Transaction for a corresponding OTC option position or other OTC instrument with similar characteristics.

6.15.2 For the purposes of this Exchange Rule, an EFP, EFR or EOO shall be referred to as an **Exchange for Related Position** or **EFRP**.

***Nature of an EFRP***

6.15.3 An EFRP consists of two discrete but related simultaneous transactions. One party to the EFRP must be the buyer of (or the holder of the long market exposure associated with) the related position and the seller of the corresponding Transaction. The other party to the EFRP must be the seller of (or the holder of the short market exposure associated with) the related position and the buyer of the corresponding Transaction.

6.15.4 However, a Member may facilitate, as principal, the related position on behalf of a Customer, provided that the Member can demonstrate that the related position was passed through to the Customer who received the Transaction as part of the EFRP.

***Related Positions***

6.15.5 The related position (cash, OTC swap, OTC option, or other OTC derivative) must involve the commodity underlying the Transaction, or must be a derivative, by-product, or related product of such commodity that has a reasonable degree of price correlation to the commodity underlying the Transaction.

***Quantity***

6.15.6 The quantity covered by the related position must be approximately equivalent to the quantity covered by the Transaction.

***Prices and Price Fluctuations***

6.15.7 An EFRP transaction may be entered into in accordance with the applicable price fluctuations or option premium fluctuations set out in the Contract Specification governing the relevant Product, at such prices as are mutually agreed upon by the two parties to the EFRP transaction.

***Date and Time of EFRP transaction***

6.15.8 The date and the time of execution of all EFRP transactions must be denoted on the record of the Transaction required to be created pursuant to Exchange Rule 6.21. Notwithstanding the preceding sentence, EFRP transactions entered into ClearPort do not need a separate record of the transaction or time of execution provided that such

transactions are entered immediately after the relevant terms have been determined, but in no event later than the earlier of the time at which ClearPort next becomes available or the end of the permissible posting period as set out in the Trading Procedure for EFRP transactions following the expiration of the Contract Month.

***Identification and submission to the Clearing House***

- 6.15.9 Each EFRP transaction shall be designated as such and shall be cleared through the Clearing House. Each such transaction shall be submitted to the Clearing House within the time period and in the manner specified in the Trading Procedure. Clearing Members are responsible for exercising due diligence as to the bona fide nature of EFRP transactions submitted on behalf of Non-Clearing Members and Customers.

***Documentation***

- 6.15.10 Parties to any EFRP transaction must maintain all documents relevant to the Transaction and the cash, OTC swap, OTC option, or other OTC derivative, including all documents customarily generated in accordance with relevant market practices and any documents reflecting payment and transfer of title. Any such documents must be provided to the Exchange upon request, and it shall be the responsibility of the Clearing Member to provide such requested documentation on a timely basis.

***Account Requirements***

- 6.15.11 The accounts of the parties involved in the execution of an EFRP transaction must be:
- (a) independently controlled accounts with different beneficial ownership; or
  - (b) independently controlled accounts of separate legal entities with the same beneficial ownership, provided that the account controllers operate in separate business units; or
  - (c) independently controlled accounts within the same legal entity, provided that the account controllers operate in separate business units.

For EFRPs between accounts with common beneficial ownership, the parties to the trade must be able to demonstrate the independent control of the accounts and that the transaction had economic substance for each party to the trade.

- 6.15.12 However, on or after the first day on which delivery notices can be tendered in a physically delivered futures Contract, an EFRP transaction may not be executed for the purpose of offsetting concurrent long and short positions in the expiring Contract Month when the accounts involved in such EFRP transaction are owned by the same legal

entity and when the date of the futures Contract being offset is not the same as the date of the offsetting transaction.

#### **6.16 Position limits**

6.16.1 The Exchange may, at any time, impose a limit on the size of a position in any particular Product which a person may hold. Any such position limits and their application in terms of aggregation, exemptions and the consequences of violations will be set out in the Trading Procedure.

6.16.2 Exemptions may be available for:

- (a) position limits for bona fide hedge positions;
- (b) position limits for risk management; and
- (c) position limits for arbitrage, intracommodity spread, intercommodity spread, and eligible option/option or option/futures spread positions.

6.16.3 Any positions in excess of any limits imposed by the Exchange from time to time shall be deemed position limit violations. Additionally, any person making a Bid or Offer that would, if accepted, cause such person to exceed the applicable position limits shall be in violation of this Exchange Rule.

#### **6.17 Position accountability**

6.17.1 The Exchange may, at any time, require a person who owns or controls positions in Products traded on or cleared by the Exchange to provide information relating to such person's positions as set out in the Procedures. For the purposes of this Exchange Rule, all positions in accounts for which a person directly or indirectly holds positions or controls trading shall be included with the positions held by such person. Additionally, positions held by two or more persons acting pursuant to an express or implied agreement or understanding shall be treated the same as if the positions were held by a single person.

6.17.2 Upon request by the Exchange, such person shall provide information relating to the positions owned or controlled by that person including, but not limited to, the nature and size of the position, the trading strategy employed with respect to the position, and hedging information, if applicable. If the person from whom such information is requested fails to provide the information as directed, the Exchange may order the reduction of such position.

6.17.3 A person who exceeds position accountability or position limit levels as a result of maintaining positions at more than one Clearing Member shall be deemed to have

waived confidentiality regarding his position and the identity of the Clearing Members at which the positions are maintained.

- 6.17.4 A person who holds or controls aggregate positions in excess of specified position accountability levels or in excess of position limits pursuant to an approved exemption shall be deemed to have consented, when so ordered by the Exchange, not to further increase the positions, to comply with any prospective limit which exceeds the size of the position owned or controlled, or to reduce any open position which exceeds position accountability or position limit levels. Any order to reduce an open position shall be issued by the Chief Regulatory and Surveillance Officer of the Exchange or his delegate, if he determines in his sole discretion, that such action is necessary to maintain an orderly market.
- 6.17.5 A Clearing Member that carries positions for another person shall be responsible for taking reasonable and diligent actions to effect the timely compliance with any order issued pursuant to this Exchange Rule 6.17 upon notification of such order by the Exchange. All positions must be initiated and liquidated in an orderly manner.

**6.18 *Intentionally blank***

**6.19 Phantom Orders**

***Definition***

- 6.19.1 A Phantom Order is an Order:
- (a) that was not authorized by any person but was caused by a failure, malfunction or negligent operation of the Globex Platform or any other Exchange system, service or facility; or
  - (b) whose terms (contract, Contract Month, quantity, price or direction) were changed without authorisation of the person placing the Order solely as a result of a failure, malfunction, or negligent operation of the Globex Platform or any other Exchange system, service or facility.

***Permissible Responses***

- 6.19.2 If the Exchange has reason to believe that Phantom Orders have been or are being entered into and/or executed on any Exchange system, service or facility, the Exchange may take appropriate action with respect to any affected Product, including without limitation, closing the market in such Product, deleting Bids and Offers, and/or suspending new Bids and Offers.

- 6.19.3 The Exchange shall promptly notify by Notice on the Website and by email to Members that all Transactions that were directly or indirectly caused by the execution of Phantom Orders and were executed at prices outside of the Non-Reviewable Trading Range, as determined in accordance with Exchange Rule 6.20, shall be voided. The Exchange shall have no liability or responsibility to the parties to any Transactions that are voided pursuant to this Exchange Rule 6.19.3.
- 6.19.4 The Exchange shall also be empowered to void Transactions that were directly or indirectly caused by the execution of Phantom Orders and were executed at prices within the Non-Reviewable Trading Range if the Exchange concludes that such Transactions impair the integrity of the market. The Exchange's liability for voiding transactions within the Non-Reviewable Trading Range is limited as provided in Exchange Rule 2.4.10.
- 6.19.5 If Transactions arising from a Phantom Order are not voided in accordance with Exchange Rules 6.19.3 or 6.19.4, the Exchange shall promptly direct the Member carrying such positions to liquidate them in a commercially reasonable manner. Such Member shall liquidate within 30 minutes of such notification or within 30 minutes of the time it knew or should have known that it had been assigned Transactions resulting from Phantom Orders, whichever is sooner.

## **6.20 Transaction cancellations and price adjustments**

### ***GCC authority regarding cancellations and price adjustments***

- 6.20.1 GCC has the authority to adjust prices or cancel Transactions and Contracts when such action is necessary to mitigate market disrupting events caused by the improper or erroneous use of the Globex Platform or by system defects. Notwithstanding any other provisions of this Exchange Rule, GCC may adjust prices or cancel any Transaction or Contract if GCC determines that allowing the Transaction and/or Contract to stand as executed may have a material, adverse effect on the integrity of the market. All decisions of GCC shall be final.

### ***Review of Transactions and Contracts***

- 6.20.2 GCC may determine to review a Transaction or Contract based on its independent analysis of market activity or upon a request for review by any person. A request for review must be made in accordance with the Trading Procedure within eight (8) minutes of the execution of the Transaction or Contract.
- 6.20.3 GCC shall determine whether or not a Transaction or Contract will be subject to review. In the absence of a timely request for review, during volatile market conditions, upon the release of significant news, or in any other circumstance in which GCC deems it to be

appropriate, GCC may determine, in its sole discretion, that a Transaction or Contract shall not be subject to review.

- 6.20.4 Upon deciding to review a Transaction or Contract, GCC will promptly issue an alert indicating that the Transaction or Contract is under review.

***Price adjustments and cancellations***

- 6.20.5 Upon making a determination that a Transaction or Contract will be subject to review, GCC will first determine whether the price is within the Non-Reviewable Trading Range for futures or within the Bid/Offer Reasonability Allowance for options. The Bid/Offer Reasonability Allowance for an option is the maximum width of the Bid/Offer range which will be considered reasonable for use in applying the parameters necessary to establish the Non-Reviewable Trading Range for the option. In applying the Non-Reviewable Trading Range, GCC shall determine the fair value market price for that Product at the time the Transaction or Contract under review occurred.

- 6.20.6 GCC may consider any relevant information, including, but not limited to, the last price in the Product or a better Bid or Offer price on the Globex Platform, a more recent price in a different Contract Month, the price of the same or related Products established in another venue or another market, the market conditions at the time of the Transaction or Contract, the theoretical value of an option based on the most recent implied volatility and responses to a Request for Quote (RFQ).

- (a) Price inside the Non-Reviewable Trading Range

If GCC determines that the price of the Transaction or Contract is inside the Non-Reviewable Trading Range, GCC will issue an alert indicating that the Transaction or Contract shall stand.

- (b) Price outside the Non-Reviewable Trading Range

- a) Futures Product

If GCC determines that a price is outside the Non-Reviewable Trading Range for a futures Product (including futures spreads), the price shall be adjusted to a price that equals the fair value market price for that Product at the time the Transaction or Contract under review occurred, plus or minus the Non-Reviewable Trading Range. In the event there are multiple parties, prices and/or Products involved in the Transactions or Contracts at issue, GCC has the authority, but not the obligation, to cancel rather than price adjust such Transactions or Contracts. GCC will issue an alert regarding its decision.

b) Option Products

If GCC determines that a price is outside the applicable Non-Reviewable Trading Range for an option Product, the price shall be adjusted. In the case of a buy (sell) error, the price will be adjusted to the determined Offer (Bid) price set forth in the Bid/Offer Reasonability Allowance plus (minus) the Non-Reviewable Trading Range. In the event there are multiple parties, prices and/or Products involved in the Transactions or Contracts at issue, GCC has the authority, but not the obligation, to cancel rather than price adjust such Transactions or Contracts. GCC will issue an alert regarding its decision.

6.20.7 Cancelled prices and any prices that have been adjusted shall be cancelled in the Exchange's official record of time and sales. Transactions or Contracts that are price adjusted shall be inserted in the time and sales record at the adjusted price.

***Alternative resolution by agreement of parties***

6.20.8 With the approval of GCC, parties to a Transaction or Contract that is price adjusted may instead mutually agree to cancel the Transaction or Contract. With the approval of GCC, parties to a Transaction or Contract that is cancelled may instead mutually agree to price adjust the Transaction or Contract to a price consistent with the adjustment provisions of Exchange Rule 6.20.5.

6.20.9 Parties to a Transaction or Contract that is cancelled or price adjusted may mutually agree to a cash adjustment provided that such adjustments are reported to GCC and the parties maintain a record of the adjustment.

6.20.10 An executed Transaction or Contract may not be reversed via transfer except where such Transaction or Contract is determined by GCC to be outside of the Non-Reviewable Trading Range but not reported timely, subject to agreement of the parties and approval of GCC. Any such transfer must occur at the original trade price and quantity; however the parties may mutually agree to a cash adjustment.

6.20.11 A Transaction or Contract that is not cancelled may not be reversed via a prearranged offsetting Transaction unless such Transactions are permitted and effected in accordance with Exchange Rule 6.10.1.

***Liability for losses resulting from price adjustments or cancellations***

6.20.12 A party entering an Order that results in a price adjustment or Transaction or Contract cancellation shall be responsible for demonstrated claims of realised losses incurred by persons whose trade prices were adjusted or cancelled provided, however, that a

claimant shall not be entitled to compensation for losses incurred as a result of the claimant's failure to take reasonable actions to mitigate the loss.

6.20.13 A claim for a loss pursuant to this section must be submitted to the Exchange on a claim form within five (5) Business Days of the event giving rise to the claim. The Exchange shall reject any claim that is not filed in a timely manner or is not permitted by this Exchange Rule and such decisions shall be final. Eligible claims shall be forwarded by the Exchange to the party responsible for the Order(s) that resulted in a Transaction or Contract cancellation or a price adjustment and to the Clearing Member through which the Transaction was placed. Such party, or the Clearing Member on behalf of the party, shall, within ten (10) Business Days of receipt of the claim, admit or deny responsibility in whole or in part. Failure to respond to the claim within ten (10) Business Days shall be considered a denial of liability.

6.20.14 To the extent that liability is admitted, payment shall be made within ten (10) Business Days. Unless otherwise agreed upon in writing by the parties, failure to make the payment within ten (10) Business Days shall be considered a denial of liability for purposes of this Exchange Rule. A copy of any such written agreement must be provided to the Exchange.

6.20.15 To the extent that liability is denied, the party making the claim may submit the claim to arbitration. Such claims must be submitted to the Exchange within ten (10) Business Days of the date the party was issued notification that liability was denied.

***Schedule of administrative fees***

6.20.16 When GCC cancels or price adjusts a Transaction or Contract, the party responsible for entering the order into the Globex Platform that gave rise to the Transaction or Contract cancellation or price adjustment shall pay an administrative fee to the Exchange as set out on the Website. If the party is not a Clearing Member and fails to pay the fee, the Clearing Member through which the Transaction or Contract was placed shall be responsible for payment of the fee.

**6.21 Record keeping**

***General requirements for Globex Operators***

6.21.1 Each Globex Operator entering Orders into the Globex Platform shall input for each Order:

- (a) the User ID assigned to him by the Exchange, a Clearing Member or other authorised entity; and

- (b) the price, quantity, product, Contract Month, CTI code and account number and, for options, put or call and strike price.

For a Globex Operator with access pursuant to Exchange Rule 6.3, Clearing Members authorising such access will be responsible for the Globex Operator's compliance with this Exchange Rule.

With respect to Orders received by a Globex Operator which are capable of being immediately entered into the Globex Platform, no record other than that set out in Exchange Rule 6.21.1 need be made. However, if a Globex Operator receives an Order which cannot be immediately entered into the Globex Platform, the Globex Operator must prepare a written Order and include the account designation, date, time of receipt and the account for which the Order was placed. The Order must be entered into the Globex Platform when it becomes executable.

***General requirements for block trades and EFRPs***

- 6.21.2 The parties to a block trade or an EFRP must maintain all records relevant to the transactions for a minimum period of five (5) years. In addition, the parties to an EFRP must maintain records of the related position transaction, including order tickets, records customarily generated in accordance with relevant market practices, records reflecting payments between the parties and, where appropriate, transfer of title, as well as any other records required to be kept pursuant to Exchange Rule 6.21.1.
- 6.21.3 Records related to block trades and EFRPs must be provided to the Exchange upon request. It shall be the responsibility of the Clearing Member to obtain and submit the requested records of their Non-Clearing Members and/or Customers to the Exchange on a timely basis.
- 6.21.4 A third party that facilitates block trades and EFRPs must maintain all records corresponding to their facilitation of the block trade or EFRP.

***Electronic audit trail requirements for electronic order routing/front-end systems***

- 6.21.5 Clearing Members guaranteeing a connection to the Globex Platform are responsible for maintaining or causing to be maintained the order routing/front-end audit trail for all electronic orders, including Order entry, modification, cancellation and responses to such messages (referred to as the "electronic audit trail"), entered into the Globex Platform through the CME iLink gateway. This electronic audit trail must be maintained for a minimum of five (5) years, and Clearing Members must have the ability to produce this data in a standard format upon the request of the Exchange.

6.21.6 This electronic audit trail must contain all Order receipt, Order entry, Order modification, and response receipt times to the highest level of precision achievable by the operating system, but at least to the hundredth of a second. The times captured must not be able to be modified by the person entering the Order. The data must also contain all Fix Tag information and fields which should include the following:

- (a) A record of all fields relating to Order entry, including Transaction date, Product, Exchange code, Contract Month, quantity, Order type, Order qualifier, price, buy/sell indicator, stop/trigger price, Order number, unique Transaction number, account number, session ID, User ID, host Order number, trader Order number, Clearing Member, type of action, action status code, Customer type indicator, origin, and timestamps.
- (b) For executed Orders the audit trail must record the execution time of the Transaction along with all fill information.

## **6.22 Customer Type Indicator (CTI) Codes**

6.22.1 Each Member must identify each Transaction executed on Globex on the record of Transactions submitted to the Exchange with the correct customer type indicator (CTI) code. The CTI codes are as follows:

- (a) CTI 2: Orders entered or Transactions executed for the Member's own account.
- (b) CTI 4: Orders entered and Transactions executed that are not included in CTI category 2.

## **6.23 Average prices**

6.23.1 The Clearing House's average price system or an average price system developed by a Clearing Member, allows a Clearing Member to confirm to Customers an average price when multiple execution prices are received on an Order or series of Orders for futures, options or combination Orders. Further information is set out in the Trading Procedure.

## **6.24 Market Performance Protection**

6.24.1 In order to maintain a fair and orderly market and the continued functioning of the Globex Platform, the Exchange may impose restrictions on Members' activities conducted on the Globex Platform. Such restrictions may be imposed through the implementation of technological controls and policies, amongst other means, and will be set out in the Trading Procedure and may be revised by the Exchange from time to time.

## CHAPTER 7

### DEFAULT

#### 7.1 Application of the Exchange Default Rules

- 7.1.1 In the event of any conflict between the Exchange Default Rules and the Exchange Rules, the Exchange Default Rules shall take precedence. The Exchange Rules in Chapter 6 shall not be affected by this Chapter 7 unless otherwise specified.
- 7.1.2 Market Contracts, with the exception of Contracts, will be dealt with under the Exchange Default Rules. All Contracts will be dealt with under the Clearing House Default Rules which shall take precedence over the Exchange Default Rules.
- 7.1.3 The Exchange may take the actions set out in the remainder of these Exchange Default Rules in respect of a Member in the event of any of the following circumstances (each an **Event of Default**):
- (a) the Member fails to discharge any obligation in respect of a Market Contract, whether under the Membership Agreement, the Exchange Rules, any Market Contract or otherwise;
  - (b) the Member notifies the Exchange that it is, or is likely to be, unable to discharge any obligation in respect of a Market Contract, whether under the Membership Agreement, the Exchange Rules or otherwise; or
  - (c) the Exchange believes that a Member is, or is likely to be, unable to discharge any obligation in respect of a Market Contract, whether under the Membership Agreement, the Exchange Rules or otherwise.
- 7.1.4 Without prejudice to the generality of Exchange Rule 7.1.3, the Exchange may take into account any or all of the following events in determining whether an Event of Default has occurred:
- (a) the Member or any of its Affiliates is subject to an Insolvency Event; or
  - (b) the Exchange reasonably considers that the financial condition of the Member or any of its Affiliates is such that to allow the Member to continue its operation as such would introduce an unacceptable level of risk to the Exchange or its Members.
- 7.1.5 The Emergency Committee has absolute discretion to determine whether an Event of Default exists and, if it does, whether to take the actions set out in the remainder of the

Exchange Default Rules in the circumstances. The composition of the Emergency Committee shall be determined by the Exchange from time to time. One or more members of the Emergency Committee may exercise its powers in accordance with its terms of reference.

7.1.6 The Emergency Committee has absolute discretion to determine whether a Transaction, Contract or Back-Off Transaction is a Market Contract for the purposes of exercising the Exchange's powers under the Exchange Default Rules.

7.1.7 Each Member shall notify the Exchange of the occurrence of any event or circumstance set out in Exchange Rules 7.1.3 or 7.1.4 in relation to the Member.

## **7.2 Actions on a Declaration of Default**

7.2.1 If, being satisfied that an Event of Default has occurred, the Emergency Committee decides to take the actions set out in the remainder of the Exchange Default Rules or the Exchange is required by the Secretary of State or the FCA to take action under section 166 Companies Act 1989, the Exchange shall, as soon as reasonably practicable:

- (a) notify such decision in writing to the Defaulting Member (a **Declaration of Default**);
- (b) provide a copy of the Declaration of Default to the FCA; and
- (c) publish a Notice of the Declaration of Default on the Website.

7.2.2 A Declaration of Default will be given by the Exchange by:

- (a) email to the email address provided by the Defaulting Member for services of notices under the Membership Agreement or the email address of any member of the board of directors or any other person specified by the FCA and the Declaration of Default will be deemed to be issued on receipt by the Exchange of an automated delivery receipt or confirmation of receipt from the relevant server if given by email;
- (b) fax to the fax number provided by the Defaulting Member for service of notices under the Membership Agreement and the Declaration of Default will be deemed to be issued on a confirmed completion of the transmission if given by fax; or
- (c) publication of a Notice on the Website.

Notwithstanding the foregoing, the Exchange may give confirmation of a Declaration of Default to the Defaulting Member by personal delivery or recorded or special delivery post in accordance with the Membership Agreement.

- 7.2.3 Upon the Exchange issuing a Declaration of Default, the Defaulting Member shall:
- (a) subject to Exchange Rule 7.2.3(c), cease to take any action in respect of its Market Contracts;
  - (b) not enter into any new Market Contracts; and
  - (c) comply with any directions of the Exchange.
- 7.2.4 Upon the Exchange issuing a Declaration of Default, each non-defaulting Member shall work cooperatively with the Exchange and comply with any reasonable directions of the Exchange in relation to the Exchange's actions under this Chapter 7.
- 7.2.5 Upon the Exchange issuing a Declaration of Default or at any time afterwards, the Exchange may terminate the Defaulting Member's membership of the Exchange by giving written notice to the Defaulting Member. The Defaulting Member shall remain subject to Exchange Rule 3.14.3.
- 7.2.6 Upon or shortly after the Exchange issuing a Declaration of Default, it shall specify on the Website the timetable to which it expects to be able to take the actions set out in Exchange Rule 7.3.

### **7.3 Calculation and certification of net amount**

- 7.3.1 Upon the Exchange issuing a Declaration of Default, the Exchange shall seek to discharge all of the Defaulting Member's rights and liabilities under each of the Affected Market Contracts with each party to an Affected Market Contract, aggregate any obligations for the payment of money, whether present or future, actual or contingent by the Defaulting Member under each such set of Affected Market Contracts and the Exchange Rules, aggregate any such obligations to the Defaulting Member under each such set of Affected Market Contracts and the Exchange Rules, and set-off the two aggregated amounts against one another so as to produce a single net sum in respect of each such set of Affected Market Contracts.
- 7.3.2 For the purposes of discharging a Defaulting Member's rights and liabilities and calculating each single net sum, the Exchange may take any of the following actions or any combination of the following actions:
- (a) directing that any Affected Market Contract is settled by setting it off against an Affected Market Contract on the same terms save as to price;

- (b) directing that any Affected Market Contract is closed out by a Clearing Member making a Transaction on the same terms and, if appropriate, it being allocated to the Defaulting Member or by reversal of the relevant entries in the books and records of the Defaulting Member at a price determined by the Exchange;
- (c) facilitating the transfer of any Affected Market Contract by directing that the Affected Market Contract be closed out and that a Transaction on the same terms be entered into between the relevant Clearing Member and another Clearing Member at a price determined by the Exchange;
- (d) directing that any option granted by an Affected Market Contract be exercised or shall expire without being exercised;
- (e) directing that any Affected Market Contract which is to be cash settled which is open at the close of trading on the last trading day for such Affected Market Contract be settled by payment of the settlement amount;
- (f) directing any Affected Market Contract under the terms of which delivery of the underlying is required to be made be settled in accordance with its terms;
- (g) auctioning any of the Defaulting Member's open positions under any Affected Market Contracts, and
- (h) taking any other action to achieve the purpose of Exchange Rule 7.3.1,

in each case, on such terms as the Exchange shall determine and the rights and liabilities of the Defaulting Member referred to in Exchange Rule 7.3.1 shall include all rights and liabilities arising in consequence of any such action.

7.3.3 The Exchange shall certify the single net sum resulting from Exchange Rule 7.3.1 in respect of each set of Affected Market Contracts as being the amount payable by or to the Defaulting Member in respect of the set of Affected Market Contracts to which the certificate relates. Such certificate shall be conclusive.

7.3.4 The process set out in Exchange Rules 7.3.1 to 7.3.3 shall be applied separately in respect of:

- (a) Affected Market Contracts to which the Defaulting Member or the other party to the Affected Market Contract is a segregated client and related rights and liabilities; and
- (b) all other Affected Market Contracts between such Defaulting Member and such other party and related rights and liabilities.

- 7.3.5 For the purposes of Exchange Rule 7.3.4, a person is a segregated client in respect of any Affected Market Contract entered into by that person if the monies received by the relevant Member as collateral in respect of that Market Contract are held in accordance with the Client Money Rules (as defined in the rules of the FCA) or would be so held were they not regarded in accordance with those rules as immediately due and payable to the Member for its own account.
- 7.3.6 The Exchange shall not be obliged to include in its actions pursuant to Exchange Rule 7.3.1 an Affected Market Contract of which it does not have actual notice within 1 month of the date of the Declaration of Default.
- 7.3.7 For the avoidance of doubt, the parties to an Affected Market Contract shall remain obliged to discharge those of their rights and liabilities under any Affected Market Contracts that are not discharged under the Exchange Default Rules.
- 7.3.8 The Exchange may make any currency conversions which it considers appropriate for the purposes of the Exchange Default Rules at such rates as the Exchange may reasonably determine.
- 7.3.9 The Exchange shall notify the Defaulting Member or a relevant office holder acting in relation to the Defaulting Member or its estate of the actions taken in relation to the Defaulting Member under the Exchange Default Rules.

#### **7.4 Notification to other Members and cooperation with the Regulatory Authorities**

- 7.4.1 The Exchange may notify the non-Defaulting Members of the actions taken under the Exchange Default Rules at various other points in the process.
- 7.4.2 The Exchange may share information (including information received from or about any Member), and otherwise cooperate, with any Regulatory Authority, exchange or clearing house and any office holder acting in relation to the Defaulting Member or its estate in relation to the issue of a Declaration of Default.

#### **7.5 Costs**

The Defaulting Member shall indemnify the Exchange against any and all costs, charges and expenses suffered or incurred by the Exchange in taking any action under the Exchange Default Rules.

## CHAPTER 8

### COMPLAINTS AND ENFORCEMENT

#### 8.1 Complaints

- 8.1.1 Any Complaint shall be made in accordance with the Complaints Procedure.
- 8.1.2 The Exchange shall consider a Complaint in accordance with this Chapter 8 of the Exchange Rules and the Complaints Procedure:
- (a) a GCC Complaint shall be dealt with in accordance with the Complaints Procedure;
  - (b) a Phantom Order Complaint shall be dealt with in accordance with the Complaints Procedure;
  - (c) an Exchange Complaint shall be dealt with in accordance with the Complaints Procedure; and
  - (d) the Exchange will investigate each Member Complaint in accordance with the Exchange Rules.
- 8.1.3 If the Exchange, in its discretion, considers it appropriate or if it is otherwise required to do so under Applicable Law, the Exchange may provide details to a Regulatory Authority about any Complaint, matter or concern which it considers requires investigation and about any outcome of an Investigation or Disciplinary Proceeding.
- 8.1.4 The provisions of this Chapter 8 of the Exchange Rules are without prejudice to the provisions of Exchange Rules 3.12 and 3.13.

#### 8.2 Investigations

- 8.2.1 The Exchange may investigate breaches or alleged breaches of the Exchange Rules, whether or not such breaches or alleged breaches have arisen as a result of a Member Complaint, its own instigation or otherwise (an **Investigation**). The Exchange may refer any breaches or alleged breaches of the Exchange Rules to a Regulatory Authority at any stage of an Investigation, including prior to conducting its own Investigation.
- 8.2.2 A Member shall cooperate fully with any Investigation irrespective of whether such Member is the subject of or otherwise involved in the Investigation. Without limitation, each Member shall:
- (a) provide to the Exchange such information in whatsoever form as the Exchange may reasonably request, within the time period specified;

- (b) permit Representatives of the Exchange access, with or without notice, during business hours to any of the Member's business premises (which for the avoidance of doubt includes those premises in which records are stored) in order to carry out the Investigation;
- (c) make its Representatives readily available for meetings with the Representatives of the Exchange conducting the Investigation, as the Exchange may reasonably request, and use its best endeavours to procure that such persons answer truthfully, fully and promptly, all questions that are put to them;
- (d) produce and give the Representatives of the Exchange conducting the Investigation reasonable access to documents, records, files, tapes, computer systems and any other pertinent information which are within the Member's possession or control and provide any facilities which such Representatives may reasonably request; and
- (e) print information in the Member's possession or control which is held on computer or otherwise convert it into a readily legible document or any other record that may be reasonably requested by the Representatives of the Exchange conducting the Investigation.

### **8.3 Investigation process**

8.3.1 Once the Exchange has carried out an initial Investigation, it may exercise one (1) or more of the following powers in relation to the Member concerned:

- (a) decide that no further action should be taken against the Member;
- (b) issue a private written warning to the Member;
- (c) instigate Disciplinary Proceedings in accordance with Exchange Rule 8.4;
- (d) carry out further enquiries if the Investigation indicates that this is necessary in order to conclude satisfactorily the investigation; or
- (e) refer all or a portion of the Investigation to a Regulatory Authority.

8.3.2 Before exercising any power under Exchange Rule 8.3.1, the Exchange may send to the relevant Member a preliminary letter that describes the matter under investigation, the Exchange's preliminary factual conclusions and the action it proposes to take in the light of such breach. The Exchange may also invite the Member to either attend a meeting or to send written comments to the Exchange, in each case, to enable the Member to correct any factual error that it reasonably considers has been made in the preliminary

letter and the Exchange may finalise its initial findings and present them in writing to the Member.

8.3.3 The Exchange shall notify the Member in writing of the power to be exercised pursuant to Exchange Rule 8.3.1. The Exchange may, in an appropriate case, take different actions in relation to Members concerned in the same Disciplinary Proceedings or in different Disciplinary Proceedings on the same or similar facts.

#### **8.4 Disciplinary Proceedings**

8.4.1 The Exchange shall commence the disciplinary proceedings set out in this Exchange Rule 8.4 (the **Disciplinary Proceedings**) only when it is reasonably satisfied that the Member has breached the Exchange Rules, whether as a result of an Investigation or otherwise.

8.4.2 The Exchange may decide at any time to terminate the Disciplinary Proceedings or reach a settlement with the Member on such terms as it considers appropriate, at any stage during the Disciplinary Proceedings.

8.4.3 For the purposes of each Disciplinary Proceeding the Board of Directors shall nominate the members of a disciplinary panel, as it deems appropriate, which shall accordingly be referred to for the purposes of this Exchange Rule 8.4 as the **Disciplinary Panel**. Each Disciplinary Panel shall comprise any two of the Exchange's independent non-executive directors and any two Members chosen at random which do not have a conflict of interest in relation to the relevant Disciplinary Proceeding. Each Member shall, at any time, provide a suitable Representative to serve on the Disciplinary Panel should the Exchange so request.

8.4.4 To commence the Disciplinary Proceedings the Exchange shall send to the Member concerned a written notice (the **Disciplinary Notice**), which contains details of the alleged breach of the Exchange Rules and sufficient information to enable the Member to understand and respond to such allegations.

8.4.5 The Member shall have twenty (20) Business Days from receipt of the Disciplinary Notice to provide a statement of defence (the **Defence**) in respect of the allegations. The Defence shall set out the plea that the Member intends to make and any admissions of fact. If no Defence has been served within that time frame the Member shall be deemed to have accepted the facts and matters alleged in the Disciplinary Notice.

8.4.6 After due consideration of the Defence, the Exchange may either:

- (a) proceed with the Disciplinary Proceedings;

- (b) terminate the Disciplinary Proceedings; or
- (c) amend the Disciplinary Notice in accordance with Exchange Rule 8.4.7.

8.4.7 The Exchange may at any time amend a Disciplinary Notice provided that:

- (a) the amendment is relevant to the allegation or breach of the Exchange Rules;
- (b) the essential character of the allegation or the breach of the Exchange Rules has not been changed; and
- (c) the Member would not be substantially prejudiced in any defence it may put before the Disciplinary Panel.

8.4.8 The Disciplinary Panel may order an adjournment at any stage upon an application by the Exchange to enable an alleged separate or unrelated breach of the Exchange Rules which it reasonably believes the Member to have committed to be investigated further.

8.4.9 Following the amendment of a Disciplinary Notice, the Member shall have ten (10) Business Days to make any necessary changes to its Defence. If no amended Defence has been served within that time frame the Member will be deemed to have accepted the facts and matters alleged in the amended Disciplinary Notice and indicated that its original Defence stands.

8.4.10 The Disciplinary Panel shall hear submissions on the matter of the alleged breach of the Exchange Rules and shall determine whether there has been a breach of the Exchange Rules and, if so, the appropriate sanction that shall be imposed. In carrying out this function, the Disciplinary Panel may adopt such procedure as it thinks fit. The Disciplinary Panel may:

- (a) order the disclosure by the Exchange or Member of such further information, documents or other evidence as may be necessary;
- (b) issue directions and take such other steps as it considers appropriate to clarify the facts and issues and determine the case;
- (c) if it considers appropriate, but only with the express agreement of the Exchange and the Member concerned, decide to determine the case upon written submissions and evidence placed before it;
- (d) in all other cases, give the opportunity to, or require, the Exchange and the Member to attend hearings before the Disciplinary Panel and the Exchange and the Member may call witnesses to give evidence and be questioned;

- (e) allow the Member and the Exchange to be assisted or represented by any person, whether or not legally qualified;
- (f) require hearings to be held in private unless the Member or Exchange requests otherwise and the other party consents; and
- (g) appoint its own legal advisers.

8.4.11 The Disciplinary Panel shall apply the civil standard of proof on the balance of probabilities.

8.4.12 The Disciplinary Panel shall not be bound by any rule of law or court procedure concerning admissibility of evidence and may accept as conclusive any finding of fact made by a court or any other Regulatory Authority.

8.4.13 The Disciplinary Panel shall communicate in writing its findings and particulars of any sanction determined to the Exchange and to the Member concerned. Such findings and sanctions shall be deemed conclusive and binding upon expiry of the time permitted for appeal or receipt by the Exchange of any earlier written notice from the Member that such right of appeal will not be exercised. Subject to Exchange Rule 8.4.14(b), such findings and sanctions shall not be made public.

8.4.14 The Disciplinary Panel may impose one or more of the following sanctions:

- (a) issue a private written warning to the Member;
- (b) issue a public notice of censure;
- (c) impose a fine of any amount;
- (d) require the disgorgement of any gain made by the Member or its Representatives in connection with the breach of the Exchange Rules;
- (e) deny the Member access to the Exchange and/or the Globex Platform;
- (f) order the relevant Clearing Member not to enter into any new Transactions in relation to the Member;
- (g) order the relevant Clearing Member to liquidate all or any portion of a Member's Contracts;
- (h) recommend to the Exchange to suspend or terminate the membership of the Member with immediate effect; or

- (i) issue an order requiring the Member to take such steps including making an order for compensation, as the Disciplinary Panel may direct, to remedy the situation caused by the breach of the Exchange Rules.

8.4.15 The Disciplinary Panel has discretion as to the appropriate sanction in each case and such differentiation may take into account factors including whether the breach was deliberate or negligent, the seriousness of the consequences, any impact on Customers and whether the Member has since taken action to remedy the breach or prevent a recurrence.

8.4.16 The contravention of any sanction imposed or direction made under or pursuant to Exchange Rule 8.4.14 may be treated for all purposes as a breach of the Exchange Rules.

8.4.17 A Disciplinary Panel may order any party to the Disciplinary Proceedings to pay costs related to such proceedings as it thinks appropriate, including, but not limited to the costs of running the Disciplinary Panel and including the reasonable costs of the Exchange's and Disciplinary Panel's external advisers.

## **8.5 Appeals**

8.5.1 Within ten (10) Business Days of receiving notice in writing of a decision of a Disciplinary Panel, or a notice of sanction (whichever is the later), a Member (whether current or former in the case of expulsion) or the Exchange, or both, may appeal to the appeals body (the **Appeals Body**) by lodging with the Exchange a notice of appeal in writing and by delivering a copy thereof to any other party to the Disciplinary Proceedings. The Exchange shall refer the appeal to the Appeals Body within ten (10) Business Days of receipt of the appeal.

8.5.2 A notice of appeal shall set out the grounds of the appeal and shall contain a brief statement of all matters relied on by the appellant. The grounds of the appeal may be any one or more of the following:

- (a) the Disciplinary Panel's decision was:

- a) arbitrary, capricious, or an abuse of its discretion; or

- b) based on a clearly erroneous application or interpretation of the Exchange Rules.

8.5.3 In the case of appeal against a sanction, the Appeals Body may affirm, vary or revoke the sanction. The Appeals Body may make such order or give such direction as it

considers fit including a direction for a rehearing of the case by another newly constituted Disciplinary Panel.

8.5.4 The Appeals Body shall consist of one (1) or more persons who shall be nominated for the purposes of this Exchange Rule 8.5.4 by the Centre for Effective Dispute Resolution in London. Such person shall:

- (a) be independent of the Exchange, meaning for the purposes of these Exchange Rules, that such person is not and has not ever been an officer, director or employee of the Exchange or an Affiliate;
- (b) have appropriate experience of the European derivatives exchange market and the operations of such exchanges; and
- (c) have appropriate knowledge of the Exchange Rules and relevant Applicable Law.

8.5.5 An Appeals Body may adopt such procedure as it thinks fit and just, including, without limitation, the procedures described in Exchange Rule 8.4.10 and shall notify the Member accordingly. The Appeals Body shall be bound by Exchange Rule 8.4.11. The appellant and the respondent shall be entitled to appear, make representations and (subject to any restriction on adducing new evidence or arguments), call witnesses, who may be examined and cross-examined at any hearing, which will not be held in public.

8.5.6 The decision of an Appeals Body shall be final and binding and there shall be no further appeal. The decision shall be supported with reasons and shall be notified to the appellant and respondent in writing without undue delay. The decision of an Appeals Body shall not be made public unless otherwise agreed between the appellant and the respondent.

## **8.6 Fines**

8.6.1 The proceeds of any fine imposed by the Exchange shall be used for the following purposes only:

- (a) to meet expenses incurred by the Exchange in the course of the Investigation, Disciplinary Proceeding or appeal from a Disciplinary Proceeding in respect of which it has been imposed;
- (b) for the benefit of the Members generally; or
- (c) for charitable purposes.

**CME EUROPE**

# **EXCHANGE PROCEDURES**

## Contents

<b>Chapter</b>	<b>Page</b>
Exchange Procedures.....	1
Part A: INTRODUCTION.....	2
Part B: MEMBERSHIP PROCEDURE.....	3
Part C: TRADING PROCEDURE.....	7
Part D: COMPLAINTS PROCEDURE.....	16
Schedule: Cocoa Procedures.....	20
Annex 1.....	71
Annex 2.....	81

# Exchange Procedures

## **Part A: INTRODUCTION**

These Procedures should be read in conjunction with CME Europe Limited's Exchange Rulebook. In the event of any conflict between the Exchange Rulebook and these Procedures, the Exchange Rulebook shall take precedence. Capitalised terms that are defined in the Exchange Rulebook shall have the same meaning in these Procedures unless otherwise specified.

Unless otherwise specified, each provision of these Procedures applies to each type of Transaction.

## **Part B: MEMBERSHIP PROCEDURE**

### **1 Introduction**

- 1.1 The general requirements of membership are set out in Chapter 3 of the Exchange Rulebook. This Membership Procedure provides further information about certain of those requirements. The Exchange reserves the right, at its absolute discretion and on the basis of ensuring an orderly market, to establish additional, different or higher requirements for particular applicants or Members. In some cases this may reflect different categories of Members trading different types of Transactions.

### **2 Application process**

- 2.1 To apply for membership of the Exchange, each applicant must complete the application form and submit this along with the supporting documents set out in it to the Chief Regulatory and Surveillance Officer of the Exchange. The application form is available on the Website or may be obtained by contacting the Chief Regulatory and Surveillance Officer.
- 2.2 The Chief Regulatory and Surveillance Officer will review the completed application and request additional information from the applicant where necessary.
- 2.3 Upon receipt of the completed application the Chief Regulatory and Surveillance Officer will prepare a report of its findings and submit its report for review and consideration by the Board of Directors. The Chief Regulatory and Surveillance Officer will also undertake money laundering checks on the applicant.
- 2.4 The applicant will be notified in writing of the Board of Directors' determination. It is anticipated that this process will take place within four (4) weeks of receipt of the completed application.
- 2.5 During and following this process, the Exchange will discuss with the applicant what arrangements will be made for onboarding the Member. The applicant shall cooperate with the Exchange for this purpose.

### **3 Application fee**

- 3.1 The application fee is £2,000, payable to CME Europe Limited by cheque or by wire transfer. The Exchange will provide the required payment details upon request.
- 3.2 Applications will not be considered until the fee has been paid unless the Board of Directors waives it. The application fee is non-refundable in any event.

### **4 Membership criteria**

- 4.1 The Membership Criteria that apply to all types of Member are set out in Exchange Rule 3.2.1.
- 4.2 Applicants for Clearing Membership status must, in addition to the Membership Criteria in Exchange Rule 3.2.1, satisfy the Clearing Membership Criteria in Exchange Rule 3.3.1.
- 4.3 The remaining provisions of this Procedure set out some further information about some of the Membership Criteria.

### **5 Non-Clearing Members and Customers**

- 5.1 Each Clearing Member must ensure that each of its Customers and any Non-Clearing Members for which it acts as Clearing Member is an eligible counterparty or a professional client as defined by the Financial Conduct Authority (**FCA**) from time to time.

## **6 Related agreements**

- 6.1 An applicant may be required to enter into Related Agreements such as:
  - 6.1.1 Customer Connection Agreement - for direct access to the Globex Platform; and
  - 6.1.2 Market Data Licence Agreement - to receive market data.
- 6.2 Each Member will need to have access to the Globex Platform. Direct access can be achieved by entering into the Customer Connection Agreement. Alternatively, a Member may connect indirectly through a person with direct connectivity.

## **7 Capital requirements**

- 7.1 Members are required to have a minimum capital requirement of at least GBP £100,000.

## **8 Financial reporting requirements**

- 8.1 Members regulated by a Regulatory Authority for financial services must make available, upon request, any and all financial reports that are required to be filed with such Regulatory Authority to the Exchange unless the Exchange is able to obtain them directly from such Regulatory Authority.
- 8.2 Members not regulated by a Regulatory Authority for financial services must make available, upon request, monthly unaudited financial reports in a form acceptable to the Exchange.
- 8.3 Clearing Members that have provided the information required under this paragraph 8 to the Clearing House are not required to submit the same to the Exchange. The Exchange will obtain such information from the Clearing House.

## **9 Financial statement filings**

- 9.1 Members regulated by a Regulatory Authority for financial services are required to submit annual audited financial statements as of the Member's financial year-end unless the Exchange is able to obtain them directly from the Regulatory Authority. Such annual audited financial statements must be prepared in accordance with consistently applied accounting principles, standards and practices generally accepted in the Member's jurisdiction of incorporation and be filed within five (5) Business Days after they are provided to the Member's primary Regulatory Authority.
- 9.2 Members not regulated by a Regulatory Authority for financial services must also submit an annual audited financial statement as of the Member's financial year-end. Such annual audited financial statements must be prepared in accordance with consistently applied accounting principles, standards and practices generally accepted in the Member's jurisdiction of incorporation and be filed within five (5) Business Days after they are provided to Companies House or the Companies House equivalent in the Member's jurisdiction of incorporation following the Member's financial year-end.
- 9.3 Financial statements pursuant to paragraphs 8 and 9 must:
  - 9.3.1 demonstrate compliance with the Exchange's minimum capital requirements;
  - 9.3.2 demonstrate a Total Risk-Based Capital Ratio of 10%, if applicable;
  - 9.3.3 be presented in English; and
  - 9.3.4 be stated in the currency in which the Member is legally required to produce its audited financial statements.
- 9.4 The annual audited financial statements of Members must include at a minimum the following (or the equivalent in any jurisdiction to the extent applicable):

- 9.4.1 external auditor's opinion letter;
  - 9.4.2 statement of financial condition;
  - 9.4.3 statement of income (loss);
  - 9.4.4 statement of cash flows;
  - 9.4.5 statement of changes in ownership equity; and
  - 9.4.6 appropriate footnote disclosures.
- 9.5 Clearing Members that have provided the information required under this paragraph 9 to the Clearing House are not required to submit the same to the Exchange. The Exchange will obtain such information from the Clearing House.

## **10 Disaster recovery and business continuity**

- 10.1 Each Member is required to have in place adequate disaster recovery and business continuity policies and procedures to enable it to satisfy its obligations under the Exchange Rulebook. It is for each Member to determine whether these are adequate but the Exchange would expect, as a minimum, that a Member's arrangements:
- 10.1.1 comply with any requirements or guidance of any applicable Regulatory Authority;
  - 10.1.2 are in line with any relevant industry standards or guidelines;
  - 10.1.3 enable the Member to satisfy its obligations to the Exchange even in unforeseen circumstances; and
  - 10.1.4 are tested on a regular basis and improved on the basis of the test results.
- 10.2 Each Member will be invited to participate in the Exchange's testing of its own business continuity arrangements at least once each year. The Exchange will provide at least four (4) months' notice of any such test, which will usually take place over a weekend.
- 10.3 Members are required to notify the Chief Regulatory and Surveillance Officer in the event that the Member invokes its business continuity policies and procedures and is likely to require assistance from the Exchange or if the event is likely to cause disruption to the Member's ability to satisfy its obligations to the Exchange.

## **11 Exchange licenses**

- 11.1 The Exchange will maintain on the Website a list of any regulatory licenses it holds from time to time.

## **12 Notifications**

- 12.1 A notice or communication given under or in connection with the Exchange Rulebook or any Related Agreement with the Exchange shall, unless otherwise specified, be in writing in English and sent by any of the methods set out below to the address specified below. A notice or communication shall be deemed to be given on the date set out below.

<b>Permitted method</b>	<b>Date on which notice will be deemed given</b>
Personal delivery	When left at the relevant address
Recorded or special delivery, or the nearest local equivalent in the jurisdiction of the sender	Two (2) Business Days after posting
Recorded or special delivery airmail, of the nearest local equivalent in the jurisdiction of the sender	Six (6) Business Days after posting

12.2 Notices or communications to the Exchange should be marked for the attention of the Chief Executive Officer and Company Secretary, and sent to the address below:

CME Europe Limited

Fourth Floor

One New Change

London

EC4M 9AF

## Part C: TRADING PROCEDURE

### 1 Trading parameters (Exchange Rule 6.1.6)

- 1.1 The trading parameters in respect of each Product including those listed below will be set out in the Trading Parameters Document on the Website:
  - 1.1.1 Non-Reviewable Trading Range
  - 1.1.2 Price banding
  - 1.1.3 Protection points
  - 1.1.4 Stop logic
  - 1.1.5 Maximum order quantity
  - 1.1.6 Matching algorithm (Exchange Rule 6.7)
  - 1.1.7 Whether or not the market includes implied functionality
  - 1.1.8 Market broadcast

### 2 Globex opening (Exchange Rule 6.2.1)

- 2.1 Prior to the opening of each Globex session, the Globex Platform will establish an indicative opening price or prices for each Product, based on an equilibrium price. The equilibrium price is the calculated price between sell pressure and buy pressure where the largest volume of trading can occur. The equilibrium price will be determined in accordance with the following methodology:
  - 2.1.1 Any Bid at a given price may also be executed at a lower price.
  - 2.1.2 Any Offer at a given price may also be executed at a higher price.
  - 2.1.3 The Bid volume at any price is the quantity bid at that price plus the sum of the quantities bid at all higher prices.
  - 2.1.4 The Offer volume at any price is the quantity offered at that price plus the sum of the quantities offered at all lower prices.
  - 2.1.5 Sell pressure occurs when the Offer volume exceeds the Bid volume at a particular price.
  - 2.1.6 Buy pressure occurs when the Bid volume exceeds the Offer volume at a particular price.
  - 2.1.7 The trade volume at any price is the smaller of the Bid volume or the Offer volume.
  - 2.1.8 The price overlap is the range of prices where trades are possible.
  - 2.1.9 The equilibrium is the price range within the price overlap where buy pressure changes to sell pressure. The equilibrium price is one of the following:
    - (a) the price within the equilibrium that has the largest trade volume and the lowest unmatched volume at that price remaining after the opening; or
    - (b) if more than one price has the same trade volume and the same unmatched volume at that price, the equilibrium price is the one nearest the previous day's Settlement Price.
  - 2.1.10 If there is no equilibrium because there is only buy pressure or sell pressure, there will be no opening price until a Transaction is matched unless there is a Bid higher than, or an Offer lower than, the previous day's Settlement Price.
  - 2.1.11 After the provisional opening price is determined for all Orders excluding stop Orders and stop limit Orders, the calculations are repeated with any such Orders that would be triggered at such price included until a new provisional opening price is determined. If such new

price would trigger additional stop Orders or stop limit Orders, the process is repeated until no more Orders are triggered.

- 2.1.12 Bids and Offers will be selected for matching at the opening price based on price and time priority.
- 2.1.13 During the 30-second period prior to the opening, no previously entered Orders may be modified or cancelled, although new Orders may be entered.

### **3 Settlement Price (Exchange Rule 6.2.2)**

- 3.1 Settlement Prices shall be determined during each Trading Session for each Product pursuant to one or more of the procedures set out below. The Settlement Price shall be a price consistent with the minimum tick increment for the Product; if the calculated Settlement Price is not a standard tick increment, the calculated Settlement Price will be rounded either to the nearest tick or to the tick closer to the previous Trading Session's Settlement Price. The procedure used to determine the Settlement Price of a Product will depend on the Product, level of activity and liquidity during the defined closing time period, and the trading venue(s) used to derive the settlement.
- 3.2 The Exchange shall establish Daily Settlement Prices in respect of open positions for the purposes of position valuation and calculation of variation margin as described in the Clearing House Rules.
- 3.3 Volume-Weighted Average Price (**VWAP**) of the defined closing time period: In Products that use this procedure, all outright Transactions that occur during the defined closing time period are utilized to calculate the VWAP for specified Contract Months and the VWAP will be the Settlement Price. The calculated or estimated VWAP of relevant spread Transactions that occur during the closing time period may be used to determine the Settlement Price of deferred or less actively traded Contract Months in Products that use this procedure.
- 3.4 Option Settlements: Option settlements are derived from available market information including outright Transactions, Bids or Offers during the close, relevant spread Transactions, the Settlement Price of the underlying future and relevant relationships based on option pricing theory using option pricing models employed by the Exchange.
- 3.5 For all Contract Months whose Settlement Price is not determined by one of the methods set out above, relevant spread relationships between Contract Months will be used to derive the Settlement Price.
- 3.6 For all Products that are settled with the delivery of, or by reference to, the same underlying but which are offered in alternative contract sizes (mini or micro), a single settlement price will be applicable to all such Products, with necessary adjustments made to round to the nearest tradable price increment eligible all such Products.
- 3.7 Unless otherwise specified in the Contract Specifications or settled pursuant to one of the methods set out above, Transactions cleared through ClearPort will be settled by the Exchange based upon relevant market data including, but not limited to, cleared prices in the Product, pricing data obtained from market participants, the Settlement Prices of related products and any other pricing data from sources deemed to be reliable.
- 3.8 Notwithstanding the above, if a Settlement Price in any Product, as derived by the normal methodology used for that Product, is inconsistent with Transactions, Bids or Offers in other Contract Months/strikes during the defined closing time period, or other relevant market information, or if there is no relevant market activity, the Exchange may establish a Settlement Price that best reflects the true market valuation at the time of the determination of the Settlement Price.

- 3.9 In the case of inaccuracy or unavailability of a Settlement Price, or if a Settlement Price creates risk management concerns for the Clearing House, the Exchange grants to the Clearing House the right to calculate settlement variation using an alternate price determined by the Clearing House.
- 3.10 For the avoidance of doubt, a payment in settlement of a delivery obligation (physical or cash settled) shall not be adjusted after ten (10) Business Days for any reason, including, without limitation, a calculation error or erroneous and/or incomplete input.

## **4 User IDs (Exchange Rule 6.5)**

### **4.1 Operator identification for Globex Operators**

- 4.1.1 User IDs (also called iLink Tag 50 IDs) are issued by the Clearing Member, the Clearing Member's Independent Software Vendor or the Clearing Member's client. Clearing Members are responsible for ensuring that each User ID is unique at the Clearing Member level, is no more than 18 bytes (characters), and that the User ID is properly submitted with each Order.
- 4.1.2 Upon request by the Exchange, a Clearing Member must be able to identify the person assigned to a particular User ID. Clearing Members must maintain historical records identifying each User ID for five years.
- 4.1.3 A person who manually enters Globex Orders should have a single User ID for Orders entered through a particular front-end system.
- 4.1.4 Each individual Globex Operator is required to enter Orders using his own User ID and may not under any circumstances permit another person to enter Orders under his ID.

### **4.2 Operator identification for Automated Trading Systems**

- 4.2.1 An Automated Trading System (**ATS**) is a system that automates the generation and routing of Orders to the Globex Platform. The individual who administers and/or monitors the ATS is considered to be the ATS operator (**ATS Operator**). The person in this role typically initiates or disables particular algorithms or strategies, adjusts the parameters of the automated programme(s), or monitors the live trading of the ATS. All ATS Orders must be submitted with a User ID that identifies the person who operates, administers and/or monitors the ATS.
- 4.2.2 If there are multiple individuals who simultaneously work together to operate the ATS, they may qualify to be an **ATS Team** and be assigned a single User ID that represents all of the individuals on the team. For example, a Member may have one person who adjusts pricing parameters, but others who continuously monitor positions or risk or adjust trading size parameters. In these situations, the individuals on the ATS Team may use a single User ID. If registration of the User ID is required, the individuals who comprise the ATS Team must be registered as discussed in paragraph 4.4.
- 4.2.3 A single User ID may be used to represent multiple operators only in true ATS Team situations. Entities may not bundle all their ATS Operators under one User ID if certain operators are primarily responsible for different ATSs or for the same ATS on different shifts.
- 4.2.4 If an ATS Operator or an ATS Team is responsible for multiple trading models, algorithms, programmes, or systems which trade the same Product, and which potentially could trade opposite one another, then each model, algorithm, programme, or system must be assigned a unique User ID.

### **4.3 Exception for Globex Operators who use automated spreading functionality**

- 4.3.1 If a Globex Operator primarily enters Orders manually, but also uses automated spreading functionality, a separate User ID is not required for the automated spreading activity as long as the use of the spreading functionality is ancillary to the Globex Operator's manual trading. However, if the automated spreading functionality accounts for the majority of the Globex

Operator's transactions then a separate User ID must be assigned to distinguish these transactions from the Globex Operator's manually entered Orders.

#### **4.4 Required registration of User IDs**

- 4.4.1 Registration of User IDs is required for all Representatives of a Member and any other person participating in a liquidity scheme offered by the Exchange. Additionally, irrespective of whether a person is eligible to participate in such a liquidity programme, the Exchange reserves the right to require the registration of any market participant. Such registration is typically required when the participant generates significant messaging traffic.
- 4.4.2 When registering the User ID for an ATS in the fee system, there will be an ATS indicator on the fee registration screen that must be selected to identify that the User ID represents an ATS. Each ATS Operator must provide accurate and up-to-date User ID information to its Clearing Member in accordance with the requirements described above. The User ID that is registered in the fee system must exactly match the User ID that is submitted on Globex Orders entered through iLink connections.
- 4.4.3 Clearing Members must ensure that all User IDs, including ATS User IDs, which require registration, are appropriately and accurately registered in the fee system and must promptly make any necessary updates to User ID registrations.
- 4.4.4 For ATS Team registrations, the fee system allows for the input of the relevant individual registration information for each team member and also requires designation of each team member's role. The available roles include Desk Manager/Head Trader, Trader, Risk Monitor, Trading Monitor and "Other." If there are changes to the composition of the ATS Team, it is the responsibility of the trading entity and the Clearing Member to ensure that those changes are promptly and accurately reflected in the fee system.
- 4.4.5 The fee system also supports the registration of persons who are not otherwise required to register if such a person elects to register in the fee system.

### **5 Wash trades (Exchange Rule 6.12)**

- 5.1 Exchange Rule 6.12 effectively requires that all Orders be entered in good faith for the purpose of executing bona fide Transactions. A person should not accept such Orders if he knows, or reasonably should know, that the Orders are for the same account owner and the purpose of the Orders is to avoid taking a bona fide market position exposed to market risk. Similarly, a person should not accept buy and sell Orders for different accounts with common beneficial ownership that are entered with the intent to negate market risk or price competition.
- 5.2 Persons may be found to have knowingly engaged in wash trades if they facilitate a wash result without having made sufficient inquiry as to the propriety of such Orders prior to their execution. The failure of a person to undertake such inquiry may support an inference of knowing participation in wash trades.
- 5.3 Where the two accounts share common ownership, but less than 100% common ownership, the prohibitions nonetheless apply if the intent of the Orders is to negate market risk or price competition.
- 5.4 Buy and sell Orders for accounts with common beneficial ownership that are entered into for a legitimate purpose may be entered on the Globex Platform provided that one Order is executed in full prior to the entry of the second Order. A written and time stamped record of the second Order will be required because it was not entered on the Globex Platform immediately upon receipt. This again will ensure that the Orders are not executed opposite each other and will provide a clear audit trail with respect to the entry and execution of the Orders. Simply ensuring that there is a delay between the entry of the buy and sell Orders

may not, depending on the terms of the Orders, preclude the Orders from trading in whole or in part against each other. To the extent that the Orders match with each other, the result may be deemed an illegal wash trade irrespective of the fact that the Orders were entered at different times.

- 5.5 It is a violation of Exchange Rule 6.12 for a market participant to enter an Order on the Globex Platform that he knew or should have known would match with a resting Order on the other side of the market for an account with common beneficial ownership. Generally, an unintentional and incidental matching of such buy and sell Orders will not be considered a violation of Exchange Rule 6.12. However, active traders who frequently enter Orders on opposing sides of the market which may have a tendency to cross are strongly encouraged to employ functionality designed to minimize or eliminate their buy and sell Orders from matching with each other.
- 5.6 It is recognized that certain Members have proprietary trading operations in which various traders making fully independent trading decisions enter Orders for the same beneficial owner (the firm's proprietary account) that coincidentally match with each other in the market. If the Orders are entered without pre-arrangement such trades are not considered to be in violation of Exchange Rule 6.12. Members should have and enforce policies to preclude affiliated traders trading for the same beneficial account who have knowledge of one another's Orders from knowingly trading opposite one another's Orders.
- 5.7 If different automated trading algorithms for the same trading entity are operating in the same instrument and potentially may trade with one another, each such algorithm should be identified with a unique User ID tied to the individual or team of individuals that operate the system/algorithms. While it is not prohibited to run potentially conflicting algorithms simultaneously, if such trades cause price or volume aberrations, or occur frequently, the trading may be subject to particular scrutiny and may be deemed to violate Exchange Rule 6.12. Members are responsible for monitoring their automated trading systems and for employing trading algorithms that minimize the potential for the execution of transactions which are not exposed to market risk.
- 5.8 Block trades between the accounts of affiliated parties are permitted provided that 1) the block trade is executed at a fair and reasonable price; 2) each person has a legal and independent bona fide business purpose for engaging in the transaction; and 3) each person's decision to enter into the block trade is made by an independent decision-maker.

## **6 Block trades (Exchange Rule 6.14)**

### **6.1 General**

- 6.1.1 Block trades are Transactions resulting from privately negotiated futures, options or combination trades that meet certain quantity thresholds which are permitted to be executed outside the Globex Platform. Block trades are subject to Exchange Rule 6.14. The prohibition on prearranged trading and the requirements relating to pre-execution communications with respect to certain Transactions in Exchange Rule 6.11 do not apply to block trades.
- 6.1.2 The Transaction price must be consistent with the minimum tick increment for the market in question. Additionally, each outright Transaction and each leg of any block eligible spread or combination trade must be executed at a single price.

### **6.2 Minimum volume thresholds**

- 6.2.1 The block trade minimum volume threshold requirements for outright futures and options and in respect of each leg of a spread or combination trade (including intra-commodity, inter-commodity and options/futures spreads) are set out in Annex 1 of these Procedures.

### 6.3 Reporting time frames

6.3.1 The time frame in which a block trade must be reported varies from one Product to another. Details of the reporting time frames are set out in Annex 1 to this document.

### 6.4 Reporting for block trades

6.4.1 Block trades may be submitted for clearing to the Clearing House in one of the following ways:

(a) GCC

The seller or a third party authorised by the seller to act on its behalf (i.e. broker, the buyer, Clearing Member) reports the block trade by emailing GCC at the following address [facdesk@cmegroup.com](mailto:facdesk@cmegroup.com). When GCC is closed, the block trade must be reported no later than five minutes prior to the opening of the next Trading Session for that Product. An administration fee as detailed on the Exchange's Website will be charged to the seller. For further information on reporting block trades to the Globex Platform, please contact GCC on +44 20 7623 4747.

The execution time is required to be reported to GCC and must be the actual time at which the block trade was agreed by the two parties.

(b) ClearPort

All block trades executed at times when ClearPort is open may be reported directly to the Clearing House via ClearPort. The seller reports the block trade electronically. For information on reporting block trades through ClearPort, please contact CME ClearPort Market Operations at +44 20 7623 4747 or via email at [facdesk@cmegroup.com](mailto:facdesk@cmegroup.com). Once entered into ClearPort, confirmation records will be routed back to the Clearing Members for bookkeeping purposes.

(c) CME Direct

Block trades may be electronically submitted to the Clearing House via the CME Direct platform. The CME Direct platform is directly connected to CME ClearPort. For information on submitting block trades through CME Direct, please contact CME Direct Support at [CMEDirectSupport@cmegroup.com](mailto:CMEDirectSupport@cmegroup.com).

6.4.2 A block trade in a block-eligible option may be executed up to and including the day on which an option Contract Month expires for purposes of offsetting an open option position. The offsetting block trade must be reported to GCC pursuant to the requirements of paragraph 6.4.1(a) and the offset must be reported to the Clearing House no later than the Position Change Submission (PCS) deadline on the day on which the Contract Month expires. The current PCS deadline is 17:15 London time.

6.4.3 Block trade volumes are published separately from Transactions on the Globex Platform. Block trade volume is also included with other privately negotiated transactions in the daily volume reports published by the Exchange.

## 7 EFRPs (Exchange Rule 6.15)

### 7.1 General

7.1.1 EFRPs may be executed in any of the Products provided that the transaction conforms to the requirements of Exchange Rule 6.15.

7.1.2 Typically, there may be only two parties in an EFRP transaction. One party must be the buyer of (or the holder of the long market exposure associated with) the cash or OTC position and the seller of (or the holder of the short market exposure associated with) the corresponding Transaction. The other party must be the seller of (or holder of the short

market exposure associated with) the cash or OTC position and the buyer of (or the holder of the long market exposure associated with) the Transaction. Multi-party EFRP transactions are prohibited save that a Member may facilitate, as principal, the transfer of the related position component of an EFRP transaction on behalf of a Customer provided that the Member can demonstrate that the related position was passed through to the Customer who received the exchange position as part of the transaction.

- 7.1.3 An EFRP may incorporate multiple related position components provided that the net exposure of the related position components is approximately equivalent to the quantity of futures exchanged or, in the case of an EOO, the net delta-adjusted quantity of the OTC option components is approximately equivalent to the delta of the exchange-traded options exchanged. In all cases, market participants must be able to demonstrate this equivalency and produce all related documentation upon request.

## 7.2 **Related positions**

- 7.2.1 The related position (i.e. cash, swap or other OTC derivative) must involve the underlying of the Product or a derivative, by-product or related product that is reasonably correlated to the Product being exchanged. The Exchange may request that the parties to an EFRP transaction demonstrate that the related position and the exchange position are reasonably correlated.

- 7.2.2 The quantity of the Products being exchanged must be approximately equivalent to the quantity of the related position(s) being exchanged. Upon request, the parties to an EFRP transaction must be able to demonstrate such equivalency.

- 7.2.3 Instruments considered acceptable as the related position side of an FX EFRP transaction may include spot, forwards, FX or cross-currency basis swaps, OTC FX options, swaptions, non-deliverable forwards (**NDFs**), currency baskets and exchange traded funds (**ETFs**). The historical correlation between the related position instrument and the corresponding currency pair or index component of an EFRP must be 80% or greater. The acceptability of instruments settled in a currency other than those comprising the underlying pair should be addressed with the Exchange prior to engaging in the transaction.

- 7.2.4 In all cases, the associated related position transactions must be comparable with respect to quantity, value or risk exposure to the Transaction.

## 7.3 **Transitory EFRPs**

- 7.3.1 Transitory EFRPs are EFRPs in which two parties contemporaneously execute an EFRP transaction and an additional cash or OTC transaction that offsets the cash or OTC component of the EFRP. For example, Party A sells an OTC swap to Party B and contemporaneously executes an EFRP transaction whereby Party A sells futures and buys an offsetting OTC swap opposite Party B. Such transactions are permitted in the Products unless otherwise indicated in 7.3.5.

- 7.3.2 All documents typically generated in accordance with OTC market conventions must be generated and maintained for each of the OTC transactions. The books of the respective parties must also reflect the execution of the OTC transactions. With respect to transitory EFRPs in foreign exchange Products, the Exchange would expect to see documentation generated for each leg of the offsetting cash transactions consistent with that for the produced for stand-alone OTC transactions of the same type. Additionally, the parties involved in the transaction must have the ability to deal in the OTC instrument.

- 7.3.3 Documentation generated to support transitory EFRP transactions should identify the counterparty to the transaction either by account number or name. However, where the EFRP is transacted between a person acting on behalf of a third party, the documentation must at a minimum uniquely identify the EFRP transaction and allow for its subsequent

association with additional documentation which allows for the identification of the third party by name or account number.

- 7.3.4 There is no specified minimum time period for which the initiating swap must be in force before it is unwound such that the EFRP would not be considered transitory. While the length of time between the transactions may be a consideration in assessing whether the EFRP is transitory, the legitimacy of the transactions will be evaluated based on whether the transactions have integrity as independent transactions exposed to market risk that is material in the context of the transactions. Transactions that do not meet this test are contrary to the Exchange Rules.
- 7.3.5 In Products in which transitory EFRPs are not permitted, as set out in Annex 2, parties to a swap may agree to settle a swap via an EFR. However, at the time of origination, the prices of the swap and the EFR may not be pre-negotiated such that market risk is negated.

#### 7.4 **Clearing of EFRPs**

- 7.4.1 EFRPs must be submitted to ClearPort within one hour after the relevant terms have been determined. If the relevant terms are determined at a time when ClearPort is unavailable, the EFRP must be submitted within one hour of the time that ClearPort next becomes available. EFRPs may not, under any circumstances, be submitted to clearing after the end of the last Trading Session for the Contract Month or Contract Day, as applicable.

#### 7.5 **Reporting for EFRPs**

- 7.5.1 EFRPs may be submitted to clearing via any of the following:

a) GCC

EFRP parties that have been given the appropriate permission to enter EFRPs by the Clearing Member may report the details of EFRP transactions to the GCC Facilitation Desk for entry into CME ClearPort via email at [facdesk@cmegroup.com](mailto:facdesk@cmegroup.com).

b) ClearPort

EFRP transactions may be submitted for Clearing via ClearPort. Once entered into ClearPort, confirmation records will be routed back to the Clearing Members for bookkeeping purposes. For information on reporting EFRP transactions through ClearPort, please contact CME ClearPort Market Operations at +44 20 7623 4747 or via e-mail at [facdesk@cmegroup.com](mailto:facdesk@cmegroup.com).

c) CME Direct

EFRP transactions may be submitted to the Clearing House via the CME Direct platform. For information on reporting EFRP trades through CME Direct, please contact CME Direct Support at [CMEDirectSupport@cmegroup.com](mailto:CMEDirectSupport@cmegroup.com).

- 7.5.2 Submitting parties and Clearing Members must accurately identify EFRP transactions on confirmations and statements provided to Customers.

## 8 **Trade deletion procedures for block trades and EFRPs**

- 8.1 Following submission of a block trade or EFRP transaction in accordance with 6.4 and 7.5, as appropriate, an e-mail will be transmitted to the parties to the transaction notifying them that they have been listed as counterparties in a transaction that has been submitted to the Exchange. Following such submission, a buyer or seller may not unilaterally reject the trade terms previously submitted to the Exchange. However, in order to correct an error resulting from the good faith actions of a submitting party, and upon mutual consent of the parties to the transaction, the submitting party may void the transaction provided that such request to

void is received by the Exchange within three (3) Business Days of the time of the initial submission of the block trade or EFRP transaction to the Exchange.

## **9 Position limits and position accountability (Exchange Rule 6.16 and Exchange Rule 6.17)**

9.1 The Exchange does not at present impose any position limits or position accountability levels.

## **10 Average Price (Exchange Rule 6.23)**

10.1 An Order or series of Orders executed during the same Trading Session at more than one price may be averaged pursuant to APS only if each Order is for the same account or group of accounts and for the same Product and Contract Month for futures, or for the same Product, Contract Month, put/call and strike price for options.

10.2 The requirements enumerated below must be met for APS Transactions.

10.2.1 The Customer must have requested average price reporting.

10.2.2 The price at which each individual Transaction is executed must be submitted to the Clearing House.

10.2.3 If a Clearing Member computes and confirms the average price to its Customers, it must compute the weighted mathematical average price.

10.2.4 If a Clearing Member calculates the average price, it must possess the records to support the calculations and allocations to Customer accounts.

10.2.5 A Clearing Member must ensure that its House Transactions are not averaged with Customer Transactions.

10.3 Upon receipt of an execution or match at multiple prices for an APS Order, the weighted mathematical average must be computed by:

10.3.1 multiplying the quantity bought or sold at each execution price by the execution price;

10.3.2 adding the results together; and

10.3.3 dividing by the total quantity bought or sold.

10.4 An average price for a series of executed Orders will be computed based on the average price of each executed Order in that series. Either the actual average price or the average price rounded to the next price increment may be confirmed to Customers. If a Clearing Member confirms the rounded average price, the Clearing Member must round the average price up to the next price increment for an executed buy Order or down to the next price increment for an executed sell Order. The residual created by the rounding process must be paid to the Customer. APS may produce prices that do not conform to whole increments of the smallest currency unit used in the pricing currency. In such cases, any amounts less than the smallest currency unit used in the pricing currency may be retained by the Clearing Member.

10.5 Each Clearing Member that confirms an average price to a Customer must indicate on the confirmation and statements that the price represents an average price.

## **11 Market Performance Protection (Exchange Rule 6.24)**

11.1 The Exchange may, as provided in Exchange Rule 6.24, from time to time impose restrictions on Members' activities conducted on the Globex Platform through, for example, the implementation of technological controls and policies. Examples of the types of market performance protection tools that the Exchange may use include limits on messaging volumes. Members will be notified of such measures by way of a Notice.

## **Part D: COMPLAINTS PROCEDURE**

### **1 Introduction**

- 1.1 This Complaints Procedure is designed to ensure that all Complaints received from Members are dealt with fairly and in an objective and prompt way.

### **2 Types of Complaints**

- 2.1 Paragraph 3.1 of this Complaints Procedure sets out how a Member may make a GCC Complaint and paragraph 4.1 sets out how the Exchange will act upon receipt of a GCC Complaint.
- 2.2 Paragraph 3.2 of this Complaints Procedure sets out how a Member may make a Phantom Order Complaint and paragraph 4.3 sets out how the Exchange will act upon receipt of a Phantom Order Complaint.
- 2.3 Paragraphs 3 and 5 to 8 inclusive of this Complaints Procedure set out how a Member who has an Exchange Complaint may make a formal complaint to the Exchange and how the Exchange will investigate and resolve such a complaint.
- 2.4 Paragraph 3 of this Complaints Procedure sets out how a Member who has a Member Complaint may make a formal complaint to the Exchange and how the Exchange will investigate and resolve such a complaint.

### **3 Requirements for Complaints**

#### *GCC Complaints*

- 3.1 If a Member wishes to make a GCC Complaint for consideration by the Exchange in accordance with Exchange Rule 2.4.8, such GCC Complaint must include a detailed description of the GCC Complaint and a detailed description of any loss suffered due to the circumstances comprising the GCC Complaint and should be submitted to the Exchange within the time frame specified in Exchange Rule 2.4.10. Should a Member fail to notify the Exchange of a GCC Complaint within the time frame set out in Exchange Rule 2.4.10 or should a Member not wish to have a GCC Complaint considered in accordance with Exchange Rule 2.4.8, the Member may submit an Exchange Complaint which covers the same content which could have formed the GCC Complaint. If a Member submits such an Exchange Complaint, it will be dealt with in accordance with this Complaints Procedure.

#### *Phantom Order Complaints*

- 3.2 If a Member wishes to make a Phantom Order Complaint for consideration by the Exchange in accordance with Exchange Rule 2.4.12, such Phantom Order Complaint must include a detailed description of the Phantom Order Complaint and a detailed description of any loss suffered due to the circumstances comprising the Phantom Order Complaint and should be submitted to the Exchange within the time frame specified in Exchange Rule 2.4.14. Should a Member fail to notify the Exchange of a Phantom Order Complaint within the time frame set out in Exchange Rule 2.4.14 or should a Member not wish to have a Phantom Order Complaint considered in accordance with Exchange Rule 2.4.12, the Member may submit an Exchange Complaint which covers the same content which could have formed the Phantom Order Complaint. If a Member submits such an Exchange Complaint, it will be dealt with in accordance with this Complaints Procedure.

#### *Exchange and Member Complaints*

- 3.3 An Exchange Complaint or Member Complaint must:

- 3.3.1 be made in writing, dated and addressed to the Chief Regulatory and Surveillance Officer, CME Europe Limited, One New Change, London, EC4M 9AF;
  - 3.3.2 set out, so far as possible, full details of the substance of the Complaint including the date(s) and place(s) when the conduct, behaviour or other actions occurred, the subject of the Complaint and the names of the persons involved;
  - 3.3.3 contain any other details or documentation that the complainant considers that the Exchange shall require in order to investigate the Complaint;
  - 3.3.4 be made no later than three (3) months after the conduct, behaviour or other actions that are the subject of the Complaint occurred or if the conduct, behaviour or other actions complained of consists of a series of events, no later than three (3) months after the end of the last such event; and
  - 3.3.5 contain the complainant's full name and address and the contact details of the person who the Exchange should contact in relation to the Complaint,
- together, the Complaints Requirements.

## **4 Actions in relation to a GCC Complaint or a Phantom Order Complaint**

### *GCC Complaints*

- 4.1 Upon receipt of notification of a GCC Complaint, the Exchange will investigate the Complaint and, in its sole discretion, decide whether to take any action in accordance with Exchange Rule 2.4.8.
- 4.2 The Exchange will communicate its decision to the Member.

### *Phantom Order Complaints*

- 4.3 Upon receipt of notification of a Phantom Order Complaint, the Exchange will investigate the Complaint and, in its sole discretion, decide whether to take any action in accordance with Exchange Rule 2.4.12.
- 4.4 The Exchange will communicate its decision to the Member.

## **5 Acknowledgement and investigation of Exchange and Member Complaints**

- 5.1 The Exchange must acknowledge the Complaint in writing to the address shown on the letter of complaint, within ten (10) Business Days of receipt.
- 5.2 If, in the opinion of the Exchange, the letter of complaint meets the Complaints Requirements, the Exchange will refer:
  - 5.2.1 an Exchange Complaint to the General Counsel of the Exchange or a delegate of such person (the **General Counsel**) within ten (10) Business Days of receipt of the letter of complaint by the Exchange; and
  - 5.2.2 a Member Complaint to the Chief Regulatory and Surveillance Officer of the Exchange to be dealt with in accordance with Chapter 8 of the Exchange Rulebook.
- 5.3 If, in the opinion of the Exchange, the letter of complaint does not meet the Complaints Requirements, the Exchange reserves the right not to act on it until, in its opinion, the Complaints Requirements are met.

## **6 Internal investigation**

- 6.1 The General Counsel is tasked with carrying out an objective and thorough review and investigation of the Exchange Complaint.

- 6.2 The General Counsel will carry out an investigation and review into the subject matter of the Exchange Complaint (the **Internal Investigation**) and must deliver its report to the complainant and the Exchange within eighty (80) Business Days from the date on which the letter of Complaint was received by the Exchange. The report will contain recommendations for resolving the Exchange Complaint or it may contain no recommendations if, in the opinion of the General Counsel, this is considered to be appropriate. The report will also contain reasons for any decision taken by the General Counsel.
- 6.3 The costs of the Internal Investigation, review and report will be met entirely by the Exchange.

## **7 Referral to an Independent Complaints Investigator**

- 7.1 If the complainant is not satisfied with the outcome of the decision in relation to a GCC Complaint or a Phantom Order Complaint or an Internal Investigation in relation to an Exchange Complaint, or if, in relation to an Exchange Complaint, the complainant does not receive the General Counsel's report within eighty (80) Business Days of the date on which the letter of Complaint was received by the Exchange (and providing that the subject matter of the Exchange Complaint (or substantially the same matters) shall not have already been referred to an independent investigator as a result of an Exchange Complaint from the same or another complainant) the complainant may request that the Exchange refer the GCC Complaint, Phantom Order Complaint or Exchange Complaint to an independent complaints investigator (the **Independent Investigator**) who has been nominated in accordance with the procedure set out in paragraph 7.4.
- 7.2 A complainant must make a referral request to the Exchange:
- 7.2.1 in writing to the Chief Regulatory and Surveillance Officer of the Exchange;
- 7.2.2 no later than:
- (a) ten (10) Business Days following notification of the decision in relation to either a GCC Complaint or Phantom Order Complaint, or, in relation to an Exchange Complaint, receipt by the complainant of the report from the Exchange (provided in accordance with paragraph 6.2); or
  - (b) eighty (80) Business Days from the submission of the Exchange Complaint to the Exchange (in accordance with paragraph 3.1) if no report has been received from the General Counsel (as per paragraph 6.2).
- 7.3 The Exchange must refer the Complaint to an Independent Investigator within ten (10) Business Days of receipt of a written request for referral made in accordance with paragraph 7.2.
- 7.4 An Independent Investigator shall be nominated for the purposes of this Complaints Procedure by the Centre for Dispute Resolution (**CEDR**), with whom the Exchange will liaise. The Independent Investigator will:
- 7.4.1 be independent of the Exchange, meaning for the purposes of this Complaints Procedure, that the Independent Investigator is not and has not ever been an officer, director or employee of the Exchange or any of its Affiliates;
  - 7.4.2 have appropriate knowledge of the Exchange Rulebook and other relevant documentation, regulation and Applicable Law; and
  - 7.4.3 have appropriate experience of the European derivatives exchange market and / or activities to which the Exchange Complaint relates.

- 7.5 The Exchange will allow the Independent Investigator full access to records, staff and any key individuals or such other persons as may reasonably enable him to pursue his investigation and prepare his report and recommendations.
- 7.6 The Exchange will pay the fees and expenses of the Independent Investigator.
- 7.7 If, for reasons beyond the Exchange's control, a referral to an Independent Investigator is not made within the ten (10) Business Day period referred to in paragraph 7.2, the Exchange must notify the complainant in writing as soon as possible (but in any event no more than twelve (12) Business Days following dissemination by the General Counsel to the complainant of the report) of the reasons for the delay.

## **8 Independent Investigator's procedure for dealing with a Complaint**

- 8.1 On being appointed, the Independent Investigator must immediately notify the complainant and the Exchange in writing of its appointment and will invite both parties to make submissions and submit any documentation they wish, within a timescale that the Independent Investigator will determine. Wherever possible, the Independent Investigator's investigation of a Complaint referred to it under this Procedure will be concluded within two (2) months from the date of its nomination. Where this is not reasonably possible because of the nature or complexity of the Complaint, or any other reasonable factor, the Independent Investigator will notify both the complainant and the Exchange in writing and must provide a further date for the completion of the investigation.
- 8.2 The Independent Investigator can determine its own procedure for considering the Complaint referred to it and may, without limitation, take one or more of the following steps to do so:
- 8.2.1 interview one or more Representatives of the complainant;
  - 8.2.2 interview one or more Representatives of the Exchange;
  - 8.2.3 seek further or other information from the Exchange and / or the complainant; and
  - 8.2.4 make any further or reasonable inquiries as it deems fit in order properly and fully to investigate the Complaint.
- 8.3 On concluding the investigation, the Independent Investigator will produce a written report setting out its findings, conclusions and reasons for its conclusions. A copy of this report will be provided by the Independent Investigator to both the complainant and the Exchange. In its written report, the Independent Investigator may make such recommendations it deems fit in the circumstances including a recommendation that the Exchange make a compensatory payment to the complainant and / or takes remedial action to remedy the cause of the Exchange Complaint. For the avoidance of doubt, should the Independent Investigator make a recommendation that a compensatory payment be made to the complainant, such compensatory will be subject to any limitations of liability set out in the Exchange Rulebook from time to time.
- 8.4 The report will not be made public unless the complainant and the Exchange agree that this should be the case. In the event that it is to be made public, the report will be published on the Website.

## Schedule: Cocoa Procedures

The Cocoa Procedures shall apply to Cocoa Beans stored for potential Delivery against a Cocoa Futures Contract.

1	Definitions and Interpretation.....	21
2	Registrar, Account Holders, Elected Clearing Members .....	27
3	All Service Providers .....	30
4	Approved Ports .....	32
5	Approved Warehousekeepers .....	33
6	Licensed Warehouses .....	37
7	Licensed Supervisors .....	40
8	Approved and Licensed Graders .....	41
9	Registration of Cocoa .....	42
10	Receipt of Cocoa at a Licensed Warehouse .....	43
11	Weighing .....	43
12	Storage of Cocoa .....	45
13	Status, issuance and management of CME Europe Warrants.....	46
14	Sampling .....	54
15	Moisture Test .....	57
16	Grading.....	57
17	Appealing a Grading result .....	63
18	Delivery .....	63
19	Acceptance .....	65
20	Delivery Out.....	69

## Part A - DEFINITIONS AND TERMS OF TRADING FOR CLEARING MEMBERS

### 1 Definitions and Interpretation

#### Definitions

- 1.1 **Account Holder** shall mean a person for whom the Depository maintains one (1) or more Depository Accounts, which shall include Clearing Members (acting for themselves as Owners), Elected Clearing Members (acting on behalf of Clients) and the Clearing House, who have agreed to the Depository Services Terms and Conditions.
- 1.2 **Adulteration** means alteration of the composition of a Lot or Parcel of Cocoa Beans by any means whatsoever so that the resulting mixture or combination does not conform to the contractual description.
- 1.3 **Alternative Delivery Arrangement** shall have the meaning as set out in section 18.3.
- 1.4 **Application for Approval** has the meaning designated in section 3.1.1.
- 1.5 **Approval** means approval granted by the Exchange to operate as a Service Provider under these Cocoa Procedures.
- 1.6 **Approved Grader** shall mean a legal entity approved by the Exchange for the employment of Licensed Graders.
- 1.7 **Approved Grading Station** shall mean a facility approved by the Exchange where Grading of Cocoa Beans by Licensed Graders may occur.
- 1.8 **Approved Port** shall mean a port approved by the Exchange for the delivery of Cocoa, as determined from time to time by the Exchange.
- 1.9 **Approved Supervisor** shall mean a legal entity approved by the Exchange for the employment of Licensed Supervisors.
- 1.10 **Approved Warehousekeeper** shall mean a warehousekeeper approved by the Exchange for the secure Storage of Cocoa Beans in its Licensed Warehouses and which appears on the list of Approved Warehousekeepers published from time to time by the Exchange.
- 1.11 **Bag or Bagged** shall refer to Cocoa which has been packed in new, clean, sound, non-returnable bags of sufficient strength to withstand the transit and storage of goods. The bags shall be woven from natural fibres and shall be suitable for food contact use.
- 1.12 **Bean Cluster** means two (2) or more Cocoa Beans joined together which cannot be separated by finger and thumb, and **Cluster Content** means the proportion by mass of an amount of Cocoa that is assessed as being formed of Bean Clusters.
- 1.13 **Bean Count** shall have the meaning set out in section 16.8.13.
- 1.14 **Bill of Lading** means an on board bill of lading in negotiable and transferable form or a corresponding ship's delivery order or its corresponding equivalent as used in multimodal transportation.
- 1.15 **Broken Bean** means a Cocoa Bean of which a Fragment is missing, the remaining part being more than half of a whole Cocoa Bean.
- 1.16 **Bulk** shall mean an amount of loose Cocoa Beans not being contained in Bags.

- 1.17 **Client** shall mean a client of an Elected Clearing Member who is an Owner or former Owner for whose CME Europe Warrant(s) the Elected Clearing Member has at any time accepted nomination.
- 1.18 **Client Account** means an account maintained by an Account Holder at the Depository relating to the Client business of a Clearing Member.
- 1.19 **CME Europe Warrant** shall mean a physical warrant issued by an Approved Warehousekeeper relating to Cocoa Stored in a Licensed Warehouse and complying with the requirements of these Cocoa Procedures as set out at section 13.
- 1.20 **CME Europe Warrant Number** shall mean the alphanumeric key that is assigned to the CME Europe Warrant by the Approved Warehousekeeper.
- 1.21 **CME Europe Warrant Secure Paper ID** shall mean the unique audit number displayed on the secure paper of a CME Europe Warrant.
- 1.22 **Cocoa** or **Cocoa Beans** shall mean cocoa beans (the fermented dried seeds of *Theobroma cacao* L.) which are the subject of a CME Europe Warrant or are intended to become the subject of a CME Europe Warrant.
- 1.23 **Cocoa Business Day** shall mean any day other than a Cocoa Non-Business Day.
- 1.24 **Cocoa Delivery Procedures** shall mean the procedures for delivery as published by the Clearing House from time to time.
- 1.25 **Cocoa Futures Contract** shall mean the Contract Specification setting out the terms of a particular type of Transaction between two (2) Clearing Members on the Exchange.
- 1.26 **Cocoa Non-Business Day** means Saturdays, Sundays and the officially recognised and/or legal holidays of the country where the party required to do the act or to give any notice resides or carries on business or in the country where the act has to be done or the notice has to be received and any day which the FCC may declare as non-business days for specific purposes.
- 1.27 **Composite Sample** shall mean a sample formed by combining all the Primary Samples or Incremental Samples, as appropriate, drawn from the Grading Unit.
- 1.28 **Contamination** means the presence of a smoky, hammy or other smell not typical to Cocoa, or a substance not natural to Cocoa which is revealed during the Cut Test or physical inspection of a Grading Sample.
- 1.29 **Cut Test** means the procedure by which the cotyledons of Cocoa Beans are exposed for the purpose of conducting the tests identified at section 16.6.2.
- 1.30 **Defective Bean** means an internally Mouldy Bean or Infested Bean.
- 1.31 **Deliveries Plus** means the electronic recording of Grading and the delivery system administered by the Clearing House or any successor system used by the Depository for the recording, issuance and transfer of CME Europe Warrants.
- 1.32 **Delivery** shall mean delivery against a Cocoa Futures Contract under the Cocoa Delivery Procedures.
- 1.33 **Delivery Buyer** shall have the meaning given in the Cocoa Futures Contract.
- 1.34 **Delivery Day** shall have the meaning given in the Cocoa Futures Contract.
- 1.35 **Delivery Month** shall mean the designated period of time during which delivery intents may be tendered or deliveries may be completed.
- 1.36 **Delivery Out** shall mean the delivery of Cocoa Beans out of a Licensed Warehouse to the Owner in accordance with section 20.

- 1.37 **Delivery Seller** shall have the meaning given in the Cocoa Futures Contract.
- 1.38 **Delivery Value** shall have the meaning given in the Cocoa Futures Contract.
- 1.39 **Depository** shall mean the Exchange, acting in its capacity as a depository established or approved by the Exchange for the secure receipt, holding, administration, safekeeping and releasing of CME Europe Warrants.
- 1.40 **Depository Account** shall mean an account maintained by the Depository in accordance with the Depository Services Terms and Conditions, which in the case of a Clearing Member Account Holder may be a House Account or a Client Account, and to which CME Europe Warrants may be credited and debited.
- 1.41 **Depository Services Terms and Conditions** shall mean the terms and conditions from time to time in force under which the Depository provides its services to Account Holders.
- 1.42 **Elected Clearing Member** means a Clearing Member that has been nominated by a Client to act on its behalf in respect of the registration on Deliveries Plus of a CME Europe Warrant, and references to the relevant Elected Clearing Member in relation to CME Europe Warrant shall be construed as references to the Clearing Member to which that CME Europe Warrant relates as recorded in Deliveries Plus from time to time.
- 1.43 **Eligible** shall mean, with respect to any Cocoa, that a CME Europe Warrant has been issued in respect of such Cocoa and that it is acceptable for potential Delivery against a Cocoa Futures Contract, subject to the Moisture Test and Grading.
- 1.44 **Exchange** shall mean the exchange operated by CME Europe Limited.
- 1.45 **Exchange Cocoa Guarantee Requirements** means the requirements to be satisfied by a bank guarantee provided in accordance with section 5.4 as published by the Exchange and amended from time to time.
- 1.46 **Exchange Rules** shall mean the rules of the Exchange as set out on its website and as they may be amended from time to time.
- 1.47 **Expired Cocoa** shall have the meaning set out at section 16.9.2.
- 1.48 **FCC** shall mean the Federation of Cocoa Commerce Limited.
- 1.49 **FCC Sampling Rules** shall mean the sampling rules as published from time to time by the FCC.
- 1.50 **Flat Bean** means a Cocoa Bean which is too thin to be cut to give a complete surface of the cotyledons.
- 1.51 **Foreign Matter** means any substance other than Cocoa Beans and Residue.
- 1.52 **Fragment** means a piece of Cocoa Bean equal to or less than half a Cocoa Bean.
- 1.53 **Germinated bean** means a Cocoa Bean the shell of which has been pierced, split or broken by the growth of the seed-germ.
- 1.54 **Governing Documents** means, collectively, these Cocoa Procedures, the Cocoa Delivery Procedures, the Depository Services Terms and Conditions, the Cocoa Futures Contract and the Exchange Rules.
- 1.55 **Grading** shall mean the grading process as described in section 16 of these Cocoa Procedures.
- 1.56 **Grading Order** shall mean the instruction by the Exchange to the Approved Grader to conduct Grading.
- 1.57 **Grading Panel** means the panel of Licensed Graders that conducts Grading.

- 1.58 **Grading Sample** shall mean a representative sample of a minimum of two (2) kilograms prepared according to these Cocoa Procedures.
- 1.59 **Grading Unit** shall mean:
- 1.59.1 in respect of Bagged Cocoa, up to twenty five (25) Lots; and
- 1.59.2 in respect of Bulk Cocoa, twenty five (25) Lots.
- 1.60 **House Account** means an account maintained by an Account Holder at the Depository relating to the house business of a Clearing Member.
- 1.61 **Incremental Sample** shall mean a small quantity of Cocoa Beans not exceeding one (1) kilogram taken from a Parcel in accordance with these Cocoa Procedures.
- 1.62 **Ineligible Cocoa** shall have the meaning given at section 13.14.3(c).
- 1.63 **Infested Bean** means a Cocoa Bean the internal parts of which are found to contain insects or mites at any stage of development, or to show signs of damage caused thereby which are visible to the naked eye.
- 1.64 **Lead Grader** means a Licensed Grader designated by the Exchange as being experienced in the quality assessment of Cocoa.
- 1.65 **Licensed Grader** shall mean a person employed by an Approved Grader and licensed by the Exchange to assess the quality of Cocoa Beans according to these Cocoa Procedures at an Approved Grading Station.
- 1.66 **Licensed Supervisor** shall mean a person employed by an Approved Supervisor and licensed by the Exchange for the supervision of Sampling and/or Weighing of potentially Eligible Cocoa Beans according to these Cocoa Procedures at a Licensed Warehouse.
- 1.67 **Licensed Warehouse** shall mean a bonded facility or part thereof operated by an Approved Warehousekeeper and licensed by the Exchange for the secure Storage of Cocoa Beans.
- 1.68 **London Agent** shall mean an agent appointed by and acting on behalf of an Approved Warehousekeeper.
- 1.69 **Lot** shall mean ten (10) tonnes, of Cocoa Beans which are of the same origin and crop year.
- 1.70 **Moisture Test** shall mean the moisture test conducted on Cocoa Beans as described at section 15.
- 1.71 **Mouldy Bean** means a Cocoa Bean on the internal parts of which mould is visible to the naked eye (mould is not to be confused with white spot which is a concentration of theobromine or cocoa fat).
- 1.72 **Non-Deliverable Cocoa** means Cocoa that has failed Grading under section 16.4.1(b) that may become Valid Cocoa pursuant to sections 16.4.3 or 16.4.4 (as applicable).
- 1.73 **Non-Tenderable Cocoa** means Cocoa that has failed Grading under section 16.4.1(c) which cannot become Valid Cocoa pursuant to section 16.4.5.
- 1.74 **Notice of Alternative Delivery** shall mean a notice in the form prescribed by the Clearing House from time to time.
- 1.75 **Owner** means in respect of any Parcel or Bagged Lot of Cocoa in respect of which one or more CME Europe Warrant(s) is held by the Depository, a person whose name is recorded in Deliveries Plus as entitled to possession of any such CME Europe Warrant, and **Ownership** shall be construed accordingly.
- 1.76 **Pallet Seal** shall mean a visible, uniquely numbered and barcoded seal securely attached to a Bag on a pallet.

- 1.77 **Parcel** shall mean Bulk Cocoa Beans Stored in accordance with these Cocoa Procedures.
- 1.78 **Primary Sample** shall mean a small quantity of Cocoa Beans taken at a single position from a randomly selected Bag containing Sound Cocoa Beans in accordance with these Cocoa Procedures.
- 1.79 **Received** and **Receipt** shall mean the process of receiving Cocoa into the Licensed Warehouse as described in section 10 of these Cocoa Procedures.
- 1.80 **Registrar** shall mean an individual and/or function appointed by the Exchange to act in accordance with section 2.1.
- 1.81 **Re-integration period** has the meaning given to it under section 18.2.2.
- 1.82 **Residue** means any Cocoa element other than whole Cocoa Beans and Flat Beans which does not pass through the Sieve (for instance Broken Beans, Fragments and pieces of shell).
- 1.83 **Rent** means rent owed to the Approved Warehousekeeper for the Storage of Cocoa under the Approved Warehousekeeper's Terms of Storage.
- 1.84 **Sampling** shall mean the sampling process conducted in accordance with these Cocoa Procedures as described at section 14.
- 1.85 **Sampling Order** shall mean the instruction given by the Exchange to the Licensed Supervisor to carry out Sampling.
- 1.86 **Service Provider** shall mean an Approved Grader, Approved Supervisor, Approved Warehousekeeper or Depository.
- 1.87 **Sieve** means a screen with round holes the diameter of which shall be five (5) millimetres.
- 1.88 **Sievings** means the material which will pass through the Sieve.
- 1.89 **Slaty Bean** means a Cocoa Bean which shows a slaty colour on at least half of the surface of the cotyledons exposed by the Cut Test.
- 1.90 **Sound** means that the Cocoa has not been damaged in transit or Storage.
- 1.91 **Storage** means the storage of Cocoa under section 12 of these Cocoa Procedures and **Stored** shall be construed accordingly.
- 1.92 **Storage-pen** shall mean the area within a Licensed Warehouse which is defined by appropriate retaining-walls for the Storage of a Parcel.
- 1.93 **Storage-pen Seal** shall mean a visible, uniquely numbered and barcoded seal securely attached to a Storage-pen used to identify the content of the Parcel and referenced on the CME Europe Warrant.
- 1.94 **Terms of Storage** shall mean the relevant set of contract terms and/or rules in a specific jurisdiction which apply to business transactions between an Owner and an Approved Warehousekeeper in relation to the storage of Cocoa.
- 1.95 **Test Sample** means not less than six hundred (600) grams of Grading Sample material.
- 1.96 **Valid** shall mean with respect to any Cocoa for which a CME Europe Warrant has been issued, that such Cocoa is acceptable for Delivery against the Cocoa Futures Contract, as determined by section 16 of these Cocoa Procedures.
- 1.97 **Weigh** and **Weighing** shall mean the weighing of Cocoa in accordance with section 11 of these Cocoa Procedures.

#### Interpretation

- 1.98 These Cocoa Procedures form part of the Exchange Procedures and should be read in conjunction with the Exchange Rules. In the event of any conflict between the Exchange Rules and these Cocoa Procedures, the Exchange Rules shall take precedence.
- 1.99 The provisions of the Governing Documents apply to business transactions between an Approved Warehousekeeper and an Owner in respect of Storage of Cocoa and may differ from the Terms of Storage in different jurisdictions. To the extent that there is a conflict between any of the Terms of Storage in a specific jurisdiction and the Governing Documents, the Governing Documents shall prevail.
- 1.100 In these Cocoa Procedures unless specified otherwise:
- 1.100.1 capitalised terms used and not defined herein have the meaning given to them in the Exchange Rules, the Depository Services Terms and Conditions, the Cocoa Delivery Procedures and the Cocoa Futures Contract;
- 1.100.2 words importing the plural include the singular and vice versa and the use of any gender includes the other gender; and
- 1.100.3 each provision applies to each category of Transaction.

## 2 Registrar, Account Holders, Elected Clearing Members

### 2.1 Registrar

#### 2.1.1 The Registrar, in its absolute discretion:

- (a) is authorised to represent the Exchange in all matters relating to these Cocoa Procedures;
- (b) is responsible for operating the Depository;
- (c) is permitted, with the written permission of the Exchange in each case, to appoint a delegate to act in his place;
- (d) may act in the place of any Approved Grader, Approved Supervisor, Licensed Grader or Licensed Supervisor (**Approved Persons**);
- (e) may sanction any Service Provider on the terms set out in a Notice determining the relevant procedures and sanctions;
- (f) may determine that Cocoa is no longer Valid;
- (g) may appoint, impose conditions upon and revoke the appointment of any Approved Person or Approved Warehousekeeper; and
- (h) may issue invoices to Account Holders on behalf of the Exchange for any liability an Account Holder may incur under these Cocoa Procedures.

#### 2.1.2 The Registrar will have the power to determine restrictions on the type, quality, condition and origin of Cocoa that may be Received by an Approved Warehousekeeper.

#### 2.1.3 Complaints made in respect of the Registrar should be brought by an Account Holder under Chapter 8 (Complaints and enforcement) of the Exchange Rules. Where an Owner that is not a Clearing Member wishes to make a complaint they should instruct their Elected Clearing Member in writing accordingly.

#### 2.1.4 All references to the Registrar in these Cocoa Procedures are for convenience only and should be read as references to the Exchange.

#### 2.1.5 Nothing in these Cocoa Procedures shall limit the application of Exchange Rule 2.4 (Limitations of liability and indemnity). The Exchange's liability in respect of its duties under these Cocoa Procedures (including when acting in its capacity as the Registrar or Depository, and including when acting in the role of, or instead of, any Approved Person or Approved Warehousekeeper) as may be provided for under these Cocoa Procedures or otherwise, shall be limited as set out at Exchange Rule 2.4 (Limitations of liability and indemnity). Any action or inaction required (explicitly or implicitly) of the Exchange under these Cocoa Procedures (including when acting in its capacity as the Registrar or Depository, and including when acting in the role of, or instead of, any Approved Person or Approved Warehousekeeper) shall be deemed to be included within the scope of Exchange Rule 2.4.2(f) (Limitations of liability and indemnity).

### 2.2 Account Holders, Owners and Elected Clearing Members

#### 2.2.1 Account Holders are responsible for all Cocoa that is held (whether on their own behalf or on behalf of a Client) in their name under these Cocoa Procedures.

#### 2.2.2 The Exchange (whether represented by the Registrar or acting in capacity as the Depository) owes duties only to Account Holders under these Cocoa Procedures.

- 2.2.3 An Owner that is also a Client depositing Cocoa in accordance with section 13.4.1 and requesting that such Cocoa be represented by a CME Europe Warrant shall at the same time provide written instructions to a Clearing Member that it wishes to appoint such Clearing Member to act as its Elected Clearing Member in respect of Cocoa represented by such CME Europe Warrant and held pursuant to these Cocoa Procedures. Upon accepting an appointment to act as an Elected Clearing Member, a Clearing Member must notify the Approved Warehousekeeper (such notice to include the Clearing Member's name and the Exchange mnemonic). On receipt of such notice, the Approved Warehousekeeper shall post a request in Deliveries Plus for the relevant Clearing Member to confirm that it accepts the appointment, to which the relevant Clearing Member shall respond promptly, confirming acceptance or rejection of the appointment.
- 2.2.4 An Elected Clearing Member accepting such appointment agrees to act on behalf of the Client with regard to any instructions concerning the Sampling, Weighing and Grading of Cocoa which it is intended shall be used for the potential Delivery against a futures position on the Exchange.
- 2.2.5 From the time of accepting the appointment (such acceptance being notified to the Clearing House and the Exchange by recording in Deliveries Plus) the Elected Clearing Member shall be responsible to the Exchange for the costs incurred by the Exchange in relation to Sampling, Weighing and Grading of Cocoa authorised under these Cocoa Procedures. Subject to section 2.2.4, an Elected Clearing Member may cease to be appointed only if another Clearing Member agrees to accept the transfer of the appointment.
- 2.3 Where a Clearing Member acts as an Elected Clearing Member on behalf of an Owner:
- 2.3.1 it shall provide such further information about such Owner and any instructions submitted on its behalf as the Exchange or Clearing House may require and use its best endeavours to procure that each Owner provides to the Exchange such information about such Owner and the instructions submitted on its behalf as the Exchange may require;
- 2.3.2 it must satisfy itself that the acts and omissions of its Owners and their Representatives will not prevent it from complying with the Exchange Rules, it must impose the prohibitions set out in Exchange Rule 3.11 (Prohibitions) on each Owner and its Representatives; and
- 2.3.3 it must procure that each Owner cooperates with the Exchange in the event of any action being taken against the Clearing Member in the same way as set out in Exchange Rule 8.2.2 (Investigations) save that the Owner shall not be required to permit access without notice to its business premises.
- 2.4 Without prejudice to Exchange Rules 3.12 (Summary access denial) and 3.13 (Emergency actions), if the Exchange has reason to believe or suspect that any Owner is conducting trading activities in violation of the Exchange Rules or in a manner that otherwise threatens the integrity or liquidity of any Product, the Exchange may request such Owner to submit to the processes set out in Chapter 8 (Complaints and enforcement) of the Exchange Rules for the purpose of such matter, in which case Chapter 8 (Complaints and enforcement) of the Exchange Rules will apply to such matter as though the Owner were a Member and the Member shall cooperate with the Exchange in the same way as set out in Exchange Rule 8.2.2 (Investigations).
- 2.5 The Owner may make a written request for the existing Elected Clearing Member recorded in Deliveries Plus to be changed and for the appointment to be transferred to a proposed substitute Elected Clearing Member. On receipt of such a request, the existing Elected Clearing Member shall post a request on Deliveries Plus for the proposed substitute Elected

Clearing Member to confirm acceptance of the transfer of appointment as soon as possible. On confirmation of such acceptance of transfer of appointment by the proposed substitute Elected Clearing Member in Deliveries Plus, the CME Europe Warrant shall be recorded in Deliveries Plus under the name of the substitute Elected Clearing Member.

- 2.6 Subject to section 2.7, an Elected Clearing Member may cease to be appointed only if another Clearing Member agrees to accept the transfer of appointment.
- 2.7 On an event of default under Chapter 7 (Default) of the Exchange Rules of an Elected Clearing Member, one or more substitute Clearing Members may be instructed by the Exchange to act as Elected Clearing Member. The Clearing House will direct the Exchange if it determines this instruction should take place. The substitute Elected Clearing Member will act in respect of some or all of the CME Europe Warrant(s) recorded in Deliveries Plus under the name of the defaulting Elected Clearing Member.
- 2.8 It shall be the responsibility of the Elected Clearing Member to ensure that details of the Owner for whom it is acting, if any, are recorded accurately in Deliveries Plus.
- 2.9 Every Elected Clearing Member shall put in place such written terms and conditions governing its relationship with the Owner as to ensure that the Owner agrees to be bound by the Exchange Rules and the Cocoa Delivery Procedures.

## Part B - SERVICE PROVIDERS

### 3 All Service Providers

#### 3.1 Conditions for Approval

3.1.1 As may be further described in this Part B of these Cocoa Procedures, entities offering relevant services may become Service Providers on Approval by the Exchange pursuant to these Cocoa Procedures by submitting an application on a form issued by the Exchange (an **Application for Approval**), such Application for Approval form to be made available upon request.

3.1.2 Service Providers shall be subject to the Exchange Rules, including the disciplinary procedures set forth in Chapter 8 (Complaints and enforcement) and the arbitration procedures set forth in Chapter 2 (General provisions), and shall abide by and comply with the terms of any disciplinary decision imposed or any arbitration award issued against it pursuant to the Exchange Rules.

3.1.3 Service Providers shall consent to the disciplinary jurisdiction of the Exchange for five (5) years after they cease to provide services to the Exchange pursuant to these Cocoa Procedures, for conduct which occurred during the period of time for which the Service Provider had Approval.

3.1.4 All Service Providers shall be fluent in the English language and all documentation submitted as part of the Application for Approval shall be in English.

3.1.5 The Exchange may establish such requirements and conditions for Approval as it deems appropriate, in addition to the various requirements described hereafter.

#### 3.2 Confidentiality

All officers, directors, employees and agents, of Service Providers shall keep all information regarding customers, Cocoa deposits or withdrawals with any persons or firms strictly confidential.

#### 3.3 Conflicts of interest

3.3.1 A Service Provider or any of its respective parents, subsidiaries or affiliates, may not engage in any trading activity, save for salvage or similar transactions, for their own account or for the account of another when acting as an agent, either directly or indirectly, in Cocoa, without the prior written approval of the Exchange.

3.3.2 A Service Provider shall have in place all controls as the Exchange, in its discretion, deems necessary, to ensure the efficient management of any conflicts of interest which may arise.

#### 3.4 Ethical behaviour

The Service Provider shall not engage in unethical or inequitable practices, and shall comply with all applicable laws and regulations and the Exchange Rules.

#### 3.5 Change of control

3.5.1 The Service Provider shall immediately notify the Exchange, in writing of any prospective or actual change in control of the Service Provider.

- 3.5.2 The Exchange reserves the right in its absolute discretion to remove any Approval granted to a Service Provider following notice of any change in control or ownership.
- 3.6 Accuracy of information and reporting
- 3.6.1 The Service Provider agrees that:
- (a) it has a continuing obligation to promptly notify the Exchange of any changes to the information previously submitted; and
  - (b) it maintains a sufficient number of staff that are competent to act on behalf of the Service Provider to satisfy its duties under these Cocoa Procedures and also in the use of the relevant electronic systems, including but not limited to Deliveries Plus, utilised to record registered CME Europe Warrants and information pertaining to Cocoa (including but not limited to Moisture Test and Grading results).
- 3.6.2 The Service Provider will ensure that it updates all information relating to its duties and services provided under these Cocoa Procedures in Deliveries Plus as soon as possible.
- 3.7 Approval
- The Exchange, in its sole discretion, may determine to approve or not to approve an entity as a Service Provider.
- 3.8 Termination or suspension of Approval
- 3.8.1 At its discretion the Exchange may suspend or terminate the Approval of a Service Provider (a **Suspended Service Provider** or a **Terminated Service Provider**). Such suspension or termination will be effective immediately. The Exchange shall notify the Service Provider of such a decision as soon as reasonably practicable as well as notifying the market via its Website.
- 3.8.2 In the notice to the Service Provider the Exchange will designate which Approvals of Approved Persons, Approved Warehousekeepers, Licensed Warehouses or other entities or individuals associated with the Service Provider are to be suspended or terminated (together with a Suspended Service Provider or a Terminated Service Provider, each, as relevant, a **Suspended Person** or a **Terminated Person**).
- 3.8.3 From the date of suspension under this section 3.8, a Suspended Person:
- (a) shall not be able to accept any Cocoa for Storage;
  - (b) subject to section 3.8.3(c), shall be permitted to carry out any actions under section 20 of these Cocoa Procedures;
  - (c) may be subject to such other and further restrictions imposed by the Exchange and/or the Registrar as they deem to be appropriate; and
  - (d) shall continue to be subject to the provisions of the Governing Documents, including without limitation section 3.1.3 of these Cocoa Procedures.
- 3.8.4 From the date of termination under this section 3.8, Terminated Persons:
- (a) shall not be able to accept any Cocoa for Storage;
  - (b) shall not be permitted to carry out any actions under section 20 of these Cocoa Procedures;
  - (c) may be subject to such other and further restrictions imposed by the Exchange and/or the Registrar as they deem to be appropriate; and

- (d) shall continue to be subject to the provisions of the Governing Documents, including without limitation section 3.1.3 of these Cocoa Procedures.
- 3.8.5 A Suspended Person or Terminated Person may appeal their suspension or termination. An appeal must be made in writing to the Registrar and supporting evidence must be provided by the relevant Suspended Person or Terminated Person. The Registrar and other appropriate Representatives of the Exchange will review the appeal and make a decision within twenty eight (28) days of receipt of the written appeal from the relevant Suspended Person or Terminated Person.
- 3.8.6 Any Cocoa Stored in a Licensed Warehouse subject to suspension or termination under this section 3.8 may, at the discretion of the Registrar, be moved by the Owner under Exchange supervision to a Licensed Warehouse nominated by the Exchange within sixty (60) days of the Approved Warehousekeeper receiving the notice of suspension or termination set out at section 3.8.2.
- 3.8.7 The Owner shall be responsible for any movement of the Cocoa under section 3.8.6.
- 3.8.8 The Approved Warehousekeeper who is subject to the suspension or termination shall account for all costs relating to the movement of the Cocoa under section 3.8.6.
- 3.8.9 Should the Approved Warehousekeeper refuse to comply with section 3.8.8, the Exchange, in its absolute discretion, shall utilise the Guarantee (as such term is defined in section 5.4.1) from the Approved Warehousekeeper to contribute to all reasonable costs incurred by the relevant Owner. If the funds derived from such Guarantee do not cover the total costs incurred under section 3.8.6, the Owner may seek to recover the remaining costs from the Approved Warehousekeeper who is subject to suspension or termination.
- 3.9 Exclusion of liability in respect of Service Providers
- 3.9.1 Although Service Providers are approved by the Exchange according to these Cocoa Procedures, this does not constitute any form of representation, warranty or guarantee made or given by the Exchange in respect of the performance by any Service Provider of its functions nor for the condition or quality of any Cocoa. The Exchange accepts no responsibility for, and shall not have any liability whatsoever (whether in negligence, breach of contract, misrepresentation or otherwise, other than for its fraud or wilful default) for, the duties and obligations of any Service Provider (including any of their acts or omissions) or the performance by any Service Provider of any of its functions. This includes liability for the negligence, failures, breaches, misrepresentations, fraudulent or criminal acts or omissions of any Service Provider.
- 3.9.2 Each part of section 3.9.1 shall be construed separately, applying and surviving, if for any reason any part thereof is held in any jurisdiction to be invalid, illegal or unenforceable. In the event that section 3.9.1, or any part thereof, is held in any jurisdiction to be invalid, illegal or unenforceable, then the Exchange's liability in respect of such invalid, illegal or unenforceable parts shall be limited as if such liability were included under section 2.1.5 of these Cocoa Procedures.

## **4 Approved Ports**

- 4.1 The Exchange will designate Approved Ports.
- 4.2 Each Licensed Warehouse will be located in or close to an Approved Port.

- 4.3 Each Approved Port will at any time have at least two (2) Approved Warehousekeepers that each operates a Licensed Warehouse independently of each other. This requirement is subject to the discretion of the Registrar to maintain an Approved Port's approved status with only one (1) Approved Warehousekeeper.

## 5 Approved Warehousekeepers

### 5.1 Application to become an Approved Warehousekeeper

- 5.1.1 Entities wishing to become an Approved Warehousekeeper for the Storage of Cocoa for the potential Delivery against a Cocoa Futures Contract may submit an Application for Approval on a form provided by the Exchange upon request and supply the following:

- (a) written sponsorship from a minimum of two (2) companies that are at the time of the Application for Approval either: (i) Members of the Exchange; (ii) voting members of the FCC; or (iii) full members of the European Cocoa Association;
- (b) application for at least one (1) warehouse to become a Licensed Warehouse;
- (c) appointment of a London Agent where applicable;
- (d) any relevant documents that may be required by the Exchange; and
- (e) demonstrate compliance with the provisions detailed below.

### 5.2 Conflicts of interest

- 5.2.1 No warehousekeeper shall apply for Approval in the event that they, or any of their respective parents, subsidiaries or affiliates, engage in any Cocoa trading activity, save for salvage or similar transactions, whether directly or indirectly without prior written consent from the Exchange.

- 5.2.2 No Approved Warehousekeeper or any of its respective parents, subsidiaries or affiliates may be eligible to become an Approved Grader or Approved Supervisor.

- 5.2.3 In the event that an Approved Warehousekeeper is found not complying with the requirement at section 5.2.1, the Exchange may sanction the Approved Warehousekeeper in accordance with the Notice per section 2.1.1(e).

### 5.3 List of Approved Warehousekeepers

The Exchange shall publish a list of Approved Warehousekeepers on its website from time to time.

### 5.4 Financial assurance

- 5.4.1 Approved Warehousekeepers shall provide either a bank guarantee that complies with the Exchange Cocoa Guarantee Requirements or such other guarantees, bonds or other financial instruments (a **Guarantee**) to the Exchange as may be required to guarantee the performance of their obligations pursuant to these Cocoa Procedures and any conditions for Approval given.

- 5.4.2 The Guarantee referred to in section 5.4.1 above shall cover a period of two (2) years and shall be renewable annually as set out in the Exchange Cocoa Guarantee Requirements.

### 5.5 Statutory rights

- 5.5.1 If the Cocoa is Stored in a Licensed Warehouse in the Netherlands, the Approved Warehousekeeper hereby waives:

- (a) to the fullest extent permitted by law its rights to suspend (*opschorten*) any of its obligations under these Cocoa Procedures pursuant to articles 6:52, 6:262 and 6:253 of the Dutch Civil Code (**DCC**) or on any other ground under Dutch law or under any other applicable law; and
  - (b) its right of retention pursuant to article 3:290 and further of the DCC. This provision is an irrevocable third party stipulation (*derdenbeding*) within the meaning of article 6:253 of the DCC for the benefit of the buyer under the Exchange Rules.
- 5.5.2 If the Cocoa is Stored in a Licensed Warehouse in Belgium, the Approved Warehousekeeper hereby waives:
- (a) its right of retention under Article 1948 of the Belgian Civil Code, including any right to sell the warehoused goods for the purpose of receiving payment for any amounts due; and
  - (b) any preferential rights granted to it on the basis of Article 20, 4° of the Belgian Mortgage Act.
- 5.5.3 If the Cocoa is Stored in a Licensed Warehouse in Germany, the Approved Warehousekeeper hereby waives
- (a) to the fullest extent possible under German law any statutory right of lien;
  - (b) any right of retention in accordance with Sections 369, 370 German Commercial Code (HGB) and Sections 320, 273 German Civil Code (BGB), unless the counterclaim is undisputed or has been confirmed in a final non-appealable judgement; and
  - (c) in any event, undertakes not to exercise any right of lien or retention in respect of any charges (including Rent) in respect of which it has provided a confirmation under section 13.12.2(e).
- 5.6 Insurance of Licensed Warehouses
- 5.6.1 No warehouse shall be accepted as a Licensed Warehouse for the Storage of Cocoa unless it has produced an insurance certificate/policy demonstrating it has insurance against losses of Cocoa in custody of the Approved Warehousekeeper caused by fraud, dishonesty, acts, omissions or negligence of the personnel working for the Approved Warehousekeeper or (if otherwise) at the Licensed Warehouse; or caused by the fraudulent use of CME Europe Warrants and/or secure paper, and upon such other terms and conditions that are deemed satisfactory to the Exchange.
- 5.6.2 The Approved Warehousekeeper shall notify the Exchange of any proposed changes, cancellation, change in the policy terms and/or premiums to be made to such insurance policies, at least ninety (90) days prior to any amendment.
- 5.6.3 The continued maintenance of such insurance shall be a condition of the ongoing maintenance of status as a Licensed Warehouse.
- 5.6.4 The Approved Warehousekeeper shall provide the Exchange with certificates evidencing insurance in conformity with this section 5 on an annual basis for each Licensed Warehouse.
- 5.7 Reporting of stocks
- 5.7.1 The Approved Warehousekeeper shall provide, via Deliveries Plus, the following information regarding its stocks on a daily basis:

- (a) the total tonnage of Valid Cocoa Stored at each Licensed Warehouse;
  - (b) the total tonnage of Eligible Cocoa Stored at each Licensed Warehouse; and
  - (c) any tonnage of Cocoa that does not meet the required Grading standards (being Non-Deliverable Cocoa or Non-Tenderable Cocoa).
- 5.7.2 The Approved Warehousekeeper shall also provide, in an Exchange approved format, the total tonnage of Cocoa Stored at each Licensed Warehouse that is not Eligible, Valid, Non-Deliverable Cocoa or Non-Tenderable Cocoa.
- 5.7.3 All information provided pursuant to sections 5.7.1 and 5.7.2 shall be transmitted no later than 14:00 hours London time on the second Cocoa Business Day following the day on which the Approved Warehousekeeper comes into possession of the relevant information.
- 5.8 Annual inventory audit
- Each Approved Warehousekeeper, at its sole cost and expense, shall appoint an independent auditor to conduct an annual audit which shall be in compliance with the procedures established by the Exchange. Each audit report shall be filed with the Exchange within thirty (30) calendar days of the end of the review year (period from 1<sup>st</sup> October to 30<sup>th</sup> September).
- 5.9 Recordkeeping
- Each Approved Warehousekeeper shall make reports and keep records as the Exchange may prescribe. Such books and records shall be kept for a period of at least six (6) years from the date of the recordable event or for a longer period if the Exchange shall so direct.
- 5.10 Financial statements
- On an annual basis, the Approved Warehousekeeper shall provide the Exchange with copies of audited statements of the Licensed Warehouse(s), as they become available. If, at any time, there is a reduction in the Tangible Net Worth as defined by International Financial Reporting Standards (**IFRS**) or Local Generally Accepted Accounting Principles, of the licensed facility of at least twenty (20) per cent subsequent to the filing of an audited statement, notice must be sent to the Exchange within twenty (20) calendar days of such reduction.
- 5.11 Inspection
- 5.11.1 The Approved Warehousekeeper shall permit the Registrar, at any time, on twelve (12) hours' notice to examine any and all books and records of the Approved Warehousekeeper, for the purpose of ascertaining the Cocoa stocks held by the Approved Warehousekeeper at any particular time.
- 5.11.2 The Registrar shall have the authority to determine:
- (a) the quantity of Cocoa in the Licensed Warehouses and to compare the books and records of the Approved Warehousekeeper with the records of the Exchange;
  - (b) that a proper audit trail of Eligible and Valid Cocoa stock exists;
  - (c) that the Licensed Warehouse(s) comply(ies) with the Exchange requirements for Receipt, Weighing, Storage and Delivery Out of Cocoa;
  - (d) that Cocoa Stored complies with the Exchange requirements; and
  - (e) that the Approved Warehousekeeper has complied with the written instructions from the Account Holder.

### 5.11.3 Loss or damage

The Approved Warehousekeeper shall promptly notify the Exchange of any loss or damage to Cocoa Stored by it, as soon as possible following the discovery of such damage (to the extent that it prevents the Cocoa becoming or remaining Valid Cocoa).

### 5.12 Supervision

5.12.1 The Approved Warehousekeeper shall permit, during normal working hours, the Licensed Supervisor access to the stock that is to be the subject of either Weighing and/or Sampling. The Licensed Supervisor is to satisfy itself regarding:

- (a) identity of the Cocoa; and
- (b) the efficacy of the Weighing equipment by the use of suitable test-weights at the requisite times, which shall be suitably recorded.

5.12.2 Should the operation occur outside of normal working hours, any extra costs incurred by the Licensed Supervisor will be for the account of the party requesting the operation to occur outside of normal working hours.

### 5.13 Responsibilities

Each Approved Warehousekeeper shall be responsible for ensuring, amongst other items:

5.13.1 that Cocoa is only Stored in Licensed Warehouse(s);

5.13.2 the maintenance of the Licensed Warehouse(s) in accordance with the requirements of these Cocoa Procedures;

5.13.3 the handling of Cocoa occurs in accordance with Part C of these Cocoa Procedures (except where responsibility for a particular action is specifically assigned to another person);

5.13.4 the Cocoa is properly maintained whilst in Storage, that its identity is preserved and that it may be readily easily located in the Licensed Warehouse(s);

5.13.5 all appropriate and required records are maintained, including the information set out at section 7.3 and any documents available at the time of intake of the Cocoa confirming the crop year, notwithstanding any Bills of Lading; as well as a record of any Sampling, fumigation, or Cocoa that has been re- submitted for Weighing;

5.13.6 arranging through Deliveries Plus for the printing of CME Europe Warrants at the Depository;

5.13.7 that the CME Europe Warrant Numbers are individually unique to the Approved Warehousekeeper and the contents of the CME Europe Warrant are accurate;

5.13.8 that any CME Europe Warrants may only be issued by the Approved Warehousekeeper;

5.13.9 that the Cocoa is not the subject of any Encumbrance through their actions;

5.13.10 that it takes any action required to be taken against pests, including, fumigation, fogging or any other process of disinfestation (each to be done for the account of the Approved Warehousekeeper). Any Account Holder requiring specialist disinfestation that is more expensive than the cheapest available shall pay the difference. In the event that a dispute occurs between the Account Holder and the Approved Warehousekeeper on the need to fumigate, the Exchange shall be the sole arbiter, with costs relating to the dispute to be for

the account of the Account Holder if fumigation is deemed not to be needed, or to the Approved Warehousekeeper if otherwise; and

5.13.11 that costs for Delivery Out of Cocoa from the Licensed Warehouse have been paid by the Account Holder of the Stored Cocoa in accordance with section 9.

5.14 Termination by an Approved Warehousekeeper

5.14.1 An Approved Warehousekeeper wishing to resign from being approved shall give six (6) months' notice in writing and shall confirm that either:

- (a) there is no Valid Cocoa in their Licensed Warehouses; or
- (b) all parties with Cocoa Stored in the Licensed Warehouses agree for the Cocoa to be stored in warehouses other than Licensed Warehouses and that, consequently, such Cocoa will not be considered Valid; or
- (c) that existing Cocoa stock is to be moved under Exchange supervision to a Licensed Warehouse operated by an Approved Warehousekeeper within six (6) calendar months. The costs of movement, supervision and intake at the replacement Licensed Warehouse shall be for the account of the terminating Approved Warehousekeeper; or
- (d) another Approved Warehousekeeper has agreed to undertake the ownership of the Licensed Warehouses.

5.14.2 Upon giving notice to the Exchange as indicated in section 5.14.1:

- (a) no new Cocoa stock shall be Received by the Approved Warehousekeeper; and
- (b) the Exchange shall publish the notice of termination on its Website.

## **6 Licensed Warehouses**

6.1 Approved Warehousekeepers may apply for their warehouses to become Licensed Warehouses for the Storage of Cocoa or apply for an extension of their existing licence by submitting an Application for Approval on a form prescribed by the Exchange and supplying such documents as may be required by the Exchange.

6.2 The Exchange shall inspect the proposed warehouse, the cost of which shall be for the account of the Exchange if the premises are subsequently designated as a Licensed Warehouse, but may be for the account of the Approved Warehousekeeper if a warehouse fails to meet the minimum requirements of becoming licensed by the Exchange. The Exchange will advise the Approved Warehousekeeper of any remedial work required for the warehouse to become a Licensed Warehouse.

6.3 The warehouse may only be a Licensed Warehouse for the Storage of either Parcels or for the Storage of Bags. Storage of both Parcels and Bags shall not be permitted. The Approved Warehousekeeper shall indicate accordingly in each Application for Approval whether it intends to have Parcels or Bags Stored in the Licensed Warehouse. Where any sample is required by these Cocoa Procedures to be Stored in Bags, such samples may be kept in Bags in Licensed Warehouses where Bulk is Stored.

6.4 The Exchange shall publish a list of Licensed Warehouses on its Website from time to time.

6.5 An Approved Warehousekeeper must obtain prior approval in writing from the Exchange if it intends for Cocoa to be Stored in a Licensed Warehouse that is not licensed in its own name.

- 6.6 The licences for each Licensed Warehouse shall be automatically renewed every year unless notice of termination is given to the Exchange six (6) months prior to the renewal date. This automatic renewal is subject to the Approved Warehousekeeper providing confirmation to the Exchange that each Licensed Warehouse is still in compliance with the Exchange's requirements.
- 6.7 Conditions of Storage
- 6.7.1 The ground around the Licensed Warehouse shall be kept clear of any vegetation and any debris, either of which may become a fire hazard or compromise the integrity of the Licensed Warehouse.
- 6.7.2 The Licensed Warehouse structure shall be structurally sound and weather-proof at all times while allowing adequate ventilation. All loading out-bays, doors, windows and ventilation hatches shall be in good repair. All gutters and downpipes shall be kept clear and if internal, protected against accidental damage.
- 6.7.3 The roof shall be regularly inspected and a log kept of such reports.
- 6.7.4 Adequate lighting within the Licensed Warehouse shall be properly maintained and should be done so with protected bulbs.
- 6.7.5 There shall be sufficient security in place within and around the Licensed Warehouse. The Registrar shall have sole discretion to determine whether the security is sufficient.
- 6.7.6 All electrical facilities within the warehouse shall be properly maintained and records kept of their inspection.
- 6.7.7 Forklift truck batteries shall be recharged in a designated area with good ventilation.
- 6.7.8 There shall be a sufficient number of appropriately maintained fire detection and fire extinguishing appliances complying with local and national fire regulations. Records of their maintenance shall be kept.
- 6.7.9 Health and safety requirements complying with local and national laws for the potential evacuation of the warehouse shall be evident.
- 6.7.10 Smoking in the warehouse is prohibited, and signs to that effect must be evident.
- 6.7.11 Rodent pest control, both inside and outside the Licensed Warehouse, must be commensurate to the risk, comply with local and national requirements and records kept of their maintenance.
- 6.7.12 All animals are to be excluded from the Licensed Warehouse.
- 6.7.13 No odorous materials are to be stored in a Licensed Warehouse.
- 6.7.14 No flammable or dangerous goods are to be stored in a Licensed Warehouse.
- 6.7.15 Housekeeping shall require that the floors are broom-clean.
- 6.7.16 Bags for Cocoa Beans shall be made available for the storage of Composite Sample material which does not form part of the Grading Sample.

- 6.8 Each Licensed Warehouse for the Storage of Bags shall have at least one (1) set of scales available that comply with section 6.10 for the Weighing of palletised Cocoa. No means of Weighing other than using scales may be used to Weigh Bags.
- 6.9 Each Licensed Warehouse for the Storage of Bulk shall have sufficient and appropriate equipment to allow the Storage and movement of Bulk. Such equipment shall include:
- 6.9.1 Weighing equipment:
- (a) the ability to batch Weigh Bulk with scales (including scales built into a weigh-hopper) that comply with section 6.10; or
  - (b) private or public weighbridge, providing the scales comply with local and national requirements.
  - (c) No means of Weighing other than using scales or a weighbridge may be used to Weigh Bulk.
- 6.9.2 Other equipment:
- (a) the ability to pass the Cocoa Beans over a Sieve such that material small enough to pass through the Sieve is separated from the remaining material which is Stored in an individual Storage-pen; and
  - (b) ventilation equipment should the Bulk pile require ventilating (requirement may be waived at the Registrar's discretion).
- 6.10 Scales used to Weigh Bags must measure to the nearest kilogram. Scales used to measure Bagged or Bulk must have a minimum accuracy of plus or minus zero point one five (0.15) per cent. Inaccurate scales shall not be used. The scales shall be regularly serviced and recalibrated, at a minimum of not less than once a year and must be tested as described in section 6.11. Conditions regarding the accuracy of a weighbridge may be applied at the Registrar's discretion.
- 6.11 The Approved Warehousekeeper shall have a set of appropriate test-weights which shall be used at the beginning and end of each shift, or (in the event that scales are moved during a shift) whenever the scales are moved. Records of such tests shall be maintained and available for inspection as described in section 5.11. In the event that a set of scales is found to be inaccurate at the end of a shift, any Weighing that has been conducted since the previous test shall be repeated. In the event of suitable test weights for weigh-bridge scales being unavailable, an Approved Warehousekeeper using such scales shall, on a weekly basis, compare the results of the weight of a typical loaded truck to those from another weigh-bridge. The difference between these results shall not exceed zero point one five (0.15) per cent.
- 6.12 If a Licensed Warehouse is found to be below the standard required by the Exchange as described in these Cocoa Procedures, the Approved Warehousekeeper will be given the opportunity to immediately rectify the faults identified by the Exchange with all costs of the rectification and subsequent re-inspection by the Exchange for the account of the Approved Warehousekeeper. Non-compliance with this by the Approved Warehousekeeper may mean:
- 6.12.1 the movement of the Cocoa out of a Licensed Warehouse and into another Licensed Warehouse (which may be another Approved Warehousekeeper's Licensed Warehouse) under Exchange supervision all at the Approved Warehousekeeper's expense.
- 6.12.2 the revocation of the licence of the affected warehouse; and

- 6.12.3 an investigation and either potential fine on the affected Approved Warehousekeeper and/or the revocation of the Approved Warehousekeeper status with immediate effect. Details of such fines are set out in the Notice supplementing these Cocoa Procedures (per section 2.1.1(e)).
- 6.13 Should any of the breaches identified by the Exchange have led to the deterioration of the quality or condition of the Cocoa, the stock shall be suspended and not considered for potential Delivery against the Cocoa Futures Contract.
- 6.14 Should an Account Holder or an Account Holder's Client be dissatisfied with a service offered by the existing Approved Warehousekeeper under these Cocoa Procedures and therefore wish to transfer stock from one Approved Warehousekeeper to another within the same Approved Port, they may do so if the Exchange considers the reasons to be valid. A request for transfer, together with reasons, shall be made in writing to the Exchange. Should the Exchange agree to the request, such transfer shall occur under Exchange supervision and shall require the Cocoa to enter the new Licensed Warehouse under the procedure for Receipt at section 10 of these Cocoa Procedures. Costs for Grading only shall be for the account of the Exchange, all other costs to be for the account of the Account Holder or an Account Holder's client.

## **7 Licensed Supervisors**

- 7.1 Approved Supervisors shall be appointed by the Exchange.
- 7.2 Once requested to attend the Sampling and/or Weighing as described in sections 14 and 11 (respectively) the Approved Supervisor, in conjunction with the Registrar, shall appoint one of their Licensed Supervisors to undertake the required work. The Licensed Supervisor shall only be appointed to undertake Sampling and/or Weighing of Cocoa. If a Licensed Supervisor supervised the Sampling then, in relation to that sample, they shall not be permitted to act as a Licensed Grader.
- 7.3 The Licensed Supervisor shall, prior to Weighing and/or Sampling:
- 7.3.1 check that the identity of the Cocoa is as recorded by the Approved Warehousekeeper;
- 7.3.2 confirm that the condition of the Cocoa is Sound;
- 7.3.3 check that Pallet Seals are accurate and correctly affixed;
- 7.3.4 check the origin, crop year and Bills of Lading; and
- 7.3.5 record all salient information of the task it has been instructed to undertake, including as a minimum:
- (a) the name of the Licensed Supervisor,
  - (b) the date and location of the supervision;
  - (c) the time the operation began and ended; and
  - (d) for Bags, the Pallet Seal numbers used for the sample or, for Bulk, the Storage-pen Seal numbers.
- 7.3.6 All check results and information shall be recorded in Deliveries Plus.
- 7.4 Prior to the Primary Sample being drawn for Bags, the Licensed Supervisor shall ensure the identity of the Cocoa complies with the Sampling Order by checking the CME Europe

Warrant Number shown on the Lots and checking that the Pallet Seals are secure and their barcodes comply with the recorded details on the Sampling Order.

- 7.5 For the Sampling of Bulk, the Licensed Supervisor shall ensure that when the Storage and Sampling is complete the entrance to the Storage-pen is secured and the Storage-pen Seals are accurate and correctly affixed and Storage-pen Seal numbers are recorded.
- 7.6 The Licensed Supervisor shall ensure all excess Composite Sample material is stored in accordance with section 14.4.1.

## **8 Approved and Licensed Graders**

- 8.1 Approved Graders shall be appointed by the Exchange and Licensed Graders shall have completed, to the satisfaction of the Registrar, a course of Cocoa Bean analysis conducted in accordance with these Cocoa Procedures.
- 8.2 Once an Approved Grader has received a Grading Order under section 16.3.3 it, in conjunction with the Registrar, shall appoint a Grading Panel to undertake the required work. The Grading Panel shall only be appointed to undertake the Grading. The Licensed Grader(s) comprising a Grading Panel shall not be permitted to act as a Licensed Supervisor(s) for the Cocoa they are Grading.
- 8.3 The Lead Grader shall record all salient information (as further detailed in section 16) of the analysis in Deliveries Plus; in addition to the name of the Licensed Graders and the date and time of the Grading.
- 8.4 The Registrar shall oversee the Grading process to ensure that consistent Grading procedures are observed, in a timely fashion and shall ensure that the queue of Grading Samples for Grading at the Approved Grading Station is done on a first come, first served basis, unless otherwise specified by the Registrar.
- 8.5 Neither the Exchange (nor the Registrar acting on its behalf), a Licensed Grader nor an Approved Grader shall be responsible for any delays in the Grading operation and any consequences this may have.

## Part C - IDENTITY AND QUALITY OF COCOA

### 9 Registration of Cocoa

- 9.1 An Approved Warehousekeeper may register a Lot or Parcel with the Exchange for the account of an Owner, such that it might become Valid Cocoa. In order to register a Lot or Parcel with the Exchange, the Approved Warehousekeeper shall register such Lot or Parcel in Deliveries Plus and the Clearing Member or the Elected Clearing Member shall approve the allocation of the Cocoa through Deliveries Plus. The Elected Clearing Member shall, supply evidence that the Client has instructed them to act on their behalf in respect of the Cocoa that is being registered.
- 9.2 An Account Holder may apply to register Cocoa with the Exchange at any time including prior to its arrival at a Licensed Warehouse through to the period during which the Cocoa is stored (whether under these Cocoa Procedures or otherwise) in a Licensed Warehouse.
- 9.3 Cocoa that has been subject to prior processes
- 9.3.1 Newly registered Cocoa may have previously undergone processes covered by those set out at sections 10, 11, or 12 of these Cocoa Procedures.
- 9.3.2 If all prior processes were identical to those set out in these Cocoa Procedures then Cocoa may be admitted to Storage under section 12 of these Cocoa Procedures.
- 9.3.3 However, if any prior processes were not identical to those set out in these Cocoa Procedures then the Cocoa must commence processing under these Cocoa Procedures at the earliest point that its prior processing was not identical to processing under these Cocoa Procedures.
- 9.3.4 The Registrar has sole discretion to determine whether the prior processes can be deemed to be identical.
- 9.4 Before a CME Europe Warrant may be issued, any Lot or Parcel being registered with the Exchange must have:
- 9.4.1 all expenses for Delivery Out pre-paid to the Approved Warehousekeeper for the benefit of the relevant Owner from time to time; and
- 9.4.2 been confirmed as having bonded status.
- 9.5 A depositor of Cocoa may apply for the issuance of a CME Europe Warrant in respect of Cocoa Stored at a Licensed Warehouse in accordance with section 13 of these Cocoa Procedures once the Cocoa has been:
- 9.5.1 Received at a Licensed Warehouse in accordance with section 10 of these Cocoa Procedures;
- 9.5.2 checked by a Licensed Supervisor in accordance with section 7.3 of these Cocoa Procedures;
- 9.5.3 subject to Weighing in accordance with section 11 of these Cocoa Procedures; and
- 9.5.4 Stored in accordance with section 12 of these Cocoa Procedures, to the satisfaction of a Licensed Supervisor.

- 9.6 Only once section 9.5 is satisfied a CME Europe Warrant may be issued in accordance with section 13 to each Lot (in respect of Bags) or Parcel (in respect of Bulk) of Cocoa by the Approved Warehousekeeper.

## **10 Receipt of Cocoa at a Licensed Warehouse**

- 10.1 All Cocoa for potential delivery shall be handled in accordance with acceptable business practices in the industry and in a fashion to minimise any damage.
- 10.2 The Approved Warehousekeeper must check Cocoa against any restrictions imposed by the Registrar under section 2.1.2 (if any).
- 10.3 Cocoa that is not Sound and/or does not comply with the restrictions imposed by the Registrar under section 2.1.2 (if any) may be brought into the Licensed Warehouse only if it is segregated from Cocoa in the same manner as Non-Tenderable Cocoa under section 16.4.7.
- 10.4 Cocoa is Received by a Licensed Warehouse after it has been confirmed by the Approved Warehousekeeper as being Sound, in compliance with section 2.1.2 restrictions (if any) and brought into the Licensed Warehouse.
- 10.5 In respect of all Sound Cocoa to be Received, the Approved Warehousekeeper must keep a record in Deliveries Plus of all the information required by the Exchange from time to time, including but not limited to, the information required by section 13.6.1 of these Cocoa Procedures.
- 10.6 Only Cocoa that has been confirmed and recorded as being Sound prior to being Received may be submitted for Weighing, Sampling, the Moisture Test and Grading under these Cocoa Procedures.
- 10.7 Subject to any other arrangement between the Owner and the Approved Warehousekeeper, responsibility and liability for any Cocoa is only assumed by the Approved Warehousekeeper upon and from Receipt. Until Cocoa has been Received, the Owner retains all responsibility and liability in respect of it.

## **11 Weighing**

- 11.1 All Cocoa
- 11.1.1 Following Receipt all Cocoa must be submitted for Weighing at the Licensed Warehouse.
- 11.1.2 Each Lot or Parcel must be re-submitted for Weighing either:
- (a) within three (3) years of its last Weighing (see also section 16.9.4(d) below); or
  - (b) if the Lot or Parcel is moved to another Licensed Warehouse; or
  - (c) if any part of the Lot is required to be re-Bagged; or
  - (d) at the request of the Exchange or an Account Holder,
- subject to sections 3.8 and 5.14, all costs incurred under this section 11.1.2 shall be for the account of the Owner of the relevant Lot(s) or Parcel(s).
- 11.1.3 All weighing equipment, prior to commencement of Weighing, must be clean and empty. The scales used must meet the requirements set out in section 6.10.
- 11.1.4 Prior to the commencement of loading and/or discharge, the weighing equipment should be balanced and/or zeroed when empty, and checked during the operation of Weighing. Static checks, where appropriate, shall be performed as required provided that the number of tests

requested are reasonable and do not cause undue delay. Such checks should be done in conjunction with the Licensed Supervisor.

- 11.1.5 Copies of the operators' manual for the weighing equipment being used shall be available and accessible to the Licensed Supervisor.
- 11.1.6 Copies of the latest manufacturer's and/or national authorities' check certificate and/or log relating to the weighing equipment being used shall be made available upon request by the Licensed Supervisor.
- 11.1.7 All print outs, weight notes or tickets of any Weighing shall be at the disposal of the Licensed Supervisor, if requested.
- 11.1.8 Upon instruction from the Account Holder, the Approved Warehousekeeper must notify the Registrar of the intention to Weigh the Cocoa to form a Lot or Parcel. For Bulk such notification must be given at least two (2) Cocoa Business Days prior to the intended Weighing date in order to allow for a Licensed Supervisor to attend the operation where requested. This must be confirmed by the relevant Account Holder.
- 11.1.9 The Approved Warehousekeeper is responsible for ensuring that the weight of the Lot or Parcel and the tare of the Bags are recorded on Deliveries Plus and that these measurements are reflected on any relevant CME Europe Warrant.
- 11.1.10 Where a Licensed Supervisor is to attend to supervise the Weighing of any Cocoa this shall be co-ordinated between the Licensed Supervisor and the Approved Warehousekeeper. The Approved Warehousekeeper must inform the Registrar of the date and time agreed for Weighing.
- 11.2 Bagged Cocoa
  - 11.2.1 All Bags forming a Lot shall be Weighed on pallets (one pallet at a time) with equipment specified in section 6.8 of these Cocoa Procedures.
  - 11.2.2 The weight recorded in Deliveries Plus shall be net of the weight of the pallets.
  - 11.2.3 The tare of the Bags shall be ascertained at the time of the first Weighing and shall be used thereafter for each Weighing.
  - 11.2.4 The Weighing of Bags may or may not be supervised by a Licensed Supervisor or the Registrar at the discretion of the Exchange.
  - 11.2.5 Following Weighing, the Approved Warehousekeeper will group the pallets of Bags into individual Lots.
  - 11.2.6 Each Bagged Lot shall have a mass tolerance of between ninety eight point five (98.5) per cent and one hundred and one point five (101.5) per cent of the Contract size per Lot.
- 11.3 Bulk Cocoa
  - 11.3.1 Before Weighing, the Approved Warehousekeeper will divide the Bulk into individual Parcels (to be in Parcel sizes as directed by the Account Holder).
  - 11.3.2 All Cocoa forming a Parcel shall be submitted for Weighing with the equipment specified in section 6.9.1 of these Cocoa Procedures.

- 11.3.3 Prior to Weighing a Parcel, all the Cocoa destined for a Parcel shall pass over a Sieve of sufficient size, commensurate with the speed of travel of the Cocoa, such that all the material has an opportunity to pass through the Sieve. The material passing over the Sieve may be allowed to form the Parcel, the Sievings shall not.
- 11.3.4 The weight of the material passing over the Sieve shall be recorded, by either:
- (a) Weighing the material after it has passed over the Sieve; or
  - (b) Weighing the material before it passes over the Sieve, then collecting and Weighing the Sievings and subtracting that from the weight of the total material. The Approved Warehousekeeper shall ensure that all the material passing through the Sieve is collected.
- 11.3.5 The Weighing of every Parcel is required to be supervised by a Licensed Supervisor and/or by the Registrar.
- 11.3.6 Parcels shall, without the Sievings, have a mass tolerance of between ninety nine point five (99.5) per cent and one hundred and one point five (101.5) per cent of the Parcel size (as this is measured in multiples of the Contract size per Lot).

## **12 Storage of Cocoa**

### **12.1 All Cocoa**

- 12.1.1 All Cocoa must be Stored as Lots or Parcels. All Lots or Parcels of Cocoa must be clearly and easily identifiable and be Stored according to these Cocoa Procedures in Licensed Warehouses.
- 12.1.2 The Approved Warehousekeeper is responsible for ensuring that all Cocoa is Stored in accordance with this section 12.

### **12.2 Bagged Cocoa**

- 12.2.1 Bags should be Stored immediately following Weighing. All Bags shall be Stored on clean, dry pallets appropriate for the Storage of Cocoa. Only Cocoa relating to one (1) CME Europe Warrant may be on an individual pallet.
- 12.2.2 All palletised Cocoa must be Stored such that one side of the Cocoa is available for inspection and Sampling and complies with local and national safety requirements. Palletised Cocoa shall have a minimum distance from walls of forty five (45) centimetres and all aisles shall have a minimum width of forty five (45) centimetres.
- 12.2.3 All pallets of Cocoa shall have a Bag on one of the middle tiers on the aisle-side with a visible, uniquely numbered and barcoded Pallet Seal securely affixed to it. Pallet Seals are used to identify the content of the Bags. The number displayed on the Pallet Seal shall be recorded on Deliveries Plus and shall be repeated on the CME Europe Warrant representing that Lot.
- 12.2.4 All Lots of Cocoa shall be identifiable by the CME Europe Warrant Number which shall be written on a durable label and securely fastened to an aisle-side Bag on the first pallet in the row forming that Lot.
- 12.2.5 All palletised Cocoa relating to one Lot or multiple Lots must be Stored contiguously.
- 12.2.6 Where one Lot is to be represented by one Grading Sample, the Cocoa:

- (a) shall be of the same origin and crop year; and
- (b) shall have a single Owner.

12.2.7 Where more than one Lot is to be represented by one Grading Sample, the Cocoa:

- (a) shall be held in separate identifiable Lots, all of which shall be Stored contiguously;
- (b) shall be no larger than twenty five (25) Lots;
- (c) shall be of the same origin, crop year and shipped on the same Bill of Lading; and
- (d) shall have a single Owner.

12.3 Bulk Cocoa

12.3.1 Bulk should be Stored immediately following Sampling. A Parcel may only be Stored in one (1) Storage-pen, and each Storage-pen may only hold one (1) Parcel. Each Storage-pen shall ensure the Parcel is segregated from other Cocoa by the retaining walls being of sufficient height.

12.3.2 The Approved Warehousekeeper shall ensure, as far as is reasonable, that the Cocoa is maintained in optimal condition, if required by using appropriate ventilation equipment.

12.3.3 A Storage-pen containing a Parcel shall be identifiable by a label, showing the CME Europe Warrant Number, which shall be attached to the front edge of the retaining wall at the front of the pen. The Storage-pen shall be secured in a manner to prevent inadvertent access and/or Adulteration of the Cocoa which shall include uniquely numbered and barcoded Storage-pen Seal(s) with the Storage-pen Seal number(s) recorded on Deliveries Plus and on the CME Europe Warrant representing that Parcel.

12.3.4 Once Storage of a Parcel is complete, the entrance to the Storage-pen shall be made secure and sealed by the Approved Warehousekeeper.

12.3.5 A Parcel:

- (a) shall be held in a single pile of fifty (50), seventy five (75), one hundred (100), one hundred and twenty five (125) or one hundred and fifty (150) Lots;
- (b) shall be of the same origin and crop year;
- (c) may contain Cocoa from different Bills of Lading; and
- (d) shall have a single Owner except when section 18.2 applies.

## **13 Status, issuance and management of CME Europe Warrants**

13.1 CME Europe Warrants must be lodged with the Depository and held on the terms of these Cocoa Procedures and the Depository Services Terms and Conditions in order to be deliverable under a Cocoa Futures Contract. A CME Europe Warrant may be transferred from a seller to a buyer under the Exchange Rules and the Clearing House Rules in respect of a cleared Transaction. CME Europe Warrants may also be transferred from a seller to a buyer (other than through the operation of a Cocoa Futures Contract, for example to another person pursuant to a trade finance arrangement, as anticipated in section 13.12.1(b)) and this transfer must be recorded by the appropriate Account Holder on Deliveries Plus.

13.2 The Exchange reserves the right to charge fees and impose charges for the Depository Services. Fees and charges will be published on its website from time to time.

- 13.3 The rules and procedures in this section 13 of these Cocoa Procedures (the **Warrant Rules**) govern the operation of the Deliveries Plus electronic grading and delivery system for the management of CME Europe Warrants for Cocoa, which is available to Approved Warehousekeepers, Account Holders, the Depository, the Exchange and the Clearing House. These Warrant Rules regulate the underlying legal rights and obligations of these parties and supplement any additional obligations such parties may have to one another under the Depository Services Terms and Conditions, these Cocoa Procedures, the Exchange Rules and the Cocoa Delivery Procedures.
- 13.4 Issue of a CME Europe Warrant
- 13.4.1 Following a request by the Owner depositing Cocoa for that Cocoa to be represented by a CME Europe Warrant, the Approved Warehousekeeper shall satisfy himself that the Cocoa Received into his Licensed Warehouse remains Sound, that the payments under section 9.4 have been made and that the requirements under section 9.5 have been satisfied. Once he has done so, the Approved Warehousekeeper shall:
- (a) enter in Deliveries Plus details of the Cocoa deposited and of the Clearing Member or Elected Clearing Member (if applicable and following appointment of the same in accordance with section 2) to whose Depository Account the relevant CME Europe Warrant should be credited;
  - (b) apply the CME Europe Warrant Number assigned to the warrant using an alphanumeric key and prescribed criteria supplied by the Depository to the Approved Warehousekeeper; and
  - (c) where applicable, any existing warrant purporting to represent such Cocoa shall be revoked and cancelled on the instructions of the Approved Warehousekeeper and the relevant holder of such warrant.
- 13.4.2 The entry of information into Deliveries Plus, together with the authorisation to print the CME Europe Warrant shall constitute instructions to the Depository to create and print the CME Europe Warrant in respect of such Cocoa on the Approved Warehousekeeper's behalf, with which instructions the Depository shall comply by printing the CME Europe Warrant within the Vault on secure paper (being paper displaying the CME Europe Warrant Secure Paper ID) previously supplied to it by the Exchange.
- 13.4.3 Once the CME Europe Warrant is printed, the Depository will enter the CME Europe Warrant Secure Paper ID into Deliveries Plus for the entry in respect of the corresponding CME Europe Warrant.
- 13.4.4 The CME Europe Warrant Secure Paper ID will only be visible to the Depository and the Approved Warehousekeeper.
- 13.4.5 The Approved Warehousekeeper shall procure that a CME Europe Warrant shall be issued on his behalf in respect of each Lot or Parcel deposited. A CME Europe Warrant will be issued in respect of each Lot or Bags(irrespective of the number of Lots of Bags that will form a single Delivery).
- 13.4.6 Each Lot or Parcel will be the subject of only one (1) CME Europe Warrant except as otherwise set out in these Cocoa Procedures.
- 13.5 Cancellation, replacement and amendment of an existing CME Europe Warrant

13.5.1 The Approved Warehousekeeper shall authorise the Depository to print on its behalf a replacement CME Europe Warrant in respect of Eligible Cocoa in the following circumstances only:

- (a) in the event of any material change in relation to the Cocoa represented by the CME Europe Warrant, including but not limited to a change in the:
  - (i) weight;
  - (ii) number of Bags;
  - (iii) location; or
  - (iv) Storage-pen Seal / Pallet Seal number, or
- (b) if the Depository informs the Approved Warehousekeeper that a CME Europe Warrant has been defaced, lost or destroyed, provided that the Depository confirms the requirements contained in the terms and conditions of the CME Europe Warrant recorded on Deliveries Plus have been fulfilled.

13.5.2 In any event, the Approved Warehousekeeper will not issue a replacement CME Europe Warrant unless and until all Applicable Laws, regulations and local bye-laws have been complied with.

13.5.3 In each such case, the Account Holder on behalf of the Owner shall give appropriate instructions to the Approved Warehousekeeper to cancel the CME Europe Warrant and the original CME Europe Warrant shall be returned to the Approved Warehousekeeper who shall record on Deliveries Plus that the original CME Europe Warrant has been cancelled and is invalid and that a replacement CME Europe Warrant has been issued in respect of the relevant Cocoa. The CME Europe Warrant Secure Paper ID shall be recorded in Deliveries Plus by the Depository (to replace a number previously recorded under section 13.4.3 or this section 13.5.3, as applicable).

13.6 Form of CME Europe Warrant

13.6.1 The CME Europe Warrant, which shall be printed using secure ink on the Approved Warehousekeeper's behalf by the Depository in the form set out in Schedule 1 to the Depository Services Terms and Conditions using a minimum of 300 DPI technology, shall include all the following details:

- (a) Approved Warehousekeeper's logo;
- (b) CME Europe Warrant Number, date, place of issue and place of print;
- (c) details from the Bill of Lading including, date, origin of Cocoa, port of shipment and name of vessel;
- (d) name and licence number of the Licensed Warehouse in which Cocoa is Stored;
- (e) number of full Bags, if any, their Marks, if any, and their gross weight;
- (f) number of Slack Bags, if any, and their gross weight;
- (g) total number of Bags, if any;
- (h) tare of the Bags per ten (10) Bags and total tare, if any;
- (i) total net weight;
- (j) Pallet Seal or Storage-pen Seal numbers;

- (k) final date of landing, date of Storage and date of last Weighing;
  - (l) statement that the CME Europe Warrant is "Subject to the Approved Port's Terms of Storage and, if applicable, the Approved Warehousekeeper's terms and conditions at the time of issue as published on the Exchange's website (<http://www.cmegroup.com/europe>)"; and
  - (m) Depository number and barcode corresponding to the Depository number; and
  - (n) the CME Europe Warrant Secure Paper ID.
- 13.7 CME Europe Warrant information on Deliveries Plus
- 13.7.1 Details of each CME Europe Warrant, including the CME Europe Warrant Number, shall be recorded and updated on Deliveries Plus by the Approved Warehousekeeper, who shall be responsible for their accuracy, except that:
- (a) the recording and updating of information relating to Ownership of such CME Europe Warrant shall be the responsibility of the relevant Account Holder for the time being; and
  - (b) the recording and updating of Grading results, which shall be attached electronically in Deliveries Plus to the CME Europe Warrant to which they relate, shall be the responsibility of the Approved Grader.
- 13.7.2 All CME Europe Warrant details shall be completed in Deliveries Plus before Sampling is conducted.
- 13.7.3 The Approved Warehousekeeper shall also record and update from time to time as required on Deliveries Plus an accurate copy of the Terms of Storage to which CME Europe Warrants issued by him are subject.
- 13.8 Lodging CME Europe Warrants in the Depository's Vault
- 13.8.1 Once the CME Europe Warrant has been printed by the Depository in accordance with section 13.4.2 it will be deemed to have been lodged. A CME Europe Warrant may be lodged only on the instructions of an Account Holder, acting on its own behalf or on behalf of the Owner. Proof of lodgement is established by the Depository entering the CME Europe Warrant Secure Paper ID into Deliveries Plus in accordance with section 13.4.3.
- 13.8.2 Once the Vault has accepted the CME Europe Warrant for lodgement, the Depository shall record the CME Europe Warrant as lodged on Deliveries Plus. Once lodged the CME Europe Warrant will be in a form which is capable of being tendered for delivery under a Cocoa Futures Contract, subject to the electronic attachment on Deliveries Plus of a passed Grading result and other relevant conditions under the Cocoa Futures Contract.
- 13.8.3 Lodgement of a CME Europe Warrant in the Vault requires:
- (a) the warrant to have been issued on the instructions of an Approved Warehousekeeper for Cocoa;
  - (b) be recorded on Deliveries Plus; and
  - (c) comply with the formal requirements set out at section 13.6.
- 13.9 Ownership and legal status of CME Europe Warrants
- 13.9.1 As against each Account Holder, Approved Warehousekeeper and the Depository, the Owner of a CME Europe Warrant held in a Depository Account is entitled to possession of that CME Europe Warrant, except as specified in these Cocoa Procedures.

- 13.9.2 All CME Europe Warrants held by the Depository in the Vault are held to the order of the Account Holder to whose Depository Account they are credited and subject to the Depository Services Terms and Conditions. Accordingly, subject thereto and to these Cocoa Procedures:
- (a) the Depository shall on demand deliver up any CME Europe Warrant to such Account Holder; and
  - (b) except as may be required by Applicable Law, the Depository shall have no obligation to accept or act on instructions of the Owner or any person acting on behalf of or for the account of the Owner other than the Account Holder. The Depository shall owe no other duties to the Owner or any other person except the Account Holder, and shall not be bound by or to recognise any other interest in any such CME Europe Warrant except for the Approved Warehousekeeper and/or his agent.
- 13.10 Effect of lodging a CME Europe Warrant in the Depository's Vault
- 13.10.1 Subject to section 13.10.2, in respect of each CME Europe Warrant held by it to the credit of a House Account, the Depository holds such CME Europe Warrant as bailee of the Account Holder to whose House Account it is credited.
- 13.10.2 In respect of each CME Europe Warrant held by it to the credit of a Client Account, the Depository holds such CME Europe Warrant as sub-bailee of the Account Holder to whose Client Account it is credited.
- 13.10.3 In respect of each CME Europe Warrant lodged and held in a Depository Account, the Account Holder at the time of lodgment (either on its own behalf or as agent for the current Owner) represents, warrants and undertakes that:
- (a) no charge, Encumbrance or other right has been created or permitted to subsist over the CME Europe Warrant which would impair the full enjoyment of that CME Europe Warrant;
  - (b) any subsequent Owner's quiet possession of the CME Europe Warrant will not be disturbed by the Account Holder, the current Owner or any person claiming through or under them; and
  - (c) no adverse action shall be taken by any Owner or former Owner that is or was at the relevant time a Client of the Account Holder.
- 13.10.4 Upon lodgment, and throughout the period that the CME Europe Warrant is held in the Depository in accordance with the Depository Services Terms and Conditions, the Owner is hereby deemed to agree:
- (a) that the CME Europe Warrant will be held in accordance with the Depository Services Terms and Conditions and the applicable Cocoa Procedures; and
  - (b) the underlying Cocoa represented by the CME Europe Warrant referred to in paragraph (b) above is subject to the terms of the applicable Cocoa Procedures.
- 13.10.5 The Depository may be required by the relevant Account Holder to make authorisations or endorsements such as may be necessary to make an effective transfer of entitlement of a CME Europe Warrant held by the Depository (and any Cocoa to which it relates) to the Owner for the time being, as recorded on Deliveries Plus, or to any such other person in the Depository's reasonable discretion, is properly entitled to be the recorded Owner.

- 13.10.6 In respect of every CME Europe Warrant which is recorded in Deliveries Plus, Deliveries Plus must identify the Owner. The relevant Account Holder shall be responsible for ensuring that the Depository is provided with correct Ownership information when the CME Europe Warrant is issued and the Account Holder at that point in time shall be responsible for ensuring that the Depository is notified forthwith of any change of Ownership.
- 13.11 Function of the Depository
- 13.11.1 The role and responsibilities of the Depository are set out in the Depository Services Terms and Conditions.
- 13.11.2 The Depository Services Terms and Conditions constitute binding rules by which Owners, Account Holders, the Depository and Approved Warehousekeepers (each to the extent relevant) agree to be bound when providing or acting on any instructions in relation to CME Europe Warrants.
- 13.12 Transfer of CME Europe Warrants
- 13.12.1 A CME Europe Warrant may be transferred from a seller to a buyer:
- (a) on physical delivery in respect of a Cocoa Futures Contract to be carried out in accordance with the Clearing House Rules; or
  - (b) pursuant to an off Exchange private physical sale, trade finance arrangement or other private arrangement made by the Owner, in which case no amendment to the Ownership details in Deliveries Plus may be made without written instructions from the Owner to the Account Holder (which instructions should be retained by the Account Holder acting on behalf of the Owner for inspection by the Exchange) and with such notifications to and acknowledgements from the relevant Approved Warehousekeeper as may be required under the Depository Services Terms and Conditions.
- 13.12.2 Any Cocoa which is to be tendered for delivery against a Cocoa Futures Contract must, at the time of tender notification:
- (a) be Stored in a Licensed Warehouse according to section 6 of these Cocoa Procedures;
  - (b) have become Valid Cocoa by merit of having passed Grading and not having become Expired Cocoa;
  - (c) be represented by a CME Europe Warrant recorded on Deliveries Plus as lodged in the Vault;
  - (d) not be in the process of having been re-submitted for Weighing or Sampling; and
  - (e) be the subject of confirmation by the relevant Approved Warehousekeeper in Deliveries Plus that all charges, including Rent, have been paid and that the Cocoa is not the subject of any Encumbrance. The Approved Warehousekeeper must note in Deliveries Plus if any such charges have not been paid.
- 13.12.3 A transfer of entitlement to possession of the CME Europe Warrant occurs when there is a change of Owner on Deliveries Plus (the benefit of the pre-payment of Delivery Out costs, as described in section 9.4, shall also be transferred to the new Owner). On change of ownership, recording the name of the new Owner on Deliveries Plus shall constitute and have the same effect as:

- (a) in respect of a CME Europe Warrant held in the Vault, an attornment by the Account Holder in favour of the new Owner; and
  - (b) in respect of the Cocoa to which the CME Europe Warrant relates, an assignment by the Account Holder (acting for itself or, as the case may be, as agent for its Client, in either case as the existing Owner) to the new Owner of all of its rights against the Approved Warehousekeeper (including a claim to Delivery Out) and an attornment in favour of the new Owner by the Approved Warehousekeeper.
- 13.12.4 Once change of Ownership has occurred under section 13.12.3 an Approved Warehousekeeper cannot refuse to recognise a transfer of Ownership.
- 13.12.5 The Depository and the Clearing House are authorised by the Account Holder (acting for itself and as agent for the Owner) to transfer the right to have each CME Europe Warrant that is lodged in the Vault delivered by the mechanism of effecting changes to the records relating to such CME Europe Warrant on Deliveries Plus.
- 13.12.6 Each Account Holder shall procure that none of its Clients will assert any right or interest, or take any action, against any other person which is inconsistent with these Cocoa Procedures and shall include in its terms of business with clients who are or may become Clients:
- (a) a provision to this effect; and
  - (b) a provision authorising the Clearing House and the Depository to take such action on their behalf as is mentioned in section 13.10.4.
- 13.12.7 On the occurrence of a default during settlement of a Cocoa Futures Contract, in relation to a CME Europe Warrant where Delivery is to be made to the Clearing House and no onward Delivery ought to be made to another person, the Clearing House may take any step to ensure that the owner of the CME Europe Warrant is listed on Deliveries Plus as being the Clearing House.
- 13.12.8 Notwithstanding that the Clearing House is not recorded as the Owner on Deliveries Plus, when Ownership is transferred from a seller to a buyer under the Cocoa Delivery Procedures, the Clearing House is the buyer to a seller and the seller to a buyer.
- 13.12.9 Property and risk

In respect of a transfer of Ownership of a CME Europe Warrant, property and risk in respect of the Cocoa to which a CME Europe Warrant relates will pass:

- (a) from the seller to the Clearing House as buyer, once the following has been effected:
  - (i) the deemed transfer by the seller of the CME Europe Warrant in respect of the Cocoa to the Clearing House; and
  - (ii) the payment by the Clearing House of the Delivery Value in respect of the Cocoa in same day or immediately available, freely transferable, cleared funds; and
- (b) from the Clearing House as seller to the buyer who is the new Owner, once the following has been effected:
  - (i) the payment by the buyer of the Delivery Value in respect of the Cocoa in same day or immediately available, freely transferable, cleared funds;

the deemed take up of the CME Europe Warrant in respect of such Cocoa by the buyer who is the new Owner.

### 13.13 Enforceability and Effect of these Warrant Rules

13.13.1 An Account Holder's obligations under these Warrant Rules shall be owed to all other Account Holders, the Approved Warehousekeeper that Received Cocoa into its Licensed Warehouse and issued instructions to the Depository to print the CME Europe Warrant concerned, the Depository (and to any Service Providers of any of the foregoing), and accordingly confer rights that are enforceable (and subject to amendment) in accordance with these Warrant Rules.

13.13.2 No undertaking, covenant or warranty is given by the Exchange, any Account Holder or any Approved Warehousekeeper in respect of the title to or right of ownership of any CME Europe Warrant or any Cocoa represented by that warrant or to the effect of these Warrant Rules in such regard. The use of the term Owner is intended for reference use only, it does not constitute a guarantee by the Exchange or the Clearing House as to the existence of a CME Europe Warrant or any Cocoa to which that CME Europe Warrant relates or that the person recorded as such on Deliveries Plus has any property interest in any CME Europe Warrant or Cocoa.

13.13.3 No Account Holder or an Approved Warehousekeeper may assert any right or interest, or take any action, against any other person (including, in particular, any Owner) which is inconsistent with section 13.8 above, except insofar as that Account Holder or an Approved Warehousekeeper has a better entitlement to possession to the relevant Cocoa than the Owner, and that right is consistent with the content and intention of these Warrant Rules in which case an application shall be made to the Exchange which shall determine the issue in its absolute discretion and shall, if satisfied this is the appropriate course, transfer ownership in accordance with the provisions of section 13.10.4.

### 13.14 Release of CME Europe Warrant from the Depository

13.14.1 An Owner wishing to take up Cocoa which is covered by a CME Europe Warrant recorded against its name in Deliveries Plus shall send to the relevant Account Holder a written request for the relevant CME Europe Warrant(s) to be released from the Depository and held to the order of the Owner. The Account Holder shall pass on such request through Deliveries Plus to the Depository, which shall notify the Approved Warehousekeeper.

13.14.2 No CME Europe Warrant shall be released by the Depository to the Account Holder:

- (a) later than the time that a Notice of Tender is submitted to the Clearing House until the Clearing House has received the Delivery Value in full on the Delivery Day;
- (b) unless and until the Approved Warehousekeeper has confirmed to the Depository through Deliveries Plus that all outstanding charges in relation to the relevant CME Europe Warrant, including Rent, have been paid.

13.14.3 At the point at which the CME Europe Warrant has been released by the Depository to the Account Holder via the Approved Warehousekeeper or its agent:

- (a) the Depository shall record the CME Europe Warrant on Deliveries Plus as having been withdrawn from the Depository;
- (b) the Depository shall notify the Approved Warehousekeeper and the relevant Account Holder of the withdrawal and the Approved Warehousekeeper shall acknowledge such notification;

- (c) the Cocoa subject to the released CME Europe Warrant shall not be eligible for Delivery (**Ineligible Cocoa**);
- (d) the Account Holder shall have sole responsibility for the CME Europe Warrant whilst it is withdrawn from the Depository;
- (e) the Governing Documents will not apply to the CME Europe Warrant and the Cocoa represented by such CME Europe Warrant from the point that the CME Europe Warrant is withdrawn from the Depository; and
- (f) upon return of the CME Europe Warrant to the Approved Warehousekeeper by the Owner, the Approved Warehousekeeper or the Approved Warehousekeeper's agent shall destroy the old CME Europe Warrant and issue a new CME Europe Warrant. The Approved Warehousekeeper will then instruct the Depository to print and lodge the new CME Europe Warrant in accordance with section 13.8 so that the Cocoa may be eligible for delivery if it is Valid Cocoa.

## 14 Sampling

### 14.1 All Cocoa

- 14.1.1 Upon instruction from the Account Holder, the Approved Warehousekeeper shall notify the Registrar of its intention to carry out Sampling of the Cocoa. Such notification must be given at least two (2) Cocoa Business Days before the intended Sampling date in order to allow for a Licensed Supervisor to attend the operation where requested.
- 14.1.2 Only Cocoa for which the Registrar has issued a Sampling Order may be submitted for Sampling.
- 14.1.3 The Registrar may issue a Sampling Order only, in respect of Bags that have been assigned a CME Europe Warrant Number and recorded on Deliveries Plus or, in respect of Bulk that has been Received. This includes Cocoa that has not previously been subject to Sampling as well as Bagged Non-Deliverable Cocoa.
- 14.1.4 All Sampling shall be supervised by a Licensed Supervisor and/or by the Registrar. The Approved Warehousekeeper will coordinate the timing of Sampling with the Licensed Supervisor and inform the Registrar of the date and time of Sampling. The Licensed Supervisor is responsible for Sampling being conducted in accordance with these Cocoa Procedures.
- 14.1.5 All Grading Samples shall be in the custody of the Licensed Supervisor or Registrar until given to Licensed Graders at an Approved Grading Station.
- 14.1.6 At all times samples will be held for the account of the Account Holder responsible for the Cocoa corresponding to the sample.
- 14.1.7 The Registrar has sole discretion to decide if a new Grading Sample is required to be drawn and where the new Grading Sample shall be drawn from. Any additional costs involved in obtaining a new Grading Sample shall be for the account of the responsible party as determined by the Registrar.
- 14.1.8 A sample shall be retained for three (3) months from the date on which it is drawn; such samples will be held at an Approved Grading Station.

- 14.1.9 Subject to section 14.1.10 below, after three (3) months an Approved Grader will dispose of the samples. If requested, the Approved Grader will provide a certificate to the Owner evidencing destruction of the samples.
- 14.1.10 An Owner must, through the relevant Account Holder, notify the Approved Grader in writing at least ten (10) days before the end of the three (3) month period if it wishes the samples to be retained either at the Approved Grading Station or moved to a different location. Any costs incurred under this section 14.1.10 shall be for the account of the Owner.
- 14.2 Bagged Cocoa
- 14.2.1 Prior to the initiation of Sampling, Lots of Bags must be allocated to form a Grading Unit. The size of a Grading Unit of Bags is at the direction of the Account Holder (from a minimum of one (1) Lot to a maximum of twenty five (25) Lots).
- 14.2.2 Primary Samples shall be drawn whenever a new Composite Sample is required.
- 14.2.3 Primary Samples shall be drawn from the Bags forming the Grading Unit, and the Composite Sample formed, in accordance with the rule 3.2 of the FCC Sampling Rules.
- 14.2.4 A minimum of thirty (30) per cent of the Sound Bags must be subject to Sampling and the amount drawn shall be a minimum of three hundred (300) Cocoa Beans per tonne. One Primary Sample must be drawn from each sound Bag selected for Sampling. The position of the sampling point within each Sound Bag must be selected at random from the top, centre or bottom of the Bag.
- 14.2.5 Upon completion of the loading or discharge of the Bill of Lading quantity, all Primary Samples shall be emptied on to a thoroughly clean flat surface and in a contamination free area.
- 14.2.6 The Composite Sample is to be thoroughly and carefully mixed with dry, clean equipment immediately after the Primary Samples have been drawn.
- 14.2.7 One (1) Composite Sample is required per Grading Unit of Bags(irrespective of the number of Lots in the Grading Unit).
- 14.3 Bulk Cocoa
- 14.3.1 Incremental Samples shall be drawn whenever a new Composite Sample is required.
- 14.3.2 Incremental Samples shall be taken uniformly, systematically, appropriately and concurrently with loading into the Storage-pen. The Sampling amount shall be a minimum of three hundred (300) Cocoa Beans per tonne drawn at the nearest practicable point of Storage, preferably from a moving stream when placed in the Storage-pen from the whole of the Bill of Lading quantity and shall be from the whole of the Parcel.
- 14.3.3 Incremental Samples shall be taken by ordinary hand scoop or by other mutually agreed equipment (including automatic sampling) throughout loading into the Storage-pen.
- 14.3.4 The sampling point is to be carefully selected, and agreed with the Approved Warehousekeeper and the Licensed Supervisor, at a place where the Incremental Samples drawn are representative of the Cocoa Beans loaded into the Storage-pen.

- 14.3.5 In the event that the method of loading precludes access to a mutually agreed acceptable sampling point, the Licensed Supervisor may interrupt the loading in order to draw Incremental Samples.
- 14.3.6 After having been drawn, all Incremental Samples shall promptly be emptied on to a thoroughly clean flat surface and in an area free from any possible contamination.
- 14.3.7 The Composite Sample is to be thoroughly and carefully mixed with dry, clean equipment immediately after the Incremental Samples have been drawn.
- 14.3.8 When Sampling takes place while the product is in motion, Incremental Samples shall be taken across the whole section of the flow, perpendicular to the direction of the flow, and at time intervals depending on the rate of flow. If automatic instruments are used for Sampling the beans when it is in motion, they shall have a slot opening which is at least seven and a half (7.5) centimetres.
- 14.3.9 Each Composite Sample may represent one Grading Unit. Parcels are comprised of a minimum of two (2) to a maximum of six (6) Grading Units. Consequently, for each Parcel a corresponding quantity of Composite Samples is required such that one Composite Sample is obtained to represent each nominal Grading Unit contained in a Parcel.
- 14.4 Composite Sample
- 14.4.1 Each Composite Sample shall be appropriately quartered to form a Grading Sample. Each Composite Sample shall be placed in a Bag, labelled and secured with a uniquely numbered barcoded seal which shall be recorded in Deliveries Plus by the Licensed Supervisor. Each Composite Sample shall be sealed and stored on top of the Lot or Parcel from which it was drawn.
- 14.4.2 Each Composite Sample representing a Grading Unit of a Parcel shall be used to form a separate Grading Sample, with each such Composite Sample being kept in a separate Bag.
- 14.4.3 Stored Composite Sample material may be used to form Grading Samples for Grading 1, Grading 2 and Grading 3 (each as defined in section 16.9.1) only. The Grading Sample for Grading 4 (as defined in section 16.9.1) must be prepared from fresh Primary Samples or Incremental Samples drawn from the Lot or Parcel. Composite Sample material may not be Stored for an individual Lot.
- 14.4.4 The Licensed Supervisor may quarter the Stored Composite Sample to prepare a Grading Sample when:
- (a) Composite Sample material is available from a previous Grading representing exactly the Parcel to be sampled;
  - (b) the Account Holder has not instructed in writing to use a new Composite Sample for Grading purposes; and
  - (c) the Licensed Supervisor is satisfied that the Composite Sample material has not been compromised during Storage and represents the Parcel to be sampled.
- 14.5 The relevant Account Holder shall be notified if these conditions are not met and a request for permission for the Cocoa to be re-submitted for Sampling shall be made.

## **15 Moisture Test**

- 15.1 Once a Grading Sample has been prepared the Licensed Supervisor shall immediately conduct a Moisture Test using Exchange approved equipment such that:
  - 15.1.1 the Moisture Test shall be repeated so that there are three (3) separate Moisture Tests on the Grading Sample that are within zero point three (0.3) per cent of each other;
  - 15.1.2 the average results of the three (3) tests that are within zero point three (0.3) per cent shall be recorded in Deliveries Plus by the Licensed Supervisor and the average moisture content calculated.
- 15.2 If the average moisture result is:
  - 15.2.1 below eight (8) per cent, then the Moisture Test has been passed, so the Licensed Supervisor shall pack the Grading Sample in a Bag, secure the Bag with a uniquely numbered barcoded seal which shall be recorded in Deliveries Plus (by the Approved Warehousekeeper) and immediately forward the Grading Sample for analysis at the Approved Grading Station; or
  - 15.2.2 eight (8) per cent or above, then the Moisture Test has been failed, so the Grading Sample material shall be returned to the Composite Sample and the Composite Sample material shall not be secured by use of barcode seals and shall not be quartered for the preparation of Grading Samples but shall be returned to the Lot or Parcel.
- 15.3 For each Grading Sample from the same Parcel:
  - 15.3.1 each Grading Sample must pass the Moisture Test in order for all such Grading Samples to be sent for analysis at the Approved Grading Station;
  - 15.3.2 where all such Grading Samples pass the Moisture Test: for the purposes of recording a Moisture Test result on Deliveries Plus, the average result of all the Moisture Test results from such Grading Samples shall be used; and
  - 15.3.3 where any such Grading Sample fails the Moisture Test section 15.2.2 shall apply in respect of all such Grading Samples.
- 15.4 Only Cocoa that passes the Moisture Test may be submitted for Grading.
- 15.5 Any Cocoa that fails the Moisture Test will be Stored and re-submitted for the Moisture Test at the Account Holder's discretion and cost. Such Cocoa will retain its CME Europe Warrant. If a subsequent Moisture Test is conducted more than thirty (30) calendar days from the failed Moisture Test then it must be re-submitted for Weighing. For the avoidance of doubt, section 14.1.7 will apply to this section.

## **16 Grading**

- 16.1 Compliance with this section 16 of these Cocoa Procedures is required for Cocoa to be determined as Valid for Delivery against a Cocoa Futures Contract.
- 16.2 Grading may only be carried out on Cocoa that is subject to a CME Europe Warrant.
- 16.3 The Grading Panel and location
  - 16.3.1 Grading may only be conducted by a Grading Panel, under the terms of these Cocoa Procedures, at an Approved Grading Station.

- 16.3.2 A CME Representative, who has been appointed by the Registrar, will be present during the Grading.
- 16.3.3 A Grading Panel will be convened upon receipt of a Grading Order from the Registrar.
- 16.3.4 The Registrar may issue a Grading Order only in respect of Eligible Cocoa.
- 16.3.5 Grading will be conducted on the Grading Sample(s) that corresponds to the relevant Lot(s) or Parcel.
- 16.3.6 A Grading Panel shall consist of Licensed Grader(s), at least one of whom is a Lead Grader, and may be overseen by the Registrar.
- 16.3.7 The Grading Panel members shall have no interest in the Cocoa being assessed.
- 16.3.8 The Grading Panel shall convene at an Approved Grading Station to analyse Grading Samples according to these Cocoa Procedures in the presence of the Registrar (if the Registrar chooses to attend).
- 16.3.9 The Grading Panel will record the date of Grading in Deliveries Plus and is responsible for all recordings in Deliveries Plus noted in this section 16.
- 16.4 Effect of Grading
- 16.4.1 Grading has the effect that:
- (a) all Cocoa that passes Grading is Valid Cocoa;
  - (b) any Grading Unit of Bags containing at least two (2) Lots, or of Bulk containing at least seventy five (75) Lots, that fails Grading is Non-Deliverable Cocoa;
  - (c) any Grading Unit of Bags containing only one (1) Lot, or of Bulk containing only fifty (50) Lots, that fails Grading is Non-Tenderable Cocoa.
- 16.4.2 Only Valid Cocoa is acceptable for Delivery against a Cocoa Futures Contract (subject to maintaining a current Grading).
- 16.4.3 Bagged Non-Deliverable Cocoa is not acceptable for Delivery against a Cocoa Futures Contract but may be re-submitted to Sampling and, subsequently, the Moisture Test and Grading at any time at the Account Holder's request and expense, following which (if it subsequently passes the Moisture Test and Grading) it may become Valid Cocoa.
- 16.4.4 Bulk Non-Deliverable Cocoa is not acceptable for Delivery against a Cocoa Futures Contract but may be re-submitted for Receipt (in smaller Parcel sizes only) at any time at the Account Holder's request and expense, following which (if it subsequently passes the Moisture Test and Grading) it may become Valid Cocoa. Upon being resubmitted for Receipt the CME Europe Warrant shall be cancelled (notwithstanding section 16.4.6) and new CME Europe Warrants will be allocated to the new (smaller) Parcels as prescribed under these Cocoa Procedures.
- 16.4.5 Non-Tenderable Cocoa is not acceptable for Delivery against a Cocoa Futures Contract. It may not be re-submitted for Sampling or Grading at any time (i.e. it cannot become Valid Cocoa).
- 16.4.6 All Cocoa that has been through Grading (whether it is Valid, Non-Deliverable Cocoa or Non-Tenderable Cocoa) will retain its CME Europe Warrant.

16.4.7 Non-Tenderable Cocoa must be segregated from other Cocoa in a Licensed Warehouse such that it cannot contaminate or become mixed with such other Cocoa.

16.5 Deliverable Quality

16.5.1 Valid Cocoa must meet the following standards:

- (a) Cocoa sourced from any country of origin, subject to any limitations specified by the Exchange from time to time;
- (b) the Cocoa must not be Contaminated;
- (c) the Bean Count shall be no more than one hundred and twenty (120) beans per one hundred (100) grams;
- (d) the Slaty Bean count shall be no more than twenty (20) per cent;
- (e) the Defective Bean count shall be no more than fifteen (15) per cent;
- (f) the moisture content, as assessed in the Moisture Test, shall be no more than eight (8) per cent;
- (g) the Residue content shall be no more than eighty (80) grams per two (2) kilograms of the Grading Sample as analysed from the Test Sample;
- (h) the Cluster Content shall be no more than one hundred and sixty (160) grams per two (2) kilograms of the Grading Sample as analysed from the Test Sample;
- (i) the combined Residue and Cluster Content shall be no more than one hundred and sixty (160) grams per two (2) kilograms of the Grading Sample as analysed from the Test Sample; and
- (j) the combined content of Foreign Matter, Flat Beans and Sievings, as assessed in the Grading process and as defined and described in this section 16 of the Cocoa Procedures, shall be no more than eighty (80) grams per two (2) kilograms of the Grading Sample as analysed from the Test Sample.

16.5.2 These standards will be assessed through the Grading process (except where noted otherwise).

16.6 The tests

16.6.1 The Grading Panel will conduct testing on the Grading Sample as described below in full except when they are required to conduct a Cut Test.

16.6.2 When required to conduct a Cut Test under section 16.9.1(b), the Grading Panel will only follow the testing steps at points 16.7.1 to 16.7.5 and 16.8.15 to 16.8.19 below.

16.7 Preparation and analysis of the Grading Sample

16.7.1 The Grading Sample details shall be checked against those registered on Deliveries Plus. If the details of the Grading Sample are confirmed the Grading will continue; if not the Registrar shall be advised and Grading of the Grading Sample will be suspended until otherwise advised by the Registrar.

16.7.2 The Grading Sample shall be weighed and the weight shall be recorded on Deliveries Plus.

16.7.3 The seals on the Grading Sample shall be broken and the contents of the Grading Sample shall be emptied into a suitable clean and dry container.

- 16.7.4 The empty bag, seals and closing cord shall be weighed and the weight shall be recorded on Deliveries Plus.
- 16.7.5 The Grading Panel shall confirm that visually the Grading Sample material is of the country of origin recorded on Deliveries Plus. If the Grading Panel cannot confirm that the details shown on Deliveries Plus correlate with their consideration of the Grading Sample's origin, the Grading Panel shall immediately advise the Registrar and the Grading will be suspended until further instruction from the Registrar.
- 16.7.6 Notwithstanding anything to the contrary contained in this section 16, the Registrar has the discretion to require that a new Composite Sample is drawn and used for any Grading. Under section 11.1.2(d) the Cocoa may also be required to be re-submitted for Weighing.
- 16.8 Analysis of the Test Sample
- 16.8.1 The Grading Sample material shall be thoroughly mixed and a Test Sample shall be obtained by either using a flat-bottomed shovel drawn across the middle of the Grading Sample material or by quartering the Grading Sample material. In either case the Test Sample shall be a fair representation of the Grading Sample material. The Test Sample shall be weighed to the nearest one (1) gram with the results recorded on Deliveries Plus.
- 16.8.2 An olfactory check shall be taken to check for Contamination on the Test Sample with the result entered on Deliveries Plus.
- 16.8.3 The material forming the Test Sample shall be poured into a Sieve.
- 16.8.4 All of the material in the Sieve shall be given the opportunity to pass through the screen.
- 16.8.5 The Sievings shall be collected, weighed and the result recorded on Deliveries Plus.
- 16.8.6 The Sievings shall be kept separate from the remaining Test Sample material.
- 16.8.7 The material remaining above the screen shall be separated into:
- (a) Residue;
  - (b) Bean Clusters;
  - (c) Flat Beans and Foreign Matter; and
  - (d) single whole Cocoa Beans.
- 16.8.8 All Residue shall be collected, weighed and the result recorded on Deliveries Plus. This material shall be kept separate from the remaining Test Sample material.
- 16.8.9 All Bean Clusters shall be collected, weighed and the result recorded on Deliveries Plus. This material shall be kept separate from the remaining Test Sample material.
- 16.8.10 All Flat Beans and Foreign Matter shall be collected together, weighed and the result recorded on Deliveries Plus. This material shall be kept separate from the remaining Test Sample material.
- 16.8.11 In order to return the weight of the Test Sample a representative sample of the remaining Grading Sample shall be obtained using a flat-bottomed shovel drawn across the middle of the Grading Sample material or by quartering the Grading Sample material. Single whole Cocoa Beans shall be chosen at random from this sample and shall be added to the

remaining Test Sample material. All remaining material not added to the Test Sample shall be kept separate from the Grading Sample.

16.8.12 The remaining Grading Sample material shall be returned to the sample Bag and resealed.

16.8.13 The total number of Cocoa Beans in the Test Sample shall then be counted and the resulting number is the Bean Count which shall be recorded on Deliveries Plus.

16.8.14 Should the Grading Panel consider that the Test Sample material is non-homogeneous by size, then the Grading Panel will establish the number of Cocoa Beans to be collected from the Test Sample to establish the homogeneity test. The Grading Panel shall collect that number of the smallest Cocoa Beans from the Test Sample, weigh them collectively to the nearest gram and enter the result into Deliveries Plus. The Grading Panel shall repeat this process for the largest Cocoa Beans in the Test Sample. Deliveries Plus shall calculate if the Test Sample is considered to be homogeneous on the following basis:

“A Grading Unit may be considered to be non-homogenous by means of mixing of Cocoa Beans if more than twelve (12) per cent of the Cocoa Beans in the Test Sample be outside the range of plus or minus one third of the average weight of a Cocoa Bean in the Test Sample”.

16.8.15 Three hundred (300) whole Cocoa Beans (irrespective of size, shape and condition) shall be counted off from the Test Sample and the Cocoa Beans shall be cut lengthwise through the middle such that the maximum cut surface of the cotyledons can be examined by the naked eye.

16.8.16 Both halves of each Cocoa Bean shall be examined visually in full daylight or equivalent artificial light.

16.8.17 Separate counts shall be made of the number of Cocoa Beans which are Defective Beans and/or Slaty Beans. Where a Cocoa Bean is a Defective Bean in more than one respect, only one defect shall be counted. In addition, where a Cocoa Bean is both a Defective Bean (in one or more respect) and a Slaty Bean, only a single defect shall be recorded.

16.8.18 The number of the Defective Beans and Slaty Beans shall be recorded on Deliveries Plus.

16.8.19 Grading shall continue to completion in the event the Test Sample is found to have live infestation or not. In the event of live infestation being found, the details shall be recorded on Deliveries Plus.

16.9 On-going validity of the Grading result and re-submitting Cocoa for Grading

16.9.1 Valid Cocoa must successfully complete Grading according to the timings below in order to remain Valid Cocoa:

(a) Cocoa that has passed Grading for the first time (**Grading 1**) will remain as Valid Cocoa until the end of the penultimate trading day of the fourth consecutive Delivery Month from Grading 1. The Cocoa must be re-submitted for Grading (**Grading 2**), to be completed by the end of its period as Valid Cocoa, using a Grading Sample drawn from the existing Composite Sample (unless the Composite Sample was drawn from a single Lot or specified otherwise by the Account Holder);

(b) Cocoa that has passed Grading 2 will remain as Valid Cocoa until the end of the penultimate trading day of the sixth consecutive Delivery Month from Grading 2. The Cocoa must be re-submitted for Grading (**Grading 3**), to be completed by the end of

its period as Valid Cocoa, using a Grading Sample drawn from the existing Composite Sample (unless the Composite Sample was drawn from a single Lot or specified otherwise by the Account Holder). Grading 3 will use the Cut Test only, with all parameters from the previous Grading that are not tested in the Cut Test remaining valid;

- (c) Cocoa that has passed Grading 3 will remain as Valid Cocoa until the end of the penultimate trading day of the sixth consecutive Delivery Month from Grading 3. It must be submitted for Weighing and, subsequently, re-submitted for **(Grading 4)**, to be completed by the end of its period as Valid Cocoa, using a Grading Sample drawn from a new Composite Sample;
- (d) Cocoa that has passed Grading 4 will remain as Valid Cocoa until the end of the penultimate trading day of the sixth consecutive Delivery Month from Grading 4. The Cocoa must be re-submitted for Grading **(Grading 5)**, to be completed by the end of its period as Valid Cocoa, using a Grading Sample drawn from the existing Composite Sample (unless the Composite Sample was drawn from a single Lot or specified otherwise by the Account Holder). Grading 5 will consist of the Cut Test only, with all parameters from the previous Grading that are not tested in the Cut Test remaining valid;
- (e) Cocoa that has passed Grading 5 will remain as Valid Cocoa until the end of the penultimate trading day of the sixth consecutive Delivery Month from Grading 5. The Cocoa must be re-submitted for Grading **(Grading 6)**, to be completed by the end of its period as Valid Cocoa, using a Grading Sample drawn from the existing Composite Sample (unless the Composite Sample was drawn from a single Lot or specified otherwise by the Account Holder). Grading 6 will consist of the Cut Test only, with all parameters from the previous Grading that are not tested in the Cut Test remaining valid; and
- (f) Cocoa that has passed Grading 6 will remain as Valid Cocoa until the end of the penultimate trading day of the sixth consecutive Delivery Month from Grading 6. The Cocoa must then be submitted for Weighing and, subsequently, re-submitted for Grading under Grading 4 above.

16.9.2 For any of the Grading steps carried out in accordance with section 16.9.1 above, if Grading of Cocoa is carried out during a Delivery Month and:

- (a) occurs before the last trading day of that Delivery Month the period that the Cocoa will remain as Valid Cocoa will include that Delivery Month; or
- (b) occurs after the last trading day of that Delivery Month the period that the Cocoa will remain as Valid Cocoa will not include that Delivery Month,
- (c) no Grading will occur on the last trading day of a Delivery Month.

16.9.3 Valid Cocoa that is not re-submitted for Grading within the requisite time frame described above is **Expired Cocoa**.

16.9.4 Re-submission of Expired Cocoa for Grading

- (a) Expired Cocoa may be re-submitted for Grading at any time at the Account Holder's request and expense.
- (b) Provided that the Expired Cocoa has been expired for less than five (5) consecutive Delivery Months the Grading of the Cocoa shall recommence from the point that was previously reached. This section 16.9.3(b) is subject to section 16.9.3(d) below.

- (c) If the Expired Cocoa has been expired for more than five (5) consecutive Delivery Months, fresh Composite Samples shall be drawn and the Grading of the Expired Cocoa shall recommence from Grading 4.
  - (d) Notwithstanding anything to the contrary contained in this section 16.9.4, if Expired Cocoa has not been Weighed within three (3) years when re-submitted for Grading then it must be submitted for Weighing and, subsequently, re-submitted for Grading under Grading 4 (irrespective of whether or not it was previously Graded under Grading 3 or Grading 6).
- 16.9.5 Valid Cocoa or Expired Cocoa that fails Grading when it has been re-submitted is Non-Deliverable Cocoa or Non-Tenderable Cocoa, as set out at section 16.4.1.

## **17 Appealing a Grading result**

- 17.1 If an Account Holder wishes to contest a failed Grading result they may appeal under this section 17.
- 17.2 An Account Holder that does not appeal a Grading result in accordance with this section 17 will be deemed to have accepted the Grading result.
- 17.3 An Owner that is not an Account Holder that wishes to contest a Grading result must instruct its Elected Clearing Member in writing (as the appropriate Account Holder) to commence an appeal under section 17.
- 17.4 In the event that an Account Holder intends to bring an appeal, such person must notify the Registrar of its intention no later than the twentieth Cocoa Business Day following Grading. Where no notification of an intention to appeal has been received by the Registrar by this time, section 17.2 shall apply. Such notice must include the CME Europe Warrant Number(s) and the name of the Approved Warehousekeeper.
- 17.5 If the Account Holder brings an appeal in accordance with the terms above, the Registrar will convene a Grading Panel for the appeal. The Grading Panel will re-submit the existing Grading Sample for Grading unless the Registrar considers that a fresh Grading Sample is required.
- 17.6 The Grading Panel convened under this section 17.6 will not include any Licensed Grader that conducted Grading in respect of the Lots or Parcels that are the subject of an appeal.
- 17.7 Once Grading has been re-completed the Registrar will assess the new Grading result against the existing Grading result. The new Grading result will replace the existing Grading result (irrespective of whether the new Grading result is better than the existing Grading result or if it produces a fail).
- 17.8 In the first instance, the cost of an appeal shall be for the account of the Account Holder. In the event that the new Grading result means that the relevant Cocoa becomes Valid, all costs relating to the appeal will be borne by the Exchange.

## **18 Delivery**

- 18.1 Delivery shall be concluded under the Cocoa Delivery Procedures.
- 18.2 Split Bulk Parcels:
- 18.2.1 On the Tender Day, the Clearing House's matching algorithm may result in a Parcel (or Parcels) of Cocoa needing to be split among more than one (1) buyer. Where this occurs, the Clearing House should:

- (a) identify the relevant Clearing Member (or Clearing Members) and, where more than one (1) Clearing Member is involved, the Clearing House should notify each relevant Clearing Member of the identity of the other (or others); and
- (b) instruct the Depository to cancel the CME Europe Warrant (or CME Europe Warrants) to which that Parcel (or those Parcels) relate and to issue one (1) new CME Europe Warrant for each portion of the Parcel (or Parcels) that has been allocated to a relevant buyer.

Where the buyers to whom the portions have been allocated are customers of more than one (1) Clearing Member, those Clearing Members should then inform each other of the identity and contact details for the relevant buyers. Each Clearing Member will then inform its customer buyer (or customer buyers) of the identity of and contact details for the other relevant buyers.

18.2.2 On the Delivery Day, following payment of the Delivery Value in respect of the allocated portion, the new CME Europe Warrants will be transferred to the relevant buyers in accordance with section 13.12, and each relevant buyer shall be recorded as the Owner of its allocated portion of the Parcel (or Parcels) as specified in the relevant CME Europe Warrant. The relevant buyers must then negotiate in good faith to determine which one of them will be the single agreed buyer and will accept Delivery of the entire Parcel within five (5) London business days following the Delivery Day (the **Re-integration Period**).

18.2.3 During the Re-integration Period the Grading result will be suspended and only re-instated or cancelled per sections 18.2.4(d), 18.2.4(f), 18.2.5(d) or 18.2.5(f) (as applicable).

18.2.4 If:

- (a) negotiations result in the allocation of the Parcel to a single agreed buyer during the Re-integration Period; and
- (b) payment for each portion of the Parcel has been made off-Exchange by the single agreed buyer to all other relevant buyers; and
- (c) such allocation and payment made or received (as appropriate) is confirmed in writing to the Registrar by each relevant Clearing Member,

then:

- (d) the Registrar will instruct the Depository to cancel all the new CME Europe Warrants which have been transferred to the relevant buyers in respect of their allocated portions of the Parcel and will issue and release a single CME Europe Warrant in respect of the entire Parcel to the Depository or to the single agreed buyer (at the single agreed buyer's request) and the relevant Clearing Member will instruct the Depository to record the single agreed buyer as the Owner in Deliveries Plus; and
- (e) the Grading result will be re-instated; and
- (f) the single agreed buyer will accept Delivery of the entire Parcel in accordance with these Cocoa Procedures.

18.2.5 If any of the steps in sections 18.2.4(a) to 18.2.4(c) do not occur and:

- (a) negotiations do not result in the allocation of the entire Parcel to a single agreed buyer within the required timeframe; or

- (b) before the end of the Re-integration Period, any one (1) relevant buyer notifies the Registrar and other relevant buyers that it will only agree to receiving a split share of the Parcel; or
- (c) all the relevant buyers notify the Registrar in writing that they have agreed to split the Parcel,

then:

- (d) the Parcel's Grading result will be cancelled;
- (e) the relevant buyers will arrange (in co-ordination with the Registrar and Approved Warehousekeeper) and pay for (such costs to be borne by each relevant buyer according to its pro-rata share of the Parcel) for the Parcel to be divided into separate Lots and Delivery Out will occur to each relevant buyer according to its respective pro-rata shares;
- (f) the division of the Parcel will commence within thirty (30) calendar days of the end of the Re-integration Period (and may occur during the Re-integration Period if all the relevant buyers, the Approved Warehousekeeper and the Registrar agree to this); and
- (g) the Registrar will notify the relevant buyers two (2) Cocoa Business Days in advance of the Parcel being divided and each relevant buyer may nominate a Representative to attend the division. The division will be conducted by the Registrar using reasonable efforts to allocate the Parcel's respective shares among the buyers.

18.2.6 In any event (subject to the Alternative Delivery Arrangements), Cocoa for Delivery Out must be in a single Lot or multiples of Lots and in a single delivery.

### 18.3 Alternative Delivery Arrangements

18.3.1 A Delivery Seller and Delivery Buyer who are parties to the delivery of a Parcel of Cocoa with the Clearing House may agree to adopt a delivery arrangement outside that described in this section 18 (an **Alternative Delivery Arrangement**). The Delivery Seller and Delivery Buyer shall follow the procedure for Alternative Delivery Arrangements set out in the Cocoa Delivery Procedures.

18.3.2 Any agreement to follow an Alternative Delivery Arrangement must be declared by each party to the Clearing House by delivering a Notice of Alternative Delivery to the Clearing House, as described in the Cocoa Delivery Procedures, no later than 12:00 hours London time on the London business day prior to the Delivery Day.

18.3.3 Where a Delivery Seller and a Delivery Buyer agree to follow an Alternative Delivery Arrangement each party waives the rights to inspection and dispute resolution under section 17 in respect of the Alternative Delivery Arrangement. Where a Delivery Seller and a Delivery Buyer agree to follow an Alternative Delivery Arrangement, such delivery shall not be subject to any performance guarantee from either the Exchange or the Clearing House.

## 19 Acceptance

19.1 A new Owner who is the buyer shall have the right to inspect the Lot or Parcel of Cocoa Beans after Delivery to confirm that its condition is acceptable and that the specifications conform to those provided in these Cocoa Procedures and the Contract Specification. Under no circumstances may the buyer contest the Grading result.

19.2 Where a buyer wishes to contest the condition or stated specifications of the Lot or Parcel, it must, through the Delivery Buyer, notify the Registrar in writing within twenty (20) Cocoa

Business Days of the Delivery Day. Where no notification of an intention to appeal has been received by the Registrar by this time, section 19.3 shall apply. Such notice must include the CME Europe Warrant Number(s) and the name of the Approved Warehousekeeper. The Registrar will notify the Delivery Seller and the Clearing House on receipt of a notification made under this section 19.1.

- 19.3 If a buyer does not contest the condition or stated specifications of the Delivery Lot or Parcel under this section 19:
- 19.3.1 the buyer and the Delivery Buyer will be deemed to have accepted that the Cocoa which is the subject of Delivery is of acceptable condition and conforms to the details on the CME Europe Warrant(s); and
- 19.3.2 any claim by the buyer of any nature whatsoever in respect of such Cocoa shall be deemed to have been waived and absolutely barred.
- 19.4 The buyer may contest the condition or stated specifications of multiple Lots or Parcels in a single notice made by the Delivery Buyer to the Registrar. However, such a notice will be treated as if a separate notice to contest were submitted in respect of each Lot or Parcel contested. Consequently, the buyer may only reject those Lots or Parcels which it has contested in accordance with this section 19 and which are subject to a determination by the committee that they are not of acceptable condition and / or that they do not conform to the specifications provided in their respective CME Europe Warrants (as applicable in the circumstances).
- 19.5 If, in the opinion of the Exchange, the Delivery Buyer's contest of the condition or stated specifications of the Lot or Parcel is valid, then the Registrar (or an independent agent appointed by the Registrar) will inspect the relevant Cocoa to assess whether it is of acceptable condition and / or whether it conforms to the specifications provided in the CME Europe Warrant(s) (as applicable in the circumstances) and prepare a factual report detailing the findings of the inspection but not drawing conclusions.
- 19.6 The report prepared in accordance with section 19.5 will be presented to a committee convened by the Exchange. The committee will be composed of an appropriate number of Representatives from relevant functions of the Exchange and the Clearing House. Each committee member is required to be independent.
- 19.7 Under the process described in this section 19, the committee's determination shall be final. However, if either the Delivery Seller or Delivery Buyer dispute the determination, then they will have recourse via the complaints process in the Exchange Rules.
- 19.8 If it deems necessary, the committee may rely upon external expertise in reaching its determination.
- 19.9 If the committee determines that the Bagged Lot or Parcel is not of acceptable condition and / or that it does not conform to the specifications provided in the CME Europe Warrant(s) (as applicable in the circumstances) then the Delivery Buyer is permitted to reject the Lot or Parcel that is subject to such a determination, if rejected such Lot or Parcel will become rejected Cocoa (**Rejected Cocoa**).
- 19.10 In the first instance, the cost of an inspection and committee (including any external advice) shall be for the account of the Delivery Buyer. If the committee determines that the Bagged Lot or Parcel is not of acceptable condition and / or that it does not conform to the specifications provided in the CME Europe Warrant(s) (as applicable in the circumstances) then all costs relating to the appeal will be borne by the Delivery Seller. The Delivery Seller shall also reimburse the Delivery Buyer in respect of any other reasonable costs including without limitation and where relevant, Rent, re-Bagged, brushing, cleaning, fumigation,

fogging or any other process of disinfestation, on or before the fifth Cocoa Business Day after receipt of an invoice from the Delivery Buyer together with documentation evidencing the costs incurred.

- 19.11 If the Delivery Buyer has Rejected Cocoa under section 19.9 then the Delivery Seller shall arrange for the substitution of an equivalent quantity of Cocoa in accordance with section 19.14 (the **Substituted Cocoa**). The Delivery Value will be amended as required to reflect the differences between the adjustments made to the Delivery Price (as set out in the Contract Specification for the Cocoa Futures Contract at DA01.11.3) of the original Lot or Parcel comprising the Rejected Cocoa and the replacement Lot or Parcel comprising the Substituted Cocoa (the **Adjustment Amount**). Any sums payable in respect of such Adjustment Amount shall be paid on the Reimbursement Day (as such term is defined in section 19.14.1(a)).
- 19.12 Should the Delivery Seller not have sufficient Cocoa that is deliverable against a Cocoa Futures Contract reasonably available for substitution under sections 19.11 and 19.14 then the Delivery Seller will be required to make a payment to the Delivery Buyer in accordance with section 19.15.
- 19.13 The Delivery Buyer cannot choose to receive the Delivery Value under section 19.12 instead of replacement Cocoa under section 19.11.
- 19.14 Substitution of Rejected Cocoa
- 19.14.1 In order for Substituted Cocoa to be transferred from the Delivery Seller to the Delivery Buyer in exchange for Rejected Cocoa under section 19.11:
- (a) the Delivery Seller shall be deemed to transfer to the Clearing House the CME Europe Warrant(s) that represents the Substituted Cocoa. The Delivery Seller shall also pay, if applicable, the Adjustment Amount to the Clearing House. Such transfer will be deemed to occur and, where relevant, such payment shall be made by 10.00 hours London time on the fifth Cocoa Business Day following the day that the committee makes the decision referred to in section 19.9 above (the **Reimbursement Day**);
  - (b) the Delivery Buyer shall be deemed to transfer to the Clearing House the CME Europe Warrant(s) that represents the Rejected Cocoa. The Delivery Buyer shall also pay, if applicable, the Adjustment Amount to the Clearing House. Such transfer will be deemed to occur and, where relevant, such payment shall be made by 10.00 hours London time on the Reimbursement Day;
  - (c) after 12.00 hours London time on the Reimbursement Day, the Clearing House shall:
    - (i) be deemed to transfer to the Delivery Buyer the CME Europe Warrant(s) that represents the Substituted Cocoa and shall pay any applicable Adjustment Amount to the Delivery Buyer;
    - (ii) be deemed to transfer to the Delivery Seller the CME Europe Warrant(s) that represents the Rejected Cocoa and shall pay any applicable Adjustment Amount to the Delivery Seller, and
  - (d) the Clearing House will instruct the Depository to update the records on Deliveries Plus to reflect that the seller is the Owner of the Rejected Cocoa and that the buyer is the Owner of the Substituted Cocoa.

19.14.2 In respect of the Rejected Cocoa under this section 19.14, the property and risk will pass:

- (a) from the Delivery Buyer to the Clearing House following:

- (i) the deemed transfer by the Delivery Buyer of the CME Europe Warrant(s) that represents the Rejected Cocoa to the Clearing House and, where applicable, the payment by the Delivery Buyer to the Clearing House of any Adjustment Amount in same day or immediately available, freely transferable cleared funds; and
  - (ii) the deemed transfer by the Delivery Seller of the CME Europe Warrant(s) that represents the Substituted Cocoa to the Clearing House and, where applicable, the payment by the Delivery Seller to the Clearing House of any Adjustment Amount in same day or immediately available, freely transferable cleared funds.
- (b) from the Clearing House to the Delivery Seller following:
- (i) the deemed transfer by the Clearing House to the Delivery Seller of the CME Europe Warrant(s) that represents the Rejected Cocoa and, where applicable, the payment by the Clearing House to the Delivery Seller of any Adjustment Amount in same day or immediately available, freely transferable cleared funds; and
  - (ii) the deemed transfer by the Clearing House to the Delivery Buyer of the CME Europe Warrant(s) that represents the Substituted Cocoa and, where applicable, the payment by the Clearing House to the Delivery Buyer of any Adjustment Amount in same day or immediately available, freely transferable cleared funds.

19.14.3 In respect of the Substituted Cocoa under this section 19.14, the property and risk will pass:

- (a) from the Delivery Seller to the Clearing House following:
- (i) the deemed transfer by the Delivery Seller of the CME Europe Warrant(s) that represents the Substituted Cocoa to the Clearing House and, where applicable, the payment by the Delivery Seller to the Clearing House of any Adjustment Amount in same day or immediately available, freely transferable cleared funds; and
  - (ii) the deemed transfer by the Delivery Buyer of the CME Europe Warrant(s) that represents the Rejected Cocoa to the Clearing House and, where applicable, the payment by the Delivery Buyer to the Clearing House of any Adjustment Amount in same day or immediately available, freely transferable cleared funds.
- (b) from the Clearing House to the Delivery Buyer following:
- (i) the deemed transfer by the Clearing House to the Delivery Buyer of the CME Europe Warrant(s) that represents the Substituted Cocoa and, where applicable, the payment by the Clearing House to the Delivery Buyer of any Adjustment Amount in same day or immediately available, freely transferable cleared funds; and
  - (ii) the deemed transfer by the Clearing House to the Delivery Seller of the CME Europe Warrant(s) that represents the Rejected Cocoa and, where applicable, the payment by the Clearing House to the Delivery Seller of any Adjustment Amount in same day or immediately available, freely transferable cleared funds.

19.15 Payment in respect of Rejected Cocoa

19.15.1 In order for a payment to be made from a Delivery Seller to a Delivery Buyer under section 19.12:

- (a) the Delivery Seller shall repay to the Clearing House the Delivery Value for the Rejected Cocoa. The Delivery Seller shall also pay interest calculated at two (2) per cent per annum above the rate set out on the Website (as such term is defined in the Clearing House Rules). Interest shall be paid for the period from the Delivery Day to the Reimbursement Day. Such payment is to be made by 10.00 hours London time on the Reimbursement Day;
- (b) the Delivery Buyer shall be deemed to transfer to the Clearing House the CME Europe Warrant(s) that represents the Rejected Cocoa. Such transfer shall be deemed to be made at 10.00 hours London time on the Reimbursement Day;
- (c) after 12.00 hours London time on the Reimbursement Day, the Clearing House shall:
  - (i) repay the Delivery Buyer the final Delivery Value for the Rejected Cocoa along with the interest paid by the Delivery Seller under section 19.15.1(a) after 12.00 hours London time on the Reimbursement Day; and
  - (ii) deem to transfer to the Delivery Seller the CME Europe Warrant(s) that represents the Rejected Cocoa, and
- (d) the Clearing House will instruct the Depository to update the records on Deliveries Plus to reflect the change of Ownership from buyer to seller.

19.15.2 In respect of the Rejected Cocoa under this section 19.15 the property and risk will pass:

- (a) from the Delivery Buyer to the Clearing House following:
  - (i) the deemed transfer by the Delivery Buyer of the CME Europe Warrant(s) that represents the Rejected Cocoa to the Clearing House; and
  - (ii) the payment by the Delivery Seller of the Delivery Value for the Rejected Cocoa to the Clearing House in same day or immediately available, freely transferable, cleared funds; and
- (b) from the Clearing House as buyer to the Delivery Seller following:
  - (i) the payment by the Clearing House to the Delivery Buyer of the Delivery Value in respect of the Rejected Cocoa in same day or immediately available, freely transferable, cleared funds; and
  - (ii) the deemed take up of the CME Europe Warrant(s) that represents the Rejected Cocoa by the Delivery Seller.

19.16 The Delivery Buyer shall be entitled to claim damages from the Delivery Seller by reference to the market price of Cocoa complying with the requirements of the Contract Specification, but in no event shall either party be liable to the other in respect of any indirect or consequential losses or expenses.

## 20 Delivery Out

20.1 The Account Holder shall deliver or arrange to have the CME Europe Warrant(s) delivered (by instruction to the Depository or otherwise if the CME Europe Warrant(s) have been taken

- up) to the Approved Warehousekeeper or his London Agent three (3) Cocoa Business Days before the Delivery Out of the Cocoa is due.
- 20.2 Before permitting Delivery Out, the Approved Warehousekeeper must confirm that the CME Europe Warrant Secure Paper ID on each CME Europe Warrant is the same as the CME Europe Warrant Secure Paper ID recorded in Deliveries Plus for the entry corresponding to each such CME Europe Warrant.
- 20.3 Within twenty one (21) Cocoa Business Days of the written instruction being given for Delivery Out by the Owner to the Approved Warehousekeeper, the Approved Warehousekeeper shall ensure that:
- 20.3.1 in relation to Bags, loading, without pallets, onto readily available flatbed trucks has been completed; and
- 20.3.2 in relation to Bulk, loading into a bulk-lorry according to the Terms of Storage or other normal Approved Port practice has been completed.
- 20.4 Any other arrangement shall be negotiated between the Owner and the Approved Warehousekeeper. An arrangement made under this section 20.4 shall not be subject to the requirements of sections 20.3.1 or 20.3.1.
- 20.5 Upon Delivery Out, the Approved Warehousekeeper must mark the relevant Deliveries Plus entry as complete due to the removal of the Cocoa.
- 20.6 Upon receipt of Cocoa in accordance with this section 20 by the Owner, the Owner shall assume full responsibility for the Cocoa and the Cocoa shall cease to be governed by these Cocoa Procedures.
- 20.7 For the avoidance of doubt, in the event of a conflict with this section 20 and any equivalent provisions contained in any Terms of Storage, an Approved Warehousekeeper will be bound to follow the terms set out in this section.

## Annex 1

### CME Europe Block Reporting Times and Thresholds

Contract Module Chapter	Clearing	CME Globex	CME ClearPort	Product Name	Group	Outright Minimum Volume Threshold (lots)	Outright Month Reporting Time (Mins)	Inter/Intra Commodity Reporting Time (Mins)	Intra Commodity Spread Minimum Volume threshold	Inter Commodity Spread Minimum Volume threshold
AA01	AUD	AUD	AUD	Australian Dollar / U.S. Dollar (AUD/USD) Physically Deliverable Future (CLS Eligible)	FX	10	5	5	A* (see explanatory note below)	B* (see explanatory note below)
AA02	GBP	GBP	GBP	British Pound / U.S. Dollar (GBP/USD) Physically Deliverable Future (CLS Eligible)	FX	10	5	5	A*	B*
AA03	CAD	CAD	CAD	U.S. Dollar / Canadian Dollar (USD/CAD) Physically Deliverable Future (CLS Eligible)	FX	10	5	5	A*	B*
AA04	EBP	EBP	EBP	Euro / British Pound (EUR/GBP) Physically Deliverable Future (CLS Eligible)	FX	10	5	5	A*	B*
AA05	EUS	EUS	EUS	Euro / U.S. Dollar (EUR/USD) Physically Deliverable Future (CLS Eligible)	FX	10	5	5	A*	B*
AA06	NZD	NZD	NZD	New Zealand Dollar / U.S. Dollar (NZD/USD) Physically Deliverable Future (CLS Eligible)	FX	10	5	5	A*	B*
AA07	JPY	JPY	JPY	U.S. Dollar / Japanese Yen (USD/JPY) Physically Deliverable Future (CLS Eligible)	FX	10	5	5	A*	B*
AA08	CHF	CHF	CHF	U.S. Dollar / Swiss Franc (USD/CHF) Physically Deliverable Future (CLS Eligible)	FX	10	5	5	A*	B*
AA09	EZK	EZK	EZK	Euro / Czech Koruna (EUR/CZK) Physically Deliverable Future	FX	10	5	5	A*	B*
AA10	EFT	EFT	EFT	Euro / Hungarian Forint (EUR/HUF) Physically Deliverable Future	FX	10	5	5	A*	B*
AA11	EPO	EPO	EPO	Euro / Polish Zloty (EUR/PLN) Physically Deliverable Future	FX	10	5	5	A*	B*
AA12	ENO	ENO	ENO	Euro / Norwegian Krone (EUR/NOK) Physically Deliverable Future (CLS Eligible)	FX	10	5	5	A*	B*
AA13	ESW	ESW	ESW	Euro / Swedish Krona (EUR/SEK) Physically Deliverable Future (CLS Eligible)	FX	10	5	5	A*	B*
AA14	EDK	EDK	EDK	Euro / Danish Kroner (EUR/DKK) Physically Deliverable Future (CLS Eligible)	FX	10	5	5	A*	B*
AA15	BRL	BRL	BRL	U.S. Dollar / Brazilian Real (USD/BRL) Cash Settled Future	FX	10	5	5	A*	B*

Contract Module Chapter	Clearing	CME Globex	CME ClearPort	Product Name	Group	Outright Minimum Volume Threshold (lots)	Outright Month Reporting Time (Mins)	Inter/Intra Commodity Reporting Time (Mins)	Intra Commodity Spread Minimum Volume threshold	Inter Commodity Spread Minimum Volume threshold
AA16	EJY	EJY	EJY	Euro / Japanese Yen (EUR/JPY) Physically Deliverable Future (CLS Eligible)	FX	10	5	5	A*	B*
AA17	ESI	ESI	ESI	Euro / Swiss Franc (EUR/CHF) Physically Deliverable Future (CLS Eligible)	FX	10	5	5	A*	B*
AA18	MXN	MXN	MXN	U.S. Dollar / Mexican Peso (USD/MXN) Physically Deliverable Future (CLS Eligible)	FX	10	5	5	A*	B*
AA19	ERN	ERN	ERN	Euro / Chinese Renminbi (EUR/CNY) Cash Settled Future	FX	10	5	5	A*	B*
AA20	UCR	UCR	UCR	U.S. Dollar / Chinese Renminbi (USD/CNY) Cash Settled Future	FX	10	5	5	A*	B*
AA21	ECH	ECH	ECH	Euro / Chinese Offshore Renminbi (EUR/CNH) Physically Deliverable Future	FX	10	5	5	A*	B*
AA22	UCH	UCH	UCH	U.S. Dollar / Chinese Offshore Renminbi (USD/CNH) Physically Deliverable Future	FX	10	5	5	A*	B*
AA23	ELI	ELI	ELI	Euro / Turkish Lira (EUR/TRY) Physically Deliverable Future	FX	10	5	5	A*	B*
AA24	UTL	UTL	UTL	U.S. Dollar / Turkish Lira (USD/TRY) Physically Deliverable Future	FX	10	5	5	A*	B*
AA25	UIS	UIS	UIS	U.S. Dollar / Israeli Shekel (USD/ILS) Physically Deliverable Future (CLS Eligible)	FX	10	5	5	A*	B*
AA26	UKW	UKW	UKW	U.S. Dollar / Korean Won (USD/KRW) Cash Settled Future	FX	10	5	5	A*	B*
AA27	RUB	RUB	RUB	U.S. Dollar / Russian Ruble (USD/RUB) Cash Settled Future	FX	10	5	5	A*	B*
AA28	ZRA	ZRA	ZRA	U.S. Dollar / South African Rand (USD/ZAR) Physically Deliverable Future (CLS Eligible)	FX	10	5	5	A*	B*
AA29	INR	INR	INR	U.S. Dollar / Indian Rupee (USD/INR) Cash Settled Future	FX	10	5	5	A*	B*
AA30	UAH	UAH	UAH	U.S. Dollar / Ukrainian Hrynia (USD/UAH) Cash Settled Future	FX	10	5	5	A*	B*
BA01	UBD	UBD	UBD	European FAME 0 Biodiesel fob ARA (RED Compliant) (Argus) vs. European Low Sulphur Gasoil (ICE) Calendar Month Spread Future	Energy -Biodiesels	10	15	15	C* (see explanatory note below)	D* (see explanatory note below)
BA02	URA	URA	URA	European RME Biodiesel fob ARA (RED Compliant) (Argus) vs. European Low Sulphur Gasoil (ICE) Calendar Month Spread Future	Energy -Biodiesels	10	15	15	C*	D*

Contract Module Chapter	Clearing	CME Globex	CME ClearPort	Product Name	Group	Outright Minimum Volume Threshold (lots)	Outright Month Reporting Time (Mins)	Inter/Intra Commodity Reporting Time (Mins)	Intra Commodity Spread Minimum Volume threshold	Inter Commodity Spread Minimum Volume threshold
BA03	FBA	FBA	FBA	European FAME 0 Biodiesel fob ARA (RED Compliant) (Argus) Calendar Month Future	Energy -Biodiesels	10	15	15	C*	D*
BA04	RBA	RBA	RBA	European RME Biodiesel fob ARA (RED Compliant) (Argus) Calendar Month Future	Energy -Biodiesels	10	15	15	C*	D*
BB01	Z1A	Z1A	Z1A	European Ethanol T2 fob Rotterdam Inc Duty (Platts) Calendar Month Future	Energy - Ethanol	5	15	15	C*	D*
BC01	QAA	QAA	QAA	European Low Sulphur Gasoil (ICE) Calendar Month Future	Energy - Refined Oils	10	15	15	C*	D*
BC02	ECC	ECC	ECC	European Naphtha Cargoes CIF NWE (Platts) Calendar Month Future	Energy - Refined Oils	5	15	15	C*	D*
BC03	ECB	ECB	ECB	European Naphtha Cargoes CIF NWE (Platts) BALMO Future	Energy - Refined Oils	5	15	15	C*	D*
BC04	MNA	MNA	MNA	Mini European Naphtha Cargoes CIF NWE (Platts) Calendar Month Future	Energy - Refined Oils	5	15	15	C*	D*
BC05	MND	MND	MND	Mini European Naphtha Cargoes CIF NWE (Platts) BALMO Future	Energy - Refined Oils	5	15	15	C*	D*
BC06	ENR	ENR	ENR	European Naphtha Cargoes CIF NWE (Platts) (1000mt) Crack Spread Future	Energy - Refined Oils	5	15	15	C*	D*
BC07	END	END	END	European Naphtha Cargoes CIF NWE (Platts) (1000mt) Crack Spread BALMO Future	Energy - Refined Oils	5	15	15	C*	D*
BC08	MNI	MNI	MNI	Mini European Naphtha Cargoes CIF NWE (Platts) (100mt) Crack Spread Future	Energy - Refined Oils	5	15	15	C*	D*
BC09	MNK	MNK	MNK	Mini European Naphtha Cargoes CIF NWE (Platts) (100mt) Crack Spread BALMO Future	Energy - Refined Oils	5	15	15	C*	D*
BC10	ENI	ENI	ENI	European Naphtha Cargoes CIF NWE (Platts) (1000bbls) Crack Spread Future	Energy - Refined Oils	10	15	15	C*	D*
BC11	ENL	ENL	ENL	European Naphtha Cargoes CIF NWE (Platts) (1000bbls) Crack Spread BALMO Future	Energy - Refined Oils	10	15	15	C*	D*
BC12	GEA	GEA	GEA	European Gasoline Eurobob Oxy Barges NWE (Argus) Calendar Month Future	Energy - Refined Oils	5	15	15	C*	D*
BC13	MGR	MGR	MGR	Mini European Gasoline Eurobob Oxy Barges NWE (Argus) Calendar Month Future	Energy - Refined Oils	5	15	15	C*	D*

Contract Module Chapter	Clearing	CME Globex	CME ClearPort	Product Name	Group	Outright Minimum Volume Threshold (lots)	Outright Month Reporting Time (Mins)	Inter/Intra Commodity Reporting Time (Mins)	Intra Commodity Spread Minimum Volume threshold	Inter Commodity Spread Minimum Volume threshold
BC14	GER	GER	GER	European Gasoline Eurobob Oxy Barges NWE (Argus) BALMO Future	Energy - Refined Oils	5	15	15	C*	D*
BC15	MGE	MGE	MGE	Mini European Gasoline Eurobob Oxy Barges NWE (Argus) BALMO Future	Energy - Refined Oils	5	15	15	C*	D*
BC16	GED	GED	GED	European Gasoline Eurobob Oxy Barges NWE (Argus) (1000mt) Crack Spread Future	Energy - Refined Oils	5	15	15	C*	D*
BC17	MGI	MGI	MGI	Mini European Gasoline Eurobob Oxy Barges NWE (Argus) (100mt) Crack Spread Future	Energy - Refined Oils	5	15	15	C*	D*
BC18	GEE	GEE	GEE	European Gasoline Eurobob Oxy Barges NWE (Argus) (1000mt) Crack Spread BALMO Future	Energy - Refined Oils	5	15	15	C*	D*
BC19	MGL	MGL	MGL	Mini European Gasoline Eurobob Oxy Barges NWE (Argus) (100mt) Crack Spread BALMO Future	Energy - Refined Oils	5	15	15	C*	D*
BC20	GEI	GEI	GEI	European Gasoline Eurobob Oxy Barges NWE (Argus) (1000bbbls) Crack Spread Future	Energy - Refined Oils	10	15	15	C*	D*
BC21	GEL	GEL	GEL	European Gasoline Eurobob Oxy Barges NWE (Argus) (1000bbbls) Crack Spread BALMO Future	Energy - Refined Oils	10	15	15	C*	D*
BC22	PUN	PUN	PUN	European Premium Unleaded Gasoline 10ppm FOB Med (Platts) Calendar Month Future	Energy - Refined Oils	5	15	15	C*	D*
BC23	PUB	PUB	PUB	European Premium Unleaded Gasoline 10ppm FOB Med (Platts) BALMO Future	Energy - Refined Oils	5	15	15	C*	D*
BC24	MUN	MUN	MUN	Mini European Premium Unleaded Gasoline 10ppm FOB Med (Platts) Calendar Month Future	Energy - Refined Oils	5	15	15	C*	D*
BC25	MUC	MUC	MUC	Mini European Premium Unleaded Gasoline 10ppm FOB Med (Platts) BALMO Future	Energy - Refined Oils	5	15	15	C*	D*
BC26	GEO	GEO	GEO	European Gasoline Eurobob Oxy Barges NWE (Argus) vs. European Naphtha Cargoes CIF NWE (Platts) Spread Future	Energy - Refined Oils	5	15	15	C*	D*
BC27	GEP	GEP	GEP	European Gasoline Eurobob Oxy Barges NWE (Argus) vs. European Naphtha Cargoes CIF NWE (Platts) Spread BALMO Future	Energy - Refined Oils	5	15	15	C*	D*
BC28	MGO	MGO	MGO	Mini European Gasoline Eurobob Oxy Barges NWE (Argus) vs. European Naphtha Cargoes CIF NWE (Platts) Spread Future	Energy - Refined Oils	5	15	15	C*	D*
BC29	MGP	MGP	MGP	Mini European Gasoline Eurobob Oxy Barges NWE (Argus) vs. European Naphtha Cargoes CIF NWE (Platts) Spread BALMO Future	Energy - Refined Oils	5	15	15	C*	D*

Contract Module Chapter	Clearing	CME Globex	CME ClearPort	Product Name	Group	Outright Minimum Volume Threshold (lots)	Outright Month Reporting Time (Mins)	Inter/Intra Commodity Reporting Time (Mins)	Intra Commodity Spread Minimum Volume threshold	Inter Commodity Spread Minimum Volume threshold
BC30	EWA	EWA	EWA	Japan C&F Naphtha (Platts) vs. European Naphtha Cargoes CIF NWE (Platts) Spread Future	Energy - Refined Oils	5	15	15	C*	D*
BC31	EWL	EWL	EWL	Japan C&F Naphtha (Platts) vs. European Naphtha Cargoes CIF NWE (Platts) Spread BALMO Future	Energy - Refined Oils	5	15	15	C*	D*
BC32	MWA	MWA	MWA	Mini Japan C&F Naphtha (Platts) vs. European Naphtha Cargoes CIF NWE (Platts) Spread Future	Energy - Refined Oils	5	15	15	C*	D*
BC33	MWL	MWL	MWL	Mini Japan C&F Naphtha (Platts) vs. European Naphtha Cargoes CIF NWE (Platts) Spread BALMO Future	Energy - Refined Oils	5	15	15	C*	D*
BC34	EJN	EJN	EJN	Japan C&F Naphtha (Platts) Calendar Month Future	Energy - Refined Oils	5	15	15	C*	D*
BC35	EJB	EJB	EJB	Japan C&F Naphtha (Platts) BALMO Future	Energy - Refined Oils	5	15	15	C*	D*
BC36	MJA	MJA	MJA	Mini Japan C&F Naphtha (Platts) Calendar Month Future	Energy - Refined Oils	5	15	15	C*	D*
BC37	MJD	MJD	MJD	Mini Japan C&F Naphtha (Platts) BALMO Future	Energy - Refined Oils	5	15	15	C*	D*
BC38	SNA	SNA	SNA	Singapore Naphtha (Platts) Calendar Month Future	Energy - Refined Oils	10	15	15	C*	D*
BC39	SNB	SNB	SNB	Singapore Naphtha (Platts) BALMO Future	Energy - Refined Oils	10	15	15	C*	D*
BC40	EWO	EWO	EWO	Singapore Gasoline 92 Unleaded (Platts) vs. European Gasoline Eurobob Oxy Barges NWE (Argus) Spread Future	Energy - Refined Oils	10	15	15	C*	D*
BC41	ERJ	ERJ	ERJ	New York RBOB Gasoline vs. European Gasoline Eurobob Oxy Barges NWE (Argus) (1000bbbls) Spread Future	Energy - Refined Oils	10	15	15	C*	D*
BC42	ERS	ERS	ERS	New York RBOB Gasoline vs. European Gasoline Eurobob Oxy Barges NWE (Argus) (1000bbbls) Spread BALMO Future	Energy - Refined Oils	10	15	15	C*	D*
BC43	RBE	RBE	RBE	New York RBOB Gasoline vs. European Gasoline Eurobob Oxy Barges NWE (Argus) (350,000 gallons) Spread Future	Energy - Refined Oils	5	15	15	C*	D*
BC44	RBI	RBI	RBI	New York RBOB Gasoline vs. European Gasoline Eurobob Oxy Barges NWE (Argus) (350,000 gallons) Spread BALMO Future	Energy - Refined Oils	5	15	15	C*	D*
BC45	MRE	MRE	MRE	Mini New York RBOB Gasoline vs. European Gasoline Eurobob Oxy Barges NWE (Argus) (35,000 gallons) Spread Future	Energy - Refined Oils	5	15	15	C*	D*

Contract Module Chapter	Clearing	CME Globex	CME ClearPort	Product Name	Group	Outright Minimum Volume Threshold (lots)	Outright Month Reporting Time (Mins)	Inter/Intra Commodity Reporting Time (Mins)	Intra Commodity Spread Minimum Volume threshold	Inter Commodity Spread Minimum Volume threshold
BC46	MBD	MBD	MBD	Mini New York RBOB Gasoline vs. European Gasoline Eurobob Oxy Barges NWE (Argus) (35,000 gallons) Spread BALMO Future	Energy - Refined Oils	5	15	15	C*	D*
BC47	RCS	RCS	RCS	New York RBOB Gasoline vs. Brent (1000bbls) Crack Spread Future	Energy - Refined Oils	10	15	15	C*	D*
BC48	RCB	RCB	RCB	New York RBOB Gasoline vs. Brent (1000bbls) Crack Spread BALMO Future	Energy - Refined Oils	10	15	15	C*	D*
BD01	UKE	UKE	UKE	UK NBP Natural Gas (ICIS Heren) Calendar Month Future	Energy - Natural Gas	25	5	15	C*	D*
BD02	DUE	DUE	DUE	Dutch TTF Natural Gas (ICIS Heren) Calendar Month Future	Energy - Natural Gas	5	5	15	C*	D*
BD03	GNE	GNE	GNE	German NCG Natural Gas (ICIS Heren) Calendar Month Future	Energy - Natural Gas	5	5	15	C*	D*
BD04	GRE	GRE	GRE	German Gaspool Natural Gas (ICIS Heren) Calendar Month Future	Energy - Natural Gas	5	5	15	C*	D*
BD05	ASE	ASE	ASE	Austrian VTP Natural Gas (ICIS Heren) Calendar Month Future	Energy - Natural Gas	5	5	15	C*	D*
BD06	IPE	IPE	IPE	Italian PSV Natural Gas (ICIS Heren) Calendar Month Future	Energy - Natural Gas	5	5	15	C*	D*
BD07	DPE	DPE	DPE	Italian PSV Natural Gas (ICIS Heren) vs. Dutch TTF Natural Gas (ICIS Heren) Calendar Month Spread Future	Energy - Natural Gas	5	5	15	C*	D*
BD08	GME	GME	GME	German NCG Natural Gas (ICIS Heren) vs. Dutch TTF Natural Gas (ICIS Heren) Calendar Month Spread Future	Energy - Natural Gas	5	5	15	C*	D*
BD09	GGE	GGE	GGE	German Gaspool Natural Gas (ICIS Heren) vs. Dutch TTF Natural Gas (ICIS Heren) Spread Calendar Futures	Energy - Natural Gas	5	5	15	C*	D*
BD10	NVT	NVT	NVT	UK NBP Natural Gas (ICIS Heren) vs. Dutch TTF Natural Gas (ICIS Heren) (Euro per MWh) Calendar Month Spread Future	Energy - Natural Gas	5	5	15	C*	D*
BD11	UKD	UKD	UKD	UK NBP Natural Gas (ICIS Heren) Daily Future	Energy - Natural Gas	5	5	15	C*	D*
BD12	DNG	DNG	DNG	Dutch TTF Natural Gas (ICIS Heren) Daily Future	Energy - Natural Gas	5	5	15	C*	D*
BD13	GRD	GRD	GRD	German NCG Natural Gas (ICIS Heren) Daily Future	Energy - Natural Gas	5	5	15	C*	D*

Contract Module Chapter	Clearing	CME Globex	CME ClearPort	Product Name	Group	Outright Minimum Volume Threshold (lots)	Outright Month Reporting Time (Mins)	Inter/Intra Commodity Reporting Time (Mins)	Intra Commodity Spread Minimum Volume threshold	Inter Commodity Spread Minimum Volume threshold
BD14	GND	GND	GND	German Gaspool Natural Gas (ICIS Heren) Daily Future	Energy - Natural Gas	5	5	15	C*	D*
BE01	NME	NME	NME	UK Natural Gas Calendar Month Future	Energy - Natural Gas	25	5	15	C*	D*
BE02	NDE	NDE	NDE	UK Natural Gas Daily Future	Energy - Natural Gas	5	5	15	C*	D*
BE03	TME	TME	TME	Dutch Natural Gas Calendar Month Futures	Energy - Natural Gas	5	5	15	C*	D*
BE04	TDE	TDE	TDE	Dutch Natural Gas Daily Future	Energy - Natural Gas	5	5	15	C*	D*
BF01	GPB	GPB	GPB	German Power Baseload Calendar Month Future	Energy - Power	5	15	15	C*	D*
BF02	GPP	GPP	GPP	German Power Peakload Calendar Month Future	Energy - Power	5	15	15	C*	D*
BF03	IPB	IPB	IPB	Italian Power Baseload (GME) Calendar Month Future	Energy - Power	5	15	15	C*	D*
BF04	IPP	IPP	IPP	Italian Power Peakload (GME) Calendar Month Future	Energy - Power	5	15	15	C*	D*
BF05	SBP	SBP	SBP	Spanish Power Baseload (OMIP) Calendar Month Future	Energy - Power	5	15	15	C*	D*
BF06	SPP	SPP	SPP	Spanish Power Peakload (OMIP) Calendar Month Future	Energy - Power	5	15	15	C*	D*
BF07	FPB	FPB	FPB	French Power Baseload Calendar Month Future	Energy - Power	5	15	15	C*	D*
BF08	FPP	FPP	FPP	French Power Peakload Calendar Month Future	Energy - Power	5	15	15	C*	D*
BF09	GWB	GWB	GWB	German Power Baseload Weekly Future	Energy - Power (*NEW PRODUCT* - first trade date 25 April 2016)	5	15	15	C*	D*
BF10	GWP	GWP	GWP	German Power Peakload Weekly Future	Energy - Power (*NEW PRODUCT* - first trade date 25 April 2016)	5	15	15	C*	D*
BF11	FWB	FWB	FWB	French Power Baseload Weekly Future	Energy- Power (*NEW PRODUCT* - first trade date 25 April 2016)	5	15	15	C*	D*

Contract Module Chapter	Clearing	CME Globex	CME ClearPort	Product Name	Group	Outright Minimum Volume Threshold (lots)	Outright Month Reporting Time (Mins)	Inter/Intra Commodity Reporting Time (Mins)	Intra Commodity Spread Minimum Volume threshold	Inter Commodity Spread Minimum Volume threshold
BF12	FWP	FWP	FWP	French Power Peakload Weekly Future	Energy – Power (*NEW PRODUCT* – first trade date 25 April 2016)	5	15	15	C*	D*
BG01	EPA	EPA	EPA	European Propane CIF ARA (Argus) Calendar Month Future	Energy - Natural Gas Liquids	2	15	15	C*	D*
BG02	EPB	EPB	EPB	European Propane CIF ARA (Argus) BALMO Future	Energy - Natural Gas Liquids	2	15	15	C*	D*
BG03	MEP	MEP	MEP	Mini European Propane CIF ARA (Argus) Calendar Month Future	Energy - Natural Gas Liquids	5	15	15	C*	D*
BG04	MPO	MPO	MPO	Mini European Propane CIF ARA (Argus) BALMO Future	Energy - Natural Gas Liquids	5	15	15	C*	D*
BG05	ESA	ESA	ESA	Middle East Propane (Saudi Aramco) (Argus) Calendar Month Future	Energy - Natural Gas Liquids	2	15	15	C*	D*
BG06	MSA	MSA	MSA	Mini Middle East Propane (Saudi Aramco) (Argus) Calendar Month Future	Energy - Natural Gas Liquids	5	15	15	C*	D*
BG07	EPF	EPF	EPF	Far East Propane (Argus) Calendar Month Future	Energy - Natural Gas Liquids	2	15	15	C*	D*
BG08	PFB	PFB	PFB	Far East Propane (Argus) BALMO Future	Energy - Natural Gas Liquids	2	15	15	C*	D*
BG09	MPF	MPF	MPF	Mini Far East Propane (Argus) Calendar Month Future	Energy - Natural Gas Liquids	5	15	15	C*	D*
BG10	MAR	MAR	MAR	Mini Far East Propane (Argus) BALMO Future	Energy - Natural Gas Liquids	5	15	15	C*	D*
BG11	EMB	EMB	EMB	Mont Belvieu LDH Propane (OPIS) Calendar Month Future	Energy - Natural Gas Liquids	10	15	15	C*	D*
BG12	E8E	E8E	E8E	Mont Belvieu LDH Propane (OPIS) BALMO Future	Energy - Natural Gas Liquids	10	15	15	C*	D*
BG13	ENW	ENW	ENW	Mont Belvieu Normal Butane (OPIS) Calendar Month Future	Energy - Natural Gas Liquids	10	15	15	C*	D*
BG14	EQE	EQE	EQE	Mont Belvieu Natural Gasoline (OPIS) Calendar Month Future	Energy - Natural Gas Liquids	10	15	15	C*	D*
BG15	EPE	EPE	EPE	Far East Propane (Argus) vs. European Propane CIF ARA (Argus) Spread Future	Energy - Natural Gas Liquids	2	15	15	C*	D*

Contract Module Chapter	Clearing	CME Globex	CME ClearPort	Product Name	Group	Outright Minimum Volume Threshold (lots)	Outright Month Reporting Time (Mins)	Inter/Intra Commodity Reporting Time (Mins)	Intra Commodity Spread Minimum Volume threshold	Inter Commodity Spread Minimum Volume threshold
BG16	PBF	PBF	PBF	Far East Propane (Argus) vs. European Propane CIF ARA (Argus) Spread BALMO Future	Energy - Natural Gas Liquids	2	15	15	C*	D*
BG17	E5E	E5E	E5E	Mont Belvieu LDH Propane (OPIS) vs. European Propane CIF ARA (Argus) Spread Future	Energy - Natural Gas Liquids	2	15	15	C*	D*
BG18	E5F	E5F	E5F	Mont Belvieu LDH Propane (OPIS) vs. European Propane CIF ARA (Argus) Spread BALMO Future	Energy - Natural Gas Liquids	2	15	15	C*	D*
BG19	E5I	E5I	E5I	Mont Belvieu LDH Propane (OPIS) vs. Far East Propane (Argus) Spread Future	Energy - Natural Gas Liquids	2	15	15	C*	D*
BG20	EAN	EAN	EAN	European Propane CIF ARA (Argus) vs. European Naphtha Cargoes CIF NWE (Platts) Spread Future	Energy - Natural Gas Liquids	2	15	15	C*	D*
BG21	EEP	EEP	EEP	European Propane CIF ARA (Argus) vs. European Naphtha Cargoes CIF NWE (Platts) Spread BALMO Future	Energy - Natural Gas Liquids	2	15	15	C*	D*
BG22	EEC	EEC	EEC	Mini European Propane CIF ARA (Argus) vs. European Naphtha Cargoes CIF NWE (Platts) Spread Future	Energy - Natural Gas Liquids	5	15	15	C*	D*
BG23	EEB	EEB	EEB	Mini European Propane CIF ARA (Argus) vs. European Naphtha Cargoes CIF NWE (Platts) Spread BALMO Future	Energy - Natural Gas Liquids	5	15	15	C*	D*
BG24	EBU	EBU	EBU	Mini Far East Butane (Argus) Calendar Month Future	Energy - Natural Gas Liquids	5	15	15	C*	D*
BG25	MBU	MBU	MBU	Mini European Butane CIF ARA (Argus) Calendar Month Future	Energy - Natural Gas Liquids	5	15	15	C*	D*
BG26	MBA	MBA	MBA	Mini Middle East Butane (Saudi Aramco) (Argus) Calendar Month Future	Energy - Natural Gas Liquids	5	15	15	C*	D*
BG27	EOP	EOP	EOP	European Propane CIF ARA (OPIS) Calendar Month Future	Energy - Natural Gas Liquids	2	15	15	C*	D*
BH01	EMA	EMA	EMA	European Union Allowance Future	Energy – Emissions	10	5	15	C*	D*
BH02	EDA	EDA	EDA	European Union Allowance Daily Future	Energy – Emissions	10	5	15	C*	D*
CA01	BOG	BOG	BOG	Soybean Oil (CBOT) vs. European Low Sulphur Gasoil (ICE) Modified Calendar Month Future	Grain and Oil Seed	5	15	15	C*	D*
DA01	CCP	CCP	CCP	Physically Delivered Cocoa Future	Agriculture	50	5	15	A*	B*

Contract Module Chapter	Clearing	CME Globex	CME ClearPort	Product Name	Group	Outright Minimum Volume Threshold (lots)	Outright Month Reporting Time (Mins)	Inter/Intra Commodity Reporting Time (Mins)	Intra Commodity Spread Minimum Volume threshold	Inter Commodity Spread Minimum Volume threshold
DA02				[Reserved]	Agriculture					
DA03	CCC	CCC	CCC	Cocoa Financial Future	Agriculture	50	5	15	A*	B*
DA04	CEY	CEY	CEY	Cocoa Option	Agriculture	50	5	15	A*	B*
DB01	FNE	FNE	FNE	Urea (Granular) FOB US Gulf Future	Agriculture	4	15	15	C*	D*
DB02	FKE	FKE	FKE	Urea (Prilled Bulk) FOB Yuzhny Future	Agriculture	4	15	15	C*	D*
DB03	FEY	FEY	FEY	Urea (Granular) FOB Egypt Future	Agriculture	4	15	15	C*	D*
DB04	FME	FME	FME	Urea (Granular) FOB Middle East Future	Agriculture	4	15	15	C*	D*
DB05	FCE	FCE	FCE	Urea (Prilled) FOB China Future	Agriculture	4	15	15	C*	D*
DB06	FUE	FUE	FUE	UAN FOB NOLA Future	Agriculture	4	15	15	C*	D*
DB07				[Reserved]	Agriculture					
DB08				[Reserved]	Agriculture					

**\* Explanatory Notes**

Code	Minimum Volume Threshold for Block Trades
A*	Volume in Outright Minimum Volume Threshold Column applicable to each individual contract leg
B*	Volume in Outright Minimum Volume Threshold Column applicable to each individual product leg
C*	The sum of volume in all contract legs must meet the Outright Minimum Volume Threshold Column for that product
D*	The sum of volume in all product legs must meet the larger of the Outright Minimum Volume Thresholds for the products traded

This information is correct effective 7 April 2016.

## **Annex 2**

### **List of Products non eligible for transitory EFRP transactions**

*Currently none listed.*

**FORM FBOT—EXHIBIT B**

**Request:**

**Attach, as Exhibit B, the following, separately labeling each description:**

- (1) A description of the categories of membership and participation in the foreign board of trade and the access and trading privileges provided by the foreign board of trade. The description should include any restrictions applicable to members and other participants to which the foreign board of trade intends to grant direct access to its trading system.**
  
- (2) A description of all requirements for each category of membership and participation on the trading system and the manner in which members and other participants are required to demonstrate their compliance with these requirements. The description should include, but not be limited to, the following:**
  - (i) Professional Qualification. A description of the specific professional requirements, qualifications, and/or competencies required of members or other participants and/or their staff and a description of the process by which the foreign board of trade confirms compliance with such requirements.**
  
  - (ii) Authorization, Licensure and Registration. A description of any regulatory and self-regulatory authorization, licensure or registration requirements that the foreign board of trade imposes upon, or enforces against, its members and other participants including, but not limited to, any authorization, licensure or registration requirements imposed by the regulatory regime/authority in the home country jurisdiction(s) of the foreign board of trade. Please also include a description of the process by which the foreign board of trade confirms compliance with such requirements.**
  
  - (iii) Financial Integrity. A description of the following:**
    - (A) The financial resource requirements, standards, guides or thresholds required of members and other participants.**
  
    - (B) The manner in which the foreign board of trade evaluates the financial resources/holdings of its members or participants.**
  
    - (C) The process by which applicants demonstrate compliance with financial requirements for membership or participation including, as applicable:**
      - (i) Working capital and collateral requirements, and**
      - (ii) Risk management mechanisms for members allowing customers to place orders.**

- (iv) **Fit and Proper Standards. A description of how the foreign board of trade ensures that potential members/other participants meet fit and proper standards.**

**Response:**

In general, all information regarding the application process to become a participant of the Exchange can be found in the Membership section, set out in Chapter 3, of the Exchange Rules, located at the following address: <http://www.cmegroup.com/europe/files/cme-europe-rulebook.pdf>.

The Exchange Rules apply to all Members to the extent applicable in terms of whether a Member is a Clearing Member or a Non-Clearing Member and the type of Products being traded. They are designed to be objective, while at the same time recognizing the potential diversity of Members in terms of jurisdiction and regulatory status. Exchange Membership requirements impose obligations only to the extent such requirements further regulatory and self-regulatory requirements and goals of Applicable Law.

**I. A description of the categories of membership and participation in the foreign board of trade and the access and trading privileges provided by the foreign board of trade.**

There are two broad categories of membership and participation on the Exchange: (1) Non Clearing Member, which is a trading only member firm, and (2) Clearing Member, which may trade and clear contracts. Trading Membership brings with it access rights to the Globex Platform, the Exchange's electronic trading facility. Trading Members may trade for their own account or on behalf of Customers. Members, when submitting Orders on behalf of Customers do so as principal in respect to any Transactions or Corresponding Transactions formed on the Exchange.<sup>1</sup>

Chapter 6 of the Exchange Rules and the Exchange Procedures set out the rules Members must follow when submitting Orders to the Globex Platform. Members must also ensure that each Customer on whose behalf the Member submits Orders complies with Chapter 6 of the Exchange Rules.

**II. A description of all requirements for each category of membership and participation on the trading system and the manner in which members and other participants are required to demonstrate their compliance with these requirements.**

Below are the membership criteria and application requirements for both Non-Clearing and Clearing Members as well as a discussion of how the Exchange confirms compliance with these requirements. These requirements address authorization, licensure, and registration;

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<sup>1</sup> Customers are not subject to the Exchange Rules, although under Exchange Rule 3.4.2(b) any Member that submits Orders on behalf of a Customer must satisfy itself that the acts and omissions of its Customers will not prevent it from complying with Exchange Rules and imposes specific prohibitions on its Customers. Although the Exchange does not have contractual rights to enforce such rules against the Customer, it does provide a mechanism for ensuring compliance with the trading rules.

financial integrity; and fit and proper standards. Clearing Members, in addition to the following requirements, must be members of the Clearing House in good standing and be in compliance with Clearing House Rules.

### **Membership Criteria**

To satisfy the Membership Criteria, a person must at all times:

- (a) Be incorporated as a body corporate, partnership or other business organization or entity. Natural Persons may not be a Member (although a natural person may be a Customer, provided they can be categorized as Professional Clients as defined under MIFID);
- (b) Have all necessary authorizations, licenses, approvals or equivalent in respect of each relevant Regulatory Authority;
- (c) Be in good standing and comply with the requirements of each Regulatory Authority which has jurisdiction over the Member;
- (d) Be subject to Applicable Law relating to money laundering and terrorist financing that requires it to undertake due diligence and identity verification measures on Clients;
- (e) Not be subject to an Insolvency Event or an Event of Default or any circumstances pursuant to which either could be declared;
- (f) Have capital of at least the amount set out in the Membership Procedure (this is currently £100,000);
- (g) Be party to a Membership Agreement and such other agreements as required by the Exchange;
- (h) Be a Clearing Member or ensure that a Clearing Member assumes responsibility for any Transactions and Contracts resulting from their activities and the activities of any of their Customers on the Exchange;
- (i) Not have been, or have any senior Representative who has been, convicted of any offence involving fraud, theft, false accounting, offences against the administration of justice, serious tax offences or other dishonesty or an offence relating to companies, insurance, banking, other financial services, consumer credit or consumer protection, money laundering, market abuse or insider dealing, or be, or have any senior Representative (in director position or above) who is under investigation for committing such an offence;
- (j) Nominate a Representative, who is sufficiently senior and familiar with the Exchange Rules and the Member's activities on the Exchange, to be able to deal with any query or issue raised by the Exchange and be responsible for the Member's actions and the representation of the Member before the Exchange and

its Committees;

- (k) Satisfy the Exchange as to its fitness and propriety, financial, operational, technical and risk management capacity and competence and have such personnel, facilities and organizational arrangements to be able to satisfy its obligations under the Exchange Rules;
- (l) Satisfy the Exchange that it has in place adequate systems and controls surrounding the submission of Orders to the Exchange, including any controls required by the Exchange or any Regulatory Authority and systems and controls to ensure that any individuals who submit Orders to the Exchange in its name are fit and proper, suitable, adequately trained and properly supervised to perform such activity;
- (m) Satisfy the Exchange that it has in place adequate written anti-money laundering and anti-corruption, risk management and disaster recovery and business continuity policies and procedures to ensure that it is able to perform its obligations under the Exchange Rules and Applicable Law;
- (n) Be engaged in or demonstrate immediate capacity to engage in the conduct of Transactions;
- (o) Demonstrate that it is in compliance with the Exchange Rules; and
- (p) Satisfy any further requirements of the Exchange.

### **Membership Application**

Applicants must complete a Membership Application Form, demonstrate that they can satisfy the Membership Criteria, and provide various supporting documents. The required supporting documentation includes:

- (a) Certificate of incorporation, memorandum and articles of association or partnership agreement, or other incorporation documents;
- (b) For banks and other applicants that are regulated by a Regulatory Authority for financial services, the certificate or other evidence of its authorization, license, or approval of its primary Regulatory Authority;
- (c) List of directors and other officers of the applicant, including titles, direct telephone and fax numbers and e-mail addresses;
- (d) List of contacts for the applicant;
- (e) Resolution authorizing the person signing the application;
- (f) Organization charts detailing the corporate structure of all significant entities in the applicant's corporate structure;
- (g) The applicant's most recent audited financial statement;

- (h) For regulated applicants, the most recent audited financial statement filed with its primary Regulatory Authority for financial services and for non-regulated applicants, its most recent unaudited financial statements;
- (i) Any documentation required for the Exchange to be able to undertake customer due diligence checks for anti-money laundering purposes; and

(j) Other applicable membership forms, as deemed necessary.

The CME Europe Market Regulation Team (“CEMRT”) is responsible for reviewing applications for membership and requesting any additional information that may be necessary, including:

- (a) conducting appropriate checks;
- (b) assessing whether additional documentation is required from an applicant in order to have sufficient information and documentation to assess an applicant effectively against the Exchange’s eligibility criteria;
- (c) liaising with applicants to obtain any additional information or documentation that are necessary;
- (d) liaising with the Compliance and Legal teams in respect of any issues with an application;
- (e) preparing a report (Applicant Assessment Report) setting out the information that collated in respect of an applicant and the assessment of an applicant against the membership criteria; and
- (f) coordinating the sign-off process between the relevant teams within CME Group who are required to assess and sign-off on an application.

They then prepare a report of findings, and confirm that applicant meets all of the membership requirements. The Exchange’s comprehensive and detailed on-boarding procedure, including the due diligence procedures to meet its anti-money laundering requirements is described in “CME Europe Limited Member On-Boarding Procedure” (Exhibit A-6(3)).

Meanwhile the Chief Regulatory & Surveillance Officer (“CRSO”) undertakes money laundering checks on the applicant. The CRSO delegates the authority to perform AML checks to the CMERT. An applicant that is not accepted will have 10 Business Days from notification of such result to file an appeal to the Board. The Board may have to re-examine its decision if the General Counsel finds that it was arbitrary, capricious or an abuse of discretion. This process is set out in the Application Appeals Procedure.

#### *Professional Qualifications*

Although the Exchange does not set specific professional standards for staff of its Members or their Customers, a Member must satisfy the Exchange as to its fitness and propriety, financial, operational, technical and risk management capacity and competence. A Member must have such personnel, facilities and organizational arrangements to be able to satisfy its obligations under the Exchange Rules. A Member must be engaged or demonstrate immediate capacity to engage in activity on the Exchange.

#### *Authorization, Licensure and Registration.*

As noted above, banks and other applicants that are regulated by a Regulatory Authority for financial services, must provide evidence of their authorization to do business from their primary Regulatory Authority. This is reviewed and verified in the Application process. As discussed in Exhibit F in detail, the U.K. regulatory regime requires that Members that act on behalf of Customers be licensed.<sup>2</sup> In this regard, it should be noted that U.K. futures intermediaries have been granted relief under Commission Rule 30.10 from the requirement to register as a U.S. FCM in connection with carrying accounts for U.S. persons.<sup>3</sup> This relief under Commission Rule 30.10 is based on a finding of comparability between regulation of U.K. futures intermediaries and the regulation of Futures Commission Merchants in the U.S.

### *Financial Integrity*

As described above, Members are required to demonstrate their financial integrity as part of the admission process. Applicants, initially and on a continuing basis, may not be subject to an insolvency event or event of default. Moreover, Members must have minimum capital in the amount of £100,000. A Non-clearing Member must demonstrate that it has in place a clearing agreement with a Clearing House Member that will accept and guarantee trades on behalf of the Non-clearing Member, ensuring that the trades that it enters will be guaranteed by an entity that meets the higher financial requirements which apply to clearing firms. Clearing firms are required to be in good standing as a member of the Clearing House and meet the applicable Clearing House capital requirements. Finally, as noted above, banks and other financial services entities that are regulated must be in good standing with their primary Regulator Authority. This, of course, includes meeting the minimum financial requirements for applied by their regulators in order to maintain licensure/authorization.

In addition, a Member must satisfy the Exchange that it has in place adequate written anti-money laundering, bribery and anti-corruption, risk management and disaster recovery and business continuity policies and procedures to ensure that it is able to perform its obligations under the Exchange Rules and Applicable Law.

The Exchange requires Applicants to demonstrate compliance with the capital requirements by submitting to the Exchange the Applicant's financials. In addition, Applicants must provide evidence of authorization/licensure if applicable. Exchange staff as part of the admission process also reviews the anti-money laundering bribery and anti-corruption, risk management and disaster recovery and business continuity policies and procedures.

### *Ensuring Compliance with Fit and Proper Standards*

As discussed above, Applicants, as applicable, must be in good standing with their Primary Regulator and must have in force all necessary licenses, approvals or authorizations. Moreover, the Applicant must not have been, or have any senior Representative who has been, convicted, or be under investigation for violation, of any offence similar to a statutory disqualification under the Section 8a(2) and 8a(3) of the Commodity Exchange Act. Applicants

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<sup>2</sup> The Exchange can accept members, acting on behalf of customers, that are not licensed if their home member state exempts them from the licensure requirement.

<sup>3</sup> "Foreign Futures and Options Transactions; Order," 68 *Fed. Reg.* 58583 (Oct. 10, 2003).

are required to provide representations to the Exchange of their compliance with this requirement.

During the course of its review of the Member Application, Exchange staff may request further information needed to verify and satisfy the Exchange as to its fitness and propriety, financial, operational, technical and risk management capacity and competence of the Applicant and its personnel.

### **Ensuring Compliance with Requirements**

Pursuant to Clause 2.1 of the Membership Agreement, the Member agrees to comply with the provisions of the Exchange Rules. The Membership Agreement and the Exchange Rules are governed by English Law and the Membership Agreement contains a representation that all the obligations assumed by the Member under the Membership Agreement, the Exchange Rules and each Transaction, Contract and Corresponding Contract it enters into are legal, valid, binding and enforceable obligations.

An Applicant for Membership must not only demonstrate that it can satisfy the Membership Criteria (or Clearing Membership Criteria in the case of a Clearing Member) on application, must continue to satisfy them to remain so. Members must notify the Exchange immediately if they cease to be able, or reasonably believe they might cease to be able, to satisfy the Membership Criteria or the Clearing Membership Criteria as applicable. Failure to comply with any of the Exchange Rules can lead to an Investigation and/or Disciplinary Proceedings, which could result in suspension or termination of the Member. If sufficiently serious, it could also constitute an Event of Default, the occurrence of which would allow the Exchange to suspend or terminate the Member.

## FORM FBOT—EXHIBIT C

### Request:

Attach, as Exhibit C, the following:

- (1) A description of the requirements applicable to membership on the governing board and significant committees of the foreign board of trade.
- (2) A description of the process by which the foreign board of trade ensures that potential governing board and committee members/other participants meet these standards.
- (3) A description of the provisions to minimize and resolve conflicts of interest with respect to membership on the governing board and significant committees of the foreign board of trade.
- (4) A description of the rules with respect to the disclosure of material non-public information obtained as a result of a member's or other participant's performance on the governing board or significant committee.

### Response:

The Exchange is governed by a ten-member Board of Directors, which, under the Articles of Association (*see* Exhibit A-2(4)) and applicable company law, is responsible for its day-to-day running.<sup>1</sup> The organization, balance and composition of the Board has been determined in accordance with good corporate governance practice and in accordance with the FCA's guidance on the suitability of individuals appointed as directors or employees of such bodies.

#### *(1) Requirements applicable to membership on the governing board and significant committees*

In order to become and remain members of the Board and Board committees, individuals have to meet certain requirements including those pertaining to Board composition and general fitness.

#### *Composition of the Board*

In order to provide for the necessary business expertise, minimize conflicts of interest and facilitate a diversity of opinions, the Board includes: (a) independent non-executive directors; (b) non-executive director(s); and (c) executive directors.

#### *Independent Non-Executive Directors*

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<sup>1</sup> Article 9.1 of the Exchange Articles of Association (*see* Exhibit A-2(4)) requires that any decision of the Board is to be either a majority decision at a Board meeting or a unanimous decision taken in accordance with Article 10, i.e., by written resolution.

The Board includes five independent non-executive directors (“INEDs”), Mark Spanbroek; Mark Goodliffe; Simon Raybould; Michael Blair; and Hans-Bernd Menzel. The Board determines whether a director is independent in character and judgment and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director’s judgment, using the following criteria (among others):

- (a) has been an employee of the Exchange or CME Group within the last five years;
- (b) has, or has held within the last three years, a material business relationship with the Exchange, either directly, or as a partner, shareholder, director or other senior employee of a body that has such a relationship with the Exchange;
- (c) has received or receives additional remuneration from the Exchange apart from a director’s fee, participates in the company’s share option or a performance related pay scheme, or is a member of the Exchange’s pension scheme;
- (d) has close family ties with any of the Exchange’s advisers, directors or senior employees;
- (e) holds cross-directorships or has significant links with other directors through involvement in other companies or bodies;
- (f) represents a significant shareholder; or
- (g) has served on the Board for more than nine years from the date of their first election.

INEDs also occupy roles on Board Committees, as discussed further below.

#### *Non-Executive Directors*

The Board also includes one non-executive director (“NED”): James Oliff. The NED is not an employee of the Exchange or of any CME Group company, but is a member of the CME Group Board of Directors and a NED of the Clearing House. Since, under company law, all of the directors owe duties to the company as a whole when acting in their capacity as directors of the Board, these directors are required to act in accordance with the general legal and fiduciary duties of directors under English company law and also in accordance with the Exchange’s internal constitutional and organizational rules, safeguards and procedures, as set out in the Articles of Association of the Exchange and any relevant policies.<sup>4</sup>

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<sup>2</sup> UK Corporate Governance Code 2010.

<sup>3</sup> Please note that as a new Disciplinary Panel will be convened each time one is needed, the same INED will not continually occupy this role. However, the Chairman of each Disciplinary Panel will be an INED.

<sup>4</sup> Including the Exchange’s Conflicts of Interest Policy (see Section 18 of the Compliance Manual (Exhibit A-6(5))).

### *Executive Directors*

The Board also includes four executive directors: Cees Vermaas (CEO of the Exchange), Bryan Durkin, Derek Sammann and Sean Tully. The CEO has responsibility for the day-to-day running of the Exchange. Executive directors, like all directors, are nominated and appointed on the basis of their particular knowledge and experience, with a view to ensuring that the Board as a whole has the competencies and qualifications to carry out its responsibilities as the governing body of the Exchange.

### *Fitness Criteria*

As set out in Article 21 of the Exchange's Articles of Association, the Board has the right to remove directors, subject to the restrictions set out in the Articles of Association and under English company law, for the following reasons (amongst others):

- (a) where the person is found guilty of a criminal offence or is subject to any judgment which in the opinion of the Board adversely affects his fitness and propriety to act as a director of the Exchange;
- (b) where that person is absent for six consecutive Board meetings without permission of the Board;
- (c) where that person's co-directors reasonably resolve that as a result of his continuing as a director of the Exchange, the company's status as a RIE under the FSMA could be materially adversely affected or compromised by his membership of the Board;
- (d) where that person's co-directors reasonably resolve that he is no longer a fit and proper person to act as the director of a RIE under the FSMA; or
- (e) where that person is removed by a shareholder under Article 23.2 of the Articles of Association.

### *Board Committees*

The Board has established the following Board committees: (a) the Risk and Audit Committee; (b) the Disciplinary Panel; (c) the Emergency Committee; (d) the Product Committee; and (e) the Nomination Committee. The members of the Board who serve on the Board committees must meet the same requirements described above for all members of the Board. As described below, however, several of the Board committees have additional requirements.

### *Risk and Audit Committee*

The Risk and Audit Committee is responsible for the following (among other matters):

- (a) Internal risk controls – overseeing of the operational risk framework of the Exchange, including: (1) monitoring and reviewing the effectiveness of the internal audit function in the context of the Exchange’s overall risk management system, and (2) reviewing and approving the statement to be included in the Exchange’s annual report concerning internal controls and risk management;
- (b) Internal audit – overseeing the work of the Exchange’s internal audit function, and by extension the work of CME Group Audit (that is relied upon in part in the internal auditing of the Exchange);
- (c) External audit – overseeing the relationship with the external auditor, including: (1) recommending the appointment and re-appointment of the external auditor, (2) monitoring the selection process for new auditors, (3) reviewing and approving the annual audit plan, and (4) reviewing the findings of the audit with the external auditor;
- (d) Outsourcing-monitoring arrangements for the provision of services to the Exchange and identifying matters which require action or improvement and making recommendations as to the steps to be taken.
- (e) Financial reporting – monitoring of the integrity of the financial statements of the Exchange and any other formal announcement relating to its financial performance, including reviewing and, if necessary, challenging the consistency of, and changes, to accounting policies;
- (f) Whistleblowing – reviewing the Exchange’s arrangements for its employees to raise concerns about possible wrongdoing in financial reporting or other matters and procedures for handling such allegations;
- (g) Ongoing notification – reviewing whether the Exchange has complied with its ongoing notification obligations as an RIE; and
- (h) Conflicts of interest-monitoring and managing conflicts of interest which may arise due to its dual responsibility of monitoring internal risk controls and financial integrity.

The Risk and Audit Committee is composed of two INEDs, one of whom is Chairman of the committee. The Chairman is responsible for reporting formally to the Board on the Risk and Audit Committee’s proceedings after each meeting on all matters within its duties and responsibilities. Requirements relating to authority, composition, quorum, frequency of meetings and other matters are set out in the Terms of Reference of the Risk and Audit Committee – Exhibit A-2(1).

### *Disciplinary Panel*

The Board of Directors nominates the members of a Disciplinary Panel, as it deems appropriate, to oversee a disciplinary proceeding. Each Disciplinary Panel must include any two of the Exchange's independent non-executive directors – one of which serves as Chairman – and

any two Members chosen at random who do not have a conflict of interest in relation to the relevant proceeding.<sup>5</sup>

The Disciplinary Panel plays the primary role in any Disciplinary Proceeding against Members. The Disciplinary Panel is tasked with assessing the significance of a Member's non-compliance with Exchange Rules and determining the appropriate sanction in a Disciplinary Proceeding. The Disciplinary Panel has discretion as to the appropriate sanction in each case. It may take into account factors including whether the breach was deliberate or negligent, the seriousness of the consequences, any impact on Customers and whether the Member has taken action to remedy the breach or prevent a recurrence. The Disciplinary Panel is generally the decision maker on the finding and award of penalties in Disciplinary Proceedings and the Board has delegated that power to it.

#### *Emergency Committee*

The Emergency Committee, which can be convened immediately on the CEO's request, has absolute discretion to determine whether an Event of Default has occurred and, if this is the case, to determine whether to apply the Exchange Default Rules by issuing a Declaration of Default in accordance with Exchange Rules. The committee can also make amendments to the Exchange Rules in an emergency situation. This committee can include up to five members: the CEO, a representative of the senior management of the Exchange nominated by the CEO, two other directors (one of which must be a NED) and a representative of the clearing house. The CEO chooses all the members of this committee.

#### *Product Committee*

The Product Committee assists the Board in overseeing the review of proposed new product launches on the Exchange, and approves these applications before they are submitted to the FCA. Specifically, the Product Committee approves the "Product Paper" which includes:

- (a) the business rationale for listing a new asset class or contract;
- (b) recognition requirements analysis;
- (c) amendments to the rules, procedures and contract specifications to accommodate the Product ;
- (d) financial projections and impact;
- (e) ancillary arrangements such as incentive schemes and block trading proposals; and
- (f) information in relation to significant legislative or regulatory issues impacting the proposal.

In order to carry out its duties, the committee is authorized to call any member of the Senior Management Team, or Product Team, to be questioned regarding a proposed product; seek applicable information from any employee on the Exchange; or obtain outside legal or professional on matters relevant to its duties. The committee must be composed of two independent directors (one of whom shall serve as Chairman) and at least one executive director. The Terms of Reference for the Product Committee is attached at Exhibit A-2(2).

### *Nomination Committee*

The Nomination Committee is responsible for identifying appropriate people to work at the Exchange's Board level and is responsible for the appointment and reappointment of members to the Board.

The Committee's responsibilities include keeping review on a continuous and proactive basis of:

- (a) the Exchange's operations and development in line with planned strategy to ensure Board composition complements the Exchange's strategic developments;
- (b) any changes in the surrounding business environment that may impact the Exchange's strategic development and subsequently the required composition of the Board;
- (c) the structure, size, composition and balance of the Board;
- (d) the Board's effectiveness in providing the appropriate support and challenge in its review of the Exchange's operations;
- (e) the Board effectiveness in leadership and in delivering strategy; and
- (f) the succession planning for the Board.

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<sup>5</sup> In accordance with Exchange Rule 8.4.3, each Member must, at any time, provide a suitable Representative to serve on the Disciplinary Panel should the Exchange so request.

***(2) Process by which the Exchange ensures that potential governing board and committee members/other participants meet its standards***

The Exchange has in place detailed arrangements and procedures to ensure that it only appoints individuals as directors (and other staff) who are honest and demonstrate high standards of integrity. For instance, the Exchange checks, as part of the recruitment process, that any potential employees or directors are fit and proper to perform the relevant role on criteria based substantially on the FCA's procedures contained within the APER and FIT sourcebooks.

The Exchange also utilizes the CME Group's internal pre-employment screening procedure which sets out procedures which should be followed before any prospective employee, **contractor/consultant** or director may be: (a) interviewed for a vacant position; or (b) offered a vacant position within a group company. These screening procedures include background and suitability checks which are carried out on candidates after the point an offer is made. Therefore, any offer made to a prospective candidate is conditioned upon a satisfactory report from the employee pre-screening process. In the event of receipt of any adverse information in relation to any prospective candidate, arising as a result of the employee pre-screening procedure, the Exchange may decide not to proceed with the appointment. For example, any instance of financial malfeasance or instances of dishonesty identified by the screening process would be an indication that a candidate was not suitable for a position within the Exchange.<sup>6</sup>

The Board also continues to monitor its directors' compliance with the composition and fitness requirements, including through the conflicts of interest policies described below.

***(3) Provisions to minimize and resolve conflicts of interest***

The Board as a whole, and in particular the INEDs, plays an important role in monitoring conflicts of interest at the Board level.

***Relevant laws***

The Exchange holds directors to the duties designated under English law principles of equity and common law, including the duty to: (a) exercise skill and care; (b) act in good faith in the best interests of the company; (c) act within the powers conferred by the company's Memorandum and Articles of Association and to exercise powers for proper purposes; (d) not to fetter discretion; (e) avoid conflicting interests and conflicting duties; and (f) not to make a secret profit. In accordance with English law, the Exchange makes no distinction between duties owed by executive and non-executive directors.

Moreover, the Exchange holds directors to the requirements of the Companies Act 2006 ("CA 2006"), which contains duties applicable to executive and non-executive directors that largely replace the common law duties set out above. For instance, section 176 of the CA 2006, mandates that directors must not accept any benefit (including a bribe) from a third party which is conferred because of his being a director or his doing or not doing anything as a director.

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<sup>6</sup> This decision will be made by the Exchange with input from CME Group human resources and other staff as necessary.

Also, under section 177, directors must declare to other directors the nature and extent of any interest, direct or indirect, in a proposed transaction or arrangement with the company.<sup>7</sup>

***Internal Procedures***

In keeping with the laws described above, the Exchange has established several policies and procedures to detect and mitigate potential conflicts of interest.

*Conflicts of Interest Policy for Directors (and other Employees) / Role of the CRSO*

Directors (and other staff) are obliged at all times to comply with the Exchange’s Conflicts of Interest Policy which sets out the need for prompt disclosure of a conflict of interest to the CRSO. The Chief of Regulation and Surveillance Officer (“CRSO”) is responsible for dealing with the conflict and setting out procedures by which the conflict is managed; liaising, as appropriate, with the Legal Department and the CEO. Additionally, the CRSO assesses each such conflict on a case-by-case basis and put into place appropriate controls to ensure that, where necessary, conflicted directors are excluded from the decision making process and from receiving information in relation to which the conflict would be relevant.

When escalating conflicts of interest, the policy dictates that employees and directors should contact the CRSO, in relation to the conflict, in the first instance, including the following information: (a) name, position and role; (b) names of the parties involved or potentially involved; and (c) the type of conflict and how the employee obtained this information. The CRSO reports conflicts to the Board either in person or through a Board member as they arise, alerting the Board to any potential or actual problems raised by the conflict situation(s).<sup>8</sup>

*Internal Procedures for Addressing Potential Conflicts of Interest of Directors*

Additionally, the table below reflects the Exchange’s assessment of potential conflicts of interest that may arise among directors and indicates the mitigating actions the Exchange or the Board would take to manage such conflicts and reduce the risks they may pose:

<b><u>Person/Entity</u></b>	<b><u>Possible conflicts of interest</u></b>	<b><u>Mitigating action taken by the Exchange</u></b>
Key individuals e.g., Senior Management Team and	Key Individuals may also hold roles and responsibilities at other companies/organizations,	The Exchange’s Articles of Association set out restrictions on and

<sup>7</sup> According to this provision, the director need not be a party to the transaction for the duty to apply; an interest of another person in a contract with the company may require the director to make a disclosure under this duty, if the other person’s interest amounts to a direct or indirect interest on the part of the director. The declaration must be made before the company enters into the transaction or arrangement.

<sup>8</sup> The Exchange keeps full records of any conflicts of interest including any actions taken surrounding them. The CRSO, in conjunction with the Company Secretary, is responsible for maintaining such records, identifying conflicts and ensuring compliance by the Board and employees of the Exchange with the Conflicts of Interest Policy.

<p>directors of the Exchange</p>	<p>including other CME Group companies. The duties which the key individuals owe to the Exchange may conflict with those owed to other companies/organizations. For example where a director of the Exchange is also a director of a company providing services to the Exchange under the outsourcing arrangements.</p>	<p>procedures for dealing with conflicts of interest at Board level, for example, by setting out circumstances in which a director is required to disclose to the Board his or her interest in a transaction or matter. In practice, where a director is conflicted they may not participate in the relevant decisions of the Board.</p> <p>The number and type of directors on the Board are such as to ensure that in the event of a number of directors being conflicted and potentially unable to vote on certain matters the relevant Board meeting will still be quorate in respect of that matter and the Board members voting will have sufficient competence and expertise to discharge its decision making functions. The Board will allocate responsibility for decisions so that it can continue to take proper decisions notwithstanding any conflicts of interest.</p> <p>Article 16.7 prevents a director from voting on or agreeing to a proposal relating to his own appointment or employment by the Exchange.</p> <p>All directors are subject to the duties in the CA 2006.</p>
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Directors of the Exchange	<p>Directors and employees may use information gained as a result of their duties at the Exchange to influence their own trading decisions.</p> <p>Directors and employees could undertake a personal account transactions using confidential information relating to Transactions executed on the Exchange or to the Members.</p> <p>Directors and employees may misuse data related to Members held at the Exchange.</p> <p>Directors and employees may be influenced in the exercise of their duties by gifts and entertainment by external bodies e.g. services providers.</p> <p>Directors and employees may seek to hold positions, such as directorships, outside of the Exchange.</p> <p>Directors and employees or someone connected to them may have a financial interest in another business, e.g. they may own a significant stake in a company that competes with or does business with the Exchange.</p>	<p>All directors and employees are subject to the Conflicts of Interest Policy.</p> <p>All directors and employees will be subject to the Personal Account Dealing Policy.</p> <p>All directors and employees will be subject to the Confidentiality Policy.</p> <p>All directors and employees will be subject to the Gifts and Entertainment Policy.</p> <p>The standard Exchange employment contract (which applies to employees) requires employees to obtain written consent from the Exchange to be directly or indirectly employed by, concerned with or provide services to another business or organization. It also requires employees to disclose full details of any existing or potential conflicts, including those concerning their immediate relatives.</p>
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Each director is responsible for identifying and declaring his or her own conflicts of interest in accordance with applicable law and policy, as described above. The Company Secretary assists in managing conflicts at the Board level and maintains registers of directors' interests, which any potential or actual conflicts declared. Also, no person may sit on a Disciplinary Panel who: (a) is a Member who is subject to the matter being heard by the panel or related proceedings; (b) has a personal or financial interest in the matter; or (c) has been involved in any investigation or previous Disciplinary Panel regarding the same matter.

### *Internal Procedures regarding INEDs and NEDs*

The INEDs are independent of the Exchange and CME Group, however the INEDs may have other interests outside their obligations to the Exchange. When acting as directors of the Exchange, the INEDs are subject to the same requirements in relation to conflicts of interest as the other directors.

The NED has roles and responsibilities outside of the Exchange, in particular with other CME Group entities. This is a potential source of conflicts of interest, where, for example, the Board is required to make a decision in which the interests of the Exchange may conflict with the interests of other CME Group entities. As noted above, when acting in his capacity as a director of the Exchange, the NED is obliged to act in accordance with the Articles of Association, the provisions of CA 2006 and the Conflicts of Interest Policy.

### *Board Committees*

The Board committees also have individual conflicts of interest policies.

#### *Risk and Audit Committee*

The Terms of Reference of the Risk and Audit Committee require that the committee monitor and manage, with input from the Senior Management Team, conflicts of interest that may arise as a result of: (a) its dual responsibilities for monitoring internal risk controls and financial integrity; and (b) interaction between the operations of the internal Audit Department and the Risk Function. The Terms of Reference also stipulate that if a conflict of interest does arise, the must Committee immediately report the conflict to the Board.

#### *Disciplinary Panel*

The Terms of Reference of the Disciplinary Panel have several provisions to prevent and detect conflicts of interest. First, the following cannot sit on the Disciplinary Panel: (a) Members subject to the disciplinary proceedings to be heard by a Disciplinary Panel, or any other related disciplinary proceedings, nor any of their Affiliates, Representatives or Customers; (b) any person with a personal or financial interest in the disciplinary matter at issue; or (c) anyone who has been involved in any investigation into, or previous Disciplinary Panel hearing on, the matter under consideration. Second, the Member alleged to have committed the breach, which the Disciplinary Panel is reviewing, may object to any particular appointment to the Disciplinary Panel. Such objection will be determined by the Chairman of the Disciplinary Panel (in the event that the objection is in relation to the chairman of the Disciplinary Panel, the Chairman of the Board of the Exchange). And last, if a member of a panel acquires a personal or financial interest in the outcome of a matter, the Chairman of the Panel (or Chairman of the Exchange if the Chairman of the Panel has the interest) can: (a) direct the panel to act absent the affected member; (b) appoint another person to take the affected member's place; or (c) convene a new panel to re-hear the matter. The Terms of Reference of the Disciplinary Panel are attached as Exhibit A-2(3).

#### *The Emergency and Product Committee*

The Product and Emergency Committees are obligated to monitor and manage conflicts of interest, with input from the Senior Management Team, and report all conflicts that may arise to the Board.

*Nomination Committee*

The Nomination Committee is obligated to monitor and manage conflicts of interest.

***(4) Rules regarding disclosure of material non-public information***

The Exchange has systems and controls in place to ensure that confidential information is only used for proper purposes. The Exchange also relies on monitoring and contractual requirements to ensure directors (and employees) keep confidential any information relating to the Exchange, its Members and its business.

First, Exchange directors enter into a Confidentiality, Non-Competition and Non-Solicitation Agreement, which obliges them to keep confidential information received during the course of their employment confidential.

Further, in regard to NEDs, it is required that they neither – during the term of their appointment nor at any other time after the cessation of their appointment – directly or indirectly use or disclose to any person, company, business entity or other organization any confidential information relating or belonging to the Exchange or CME Group companies, including:

- (a) information relating to any customer;
- (b) business plans or dealing information;
- (c) employee or officer information;
- (d) financial information and plans; or
- (e) any information which has been given to the Exchange or any CME Group company in confidence by any customer, supplier, or other person.

The Exchange also complies with the statutory provisions related to the disclosure of confidential information under the FSMA and under the Financial Services and Markets Act 2000 (Disclosure of Confidential Information) Regulations 2001.

## FORM FBOT—EXHIBIT F

### Request:

With respect to each relevant regulatory regime or authority governing the foreign board of trade, attach, as EXHIBIT F, the following (including, where appropriate, an indication as to whether the applicable regulatory regime is dependent on the home country's classification of the product being traded on the foreign board of trade as a future, option, swap, or otherwise, and a description of any difference between the applicable regulatory regime for each product classification type):

(1) A description of the regulatory regime/authority's structure, resources, staff, and scope of authority; the regulatory regime/authority's authorizing statutes, including the source of its authority to supervise the foreign board of trade; the rules and policy statements issued by the regulator with respect to the authorization and continuing oversight of markets, electronic trading systems, and clearing organizations; and the financial protections afforded customer funds.

(2) A description of and, where applicable, copies of the laws, rules, regulations and policies applicable to:

(i) The authorization, licensure or registration of the foreign board of trade.

(ii) The regulatory regime/authority's program for the ongoing supervision and oversight of the foreign board of trade and the enforcement of its trading rules.

(iii) The financial resource requirements applicable to the authorization, licensure or registration of the foreign board of trade and the continued operations thereof.

(iv) The extent to which the IOSCO Principles are used or applied by the regulatory regime/authority in its supervision and oversight of the foreign board of trade or are incorporated into its rules and regulations and the extent to which the regulatory regime/authority reviews the applicable trading systems for compliance therewith.

(v) The extent to which the regulatory regime/authority reviews and/or approves the trading rules of the foreign board of trade prior to their implementation.

(vi) The extent to which the regulatory regime/authority reviews and/or approves futures, option or swap contracts prior to their being listed for trading.

(vii) The regulatory regime/authority's approach to the detection and deterrence of abusive trading practices, market manipulation, and other unfair trading practices or disruptions of the market.

(3) A description of the laws, rules, regulations and policies that govern the authorization and ongoing supervision and oversight of market intermediaries who may

**deal with members and other participants located in the United States participants, including:**

**(i) Recordkeeping requirements.**

**(ii) The protection of customer funds.**

**(iii) Procedures for dealing with the failure of a market intermediary in order to minimize damage and loss to investors and to contain systemic risk.**

**(4) A description of the regulatory regime/authority's inspection, investigation and surveillance powers; and the program pursuant to which the regulatory regime/authority uses those powers to inspect, investigate, and enforce rules applicable to the foreign board of trade.**

**(5) For both the foreign board of trade and the clearing organization (unless addressed in Supplement S-1), a report confirming that the foreign board of trade and clearing organization are in regulatory good standing, which report should be prepared subsequent to consulting with the regulatory regime/authority governing the activities of the foreign board of trade and any associated clearing organization. The report should include:**

**(i) Confirmation of regulatory status (including proper authorization, licensure and registration) of the foreign board of trade and clearing organization.**

**(ii) Any recent oversight reports generated by the regulatory regime/authority that are, in the judgment of the regulatory regime/authority, relevant to the foreign board of trade's status as a registered foreign board of trade.**

**(iii) Disclosure of any significant regulatory concerns, inquiries or investigations by the regulatory regime/authority, including any concerns, inquiries or investigations with regard to the foreign board of trade's arrangements to monitor trading by members or other participants located in the United States or the adequacy of the risk management controls of the trading or of the clearing system.**

**(iv) A description of any investigations (formal or informal) or disciplinary actions initiated by the regulatory regime/authority or any other self-regulatory, regulatory or governmental entity against the foreign board of trade, the clearing organization or any of their respective senior officers during the past year.**

**(6) For both the foreign board of trade and the clearing organization (unless addressed in Supplement S-1), a confirmation that the regulatory regime/authority governing the activities of the foreign board of trade and the clearing organization agree to cooperate with a Commission staff visit subsequent to submission of the application on an "as needed basis," the objectives of which will be to, among other things, familiarize Commission staff with supervisory staff of the regulatory regime/authority; discuss the laws, rules and regulations that formed the basis of the application and any changes thereto; discuss the**

**cooperation and coordination between the authorities, including, without limitation, information sharing arrangements; and discuss issues of concern as they may develop from time to time (for example, linked contracts or unusual trading that may be of concern to Commission surveillance staff).**

**Response:**

## **Introduction**

The Exchange is subject to a comprehensive regulatory framework which in material respects is comparable to that administered by the Commission. The regulatory framework that applies to U.K. futures exchanges includes provisions designed to protect the integrity of the markets, providing for market licensure, oversight of exchanges by the regulatory authority, customer protections, including statutory prohibitions on fraud, abuse, and abusive sales practices, other conduct of business standards, and the regulatory protection of customer funds and property.

As in the U.S., there has been significant revision of the U.K. regulatory framework in response to the recent financial crisis. However, also as in the U.S., the broad outline of market regulation remains unchanged. Accordingly, much of the U.K. regulatory scheme that applies to markets organized and operating in the U.K. with which the Commission is familiar from past no-action letters to U.K. FBOTs or from the 30.10 relief issued to U.K. intermediaries, remains in place.

*(1) A description of the regulatory regime/authority's structure, resources, staff, and scope of authority; the regulatory regime/authority's authorizing statutes, including the source of its authority to supervise the foreign board of trade; the rules and policy statements issued by the regulator with respect to the authorization and continuing oversight of markets, electronic trading systems, and clearing organizations; and the financial protections afforded customer funds.*

### *Regulatory structure*

In the U.K., the ultimate authority for financial services legislation rests with the Parliament. Parliament holds the regulatory authorities to account for performance of their functions. Broad economic policy lies with Her Majesty's Treasury and the Chancellor of the Exchequer, who is responsible for the regulatory framework. The U.K. regulatory system, as modified by the Financial Services Act 2012, vests in the Bank of England the responsibility to protect and enhance the stability of the U.K. financial system. The Bank of England authorizes and oversees clearing houses under this authority.

The Financial Policy Committee was formed within the Bank of England to identify and monitor system risks and to take action to remove or reduce such risks through direction to two new regulatory authorities, the Prudential Regulatory Authority ("PRA") (a subsidiary of the Bank of England) and the Financial Conduct Authority ("FCA"). These authorities are the successors to the former Financial Services Authority ("FSA").

The FSA was a quasi-judicial body responsible for the regulation of the financial services industry in the United Kingdom between 2001 and 2013. Its board was appointed by the Treasury, although it operated independently of government. It was structured as a company limited by guarantee and was funded entirely by fees charged to the financial services industry.

The PRA, one of the successors to the FSA, is a limited company wholly owned by the Bank of England. It is responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms. It sets standards and supervises financial institutions at the level of the individual firm. The FCA is also a successor to the FSA. It is responsible for regulating the conduct of investment business and for providing investor protection, and is the regulator of the Exchange.

### *FCA*

The FCA is one of the successor authorities to the FSA, and is the regulatory authority of the Exchange (Clearing House regulation is discussed in Supplement S-1). The FCA is an independent regulator that is self-funding through fees paid by the regulated entities. The FCA is organized as a company limited by guarantee and is governed by a Board appointed by the Treasury.

The Board is composed of ten members, including a Chairman and a Chief Executive. The majority of the Board members are non-executive. The Board is responsible for setting FCA priorities and policy and holding the organization accountable in its operations. The Board's Executive Committee (and not the Board itself) is responsible for day-to-day operations.

The staff are overseen by a Chief Executive. Staff are organized into the following units:

- Supervision – retail and authorisations
- Supervision – investment, wholesale & specialists
- Strategy and competition
- Enforcement and market oversight
- Markets policy and international
- Risk and compliance oversight
- General Counsel
- Internal audit
- Operations

The FCA employs at least 2,500 staff.

The mission of the FCA has been devolved from its predecessor agency, the FSA. However, in restructuring the regulatory framework after the financial crises, the Treasury intended that the FCA be more focused in its mission. In addition, the Treasury in a consultation paper leading to the restructuring, suggested that the FCA should take a “more proactive approach to conduct regulation, with a clear focus on consumer outcomes.”<sup>1</sup> The intention is that the FCA has wide discretion over the interpretation of its objectives and that it seek to ensure high standards of conduct across the financial services industry.

The Financial Services and Markets Act 2000 (“FSMA”), as amended (including those amendments introduced by the Financial Services Act 2012 and resulting subordinate legislation) regulate the carrying on of regulated activities in the UK. In particular, the FSMA (Regulated Activities) Order 2001, as amended (“RAO”), defines the scope of financial services regulation by listing the activities which, when carried on in relation to specified investments, constitute regulated activities. These regulated activities include, among other things, dealing in investments as principal or agent, arranging deals, establishing or operating a collective investment scheme, and giving investment advice. The RAO also stipulates a number of exclusions from regulation for various circumstances.

Carrying out a regulated activity in the UK is prohibited unless the entity is “authorized” by the FCA or there is an applicable exemption or exclusion. The Exchange is recognised by the FCA to conduct business as a Recognized Investment Exchange (“RIE”). In addition, members need to confirm that they comply with all applicable regulations. All those conducting investment activities on an RIE, such as the Exchange, are subject to the rules and trading procedures of the RIE.

### *Regulation of RIEs*

RIEs are exempted persons for the purposes of FSMA and do not require authorization for their activities with respect to the operation of their markets. In order to be recognized and subsequently to maintain the status of RIE, an exchange must satisfy the FCA on an ongoing basis that it meets all the requirements of FSMA and subordinate regulations, including Parts I and II to the FSMA (Recognition Requirements for Investment Exchanges and Clearing Houses) Regulations 2001 (“RRRs”) and the Specialist Sourcebook of the FCA Handbook which applies to recognition and ongoing regulation of RIE’s (“REC”).<sup>2</sup>

Recognition requires an exchange to ensure that business conducted by means of its facilities is conducted in an orderly manner and so as to afford proper protection to investors. Furthermore, the exchange is required to have in place adequate systems and controls concerning, in particular, the transmission of information, the assessment and management of risks to the performance of the exchange’s functions and the effecting and monitoring of on-exchange transactions. The exchange is also required to provide clearing and settlement of on-

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<sup>1</sup> A New Approach to Financial Regulation: the Blueprint for Reform, Cm 8083 (June 2011).

<sup>2</sup> The FCA Handbook is available at <http://fshandbook.info/FS/html/FCA>

exchange transactions, either directly or through the use of a third-party that is a Recognized Clearing House ("RCH") or third country CCP (or has been approved by the FCA/Bank of England). The recognition requirements set out in Part II of the RRRs require RIEs to have default rules to deal with the default of one or more of their members.

RIEs are subject to oversight by the FCA. The FCA is responsible for ensuring that RIEs comply, on an ongoing basis, with the recognition requirements discussed above. The FCA meets this responsibility in a number of ways. The central element of the FCA's oversight is an ongoing assessment of whether an RIE's rules, procedures and practices are adequate for the protection of investors and the maintenance of an orderly market. RIEs are required by FSMA to report changes to their rules and procedures to the FCA. In practice, the Exchange notifies the FCA of significant changes to its rules or procedures before they are implemented. Accordingly, FSMA makes RIEs accountable for their actions to the FCA and the FCA is able to exercise the power of direction over an RIE. Although there is no legal provision requiring RIEs to seek FCA approval for changes to their rules or for introducing new contracts, as a practical matter, RIEs, including the Exchange, consult with the FCA regarding the introduction of new products and trading mechanisms as part of FCA's supervisory relationship with the exchanges that it supervises. Under §293 of the FSMA, the FCA must be notified of changes to rules without delay and it can: (a) issue directions under §295, or (b) revoke recognition under §296 if it disagrees with the change that has been made. Thus, each Product that the Exchange proposes to launch on the RIE goes through a no objection process in order to avoid the FCA objecting to the launch of a contract and thereby prevent its trading. The FCA carries out an annual risk assessment of RIEs to identify regulatory risks. The FCA expects to address these findings and mitigate risks that have been identified.

#### *Regulation of Exchange Members*

Trading on the Exchange generally constitutes carrying on a regulated activity. Accordingly, most UK-based members of the Exchange, including those that trade on behalf of customers, are subject to FCA's rules. Authorized persons must satisfy various requirements initially and on a continual basis thereafter, including a "fit and proper" and a financial resource requirement, which varies depending upon the type of institution. The FCA may evaluate a number of factors, including the applicant's integrity, honesty, competence, and financial soundness in determining whether an applicant is fit to trade on the Exchange.

The FCA has also established Principles for Business ("Principles"), which are conduct standards expected of all UK-regulated firms. These cover integrity, skill, care and diligence, internal management and controls, financial resources, market conduct, customers' interests, communications with clients, conflicts of interest, clients' assets and relationship with regulators. The FCA has detailed conduct of business rules, which apply to FCA-authorized firms, including rules relating to: (1) the handling and recording of customer complaints; (2) the responsibility of a firm for its employees and agents; (3) solicitation, advertising and publishing, including detailed restrictions on cold-calling; (4) risk and product information disclosure; (5) contents of customer agreements, including provisions for discretionary accounts; (6) "know your customer" and suitability of investment products for private customers; (7) disclosure of material interests; and (8) disclosure of charges and other remuneration. The FCA has disciplinary authority to address violations of these requirements.

## Self-regulatory requirements

An RIE is required to monitor compliance with and enforce its rules. It must carry out surveillance of its markets for market abuse and orderly trading. In addition, it must monitor for compliance with its rules by its members and of their fulfillment of their settlement obligations.

***(2) A description of and, where applicable, copies of the laws, rules, regulations and policies applicable to:***

***(i) The authorization, licensure or registration of the foreign board of trade.***

As discussed above, FSMA requires that exchanges in traded derivatives be recognized.

***(ii) The regulatory regime/authority's program for the ongoing supervision and oversight of the foreign board of trade and the enforcement of its trading rules.***

As provided under REC 4 of the FCA Handbook, the FCA exercises continuing supervisory oversight authority to ensure that RIEs remain in compliance with the recognition requirements. The FCA use a risk-based approach to allocating its supervisory resources, paying particular regard to the special position of recognized entities.

The FCA supervises recognized entities expecting to have a cooperative and constructive relationship with them and to exercise a broad perspective over the recognized entity's activities and compliance with the recognition requirements. Under its supervisory authority, the FCA conducts periodic meetings between the Markets Division and key exchange personnel. The frequency of these meetings varies depending upon the risk profile of the recognized body. In addition, the recognized entities are required under section 293 of FSMA and as expounded upon in REC 3, to notify FCA in a variety of circumstances.

In this regard, the FCA has authority under section 293A of FSMA to require a UK recognised body to give such information as FCA reasonably requires to satisfy itself that the UK recognised body is complying with any directly applicable EU regulation made under the EU Markets in Financial Instruments Directive ("MiFID"). As a recognized body alters its business, the manner in which it satisfies the recognition requirements is likely to change as well. FCA expects a UK recognised body to ensure that it will continue to satisfy the requirements when considering changes to its business or operations. FCA expects that UK recognised bodies will keep the FCA informed of all significant developments and to provide FCA with appropriate assurance that the requirements will continue to be satisfied.

Under section 296 of FSMA, the FCA has authority to give directions to a recognised body to take specified steps in order to secure compliance with the recognition requirements. In the case of a UK RIE the FCA would issue such direction if it considers that:

(1) there has been, or was likely to be, a failure to satisfy one or more of the recognised body requirements which has serious consequences;

(2) compliance with the direction would ensure that one or more of the recognised body requirements is satisfied; and

(3) the recognised body is capable of complying with the direction.<sup>3</sup>

***(iii) The financial resource requirements applicable to the authorization, licensure or registration of the foreign board of trade and the continued operations thereof.***

The financial resource requirement is set forth in REC 2.3. REC 2.3.1 sets forth the general requirement as follows:

(1) The UK RIE must have financial resources sufficient for the proper performance of its relevant functions as a UK RIE.

(2) In considering whether this requirement is satisfied, the FCA may . . . take into account all the circumstances, including the UK RIE's connection with any person, and any activity carried on by the UK RIE, whether or not it is an exempt activity.

This standard is supplemented with detailed guidance found in REC 2.3.3. This guidance lists seven factors that the FCA takes into consideration with respect to determining that an RIE has adequate financial resources. These include, other risks to which the RIE is exposed, whether it acts as a guarantor, the amount of liquid assets, other financial resources, exposures from other persons and the nature and extent of transactions on the RIE.

***(iv) The extent to which the IOSCO Principles are used or applied by the regulatory regime/authority in its supervision and oversight of the foreign board of trade or are incorporated into its rules and regulations and the extent to which the regulatory regime/authority reviews the applicable trading systems for compliance therewith.***

As the Commission previously recognized, the Securities Investment Board (“SIB”), a predecessor agency of the FCA, endorsed the IOSCO Principles. These Principles have been embedded in U.K. regulatory practice since that time.

Most recently, the European Securities Market Authority (“ESMA”) has adopted trading guidelines (<http://www.esma.europa.eu/da/node/55706>). The trading guidelines adopted by ESMA address the issues covered by the IOSCO Principles. ESMA Guidelines are binding on the FCA (per Art. 16(3) of EU Regulation 1095/2010) unless the FCA notes and explains its non-compliance. That the FSA (the predecessor to the FCA) published these guidelines on its website demonstrated that the FCA will comply with these guidelines (available at: <http://www.fsa.gov.uk/static/pubs/other/esma-guidelines.pdf>). These guidelines provide for regulatory protections related to screen based trading systems.

***(v) The extent to which the regulatory regime/authority reviews and/or approves the trading rules of the foreign board of trade prior to their implementation.***

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<sup>3</sup> See, REC 4.6.3

***All changes to the rules need to be sent to the FCA – and the initial rulebook is part of the application for recognition process.***

***(vi) The extent to which the regulatory regime/authority reviews and/or approves futures, option or swap contracts prior to their being listed for trading.***

As noted above, the FCA conducts prior review of rule changes and new products as a matter of the exercise of its general supervisory oversight. RIEs are encouraged to, and do, file material amendments to their business or operational rules and new products before making them effective.

New products need to be approved and compliance with recognition requirements need to be demonstrated.

Also as noted above, the FCA exercises an objection regime over new products. Specifically, under section 313A of FSMA, the FCA may require a UK RIE to suspend or remove a financial instrument from trading in order to protect the interests of investors or the orderly functioning of the financial markets. A formal procedure for suspending or removing a financial instrument from trading is provided for under FSMA, including review of the matter by a Tribunal. This authority, combined with its supervisory authorities is sufficient to achieve prior consultation by the RIEs in respect of material rule changes and the introduction of new products.

***(vii) The regulatory regime/authority's approach to the detection and deterrence of abusive trading practices, market manipulation, and other unfair trading practices or disruptions of the market.***

As mentioned above, a condition of recognition is that the RIE ensures that appropriate measures (including the monitoring of transactions effected on the RIE) are adopted to reduce the extent to which the RIE's facilities can be used for a purpose connected with market abuse or financial crime and to facilitate their detection and monitor their incidence.<sup>4</sup> In meeting this requirement, RIEs are expected to have market regulation departments to monitor the market. Monitoring is required to be able to detect patterns of suspicious behavior as well as to detect possible instances of market abuse or financial crime. RIEs are required to communicate suspicious activity to regulatory or criminal authorities and to cooperate with all relevant bodies in the prevention, investigation and pursuit of market abuse and financial crime.

Market abuse is prohibited. Certain types of behaviour, such as insider dealing and market manipulation, can amount to market abuse. Types of conduct constituting market abuse are set out in section 118 of the Financial Services and Markets Act 2000 and in the Market Abuse Directive. The Code of Market Conduct (contained within the FCA Handbook under the Market Conduct Regulations) prohibits certain actions, including insider dealing, misuse of information, manipulative and market distorting activities.

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<sup>4</sup> See BEC 2.10  
CFD#18007618-V2

The FCA has authority to take action against such violations of the market abuse regime. It is authorized to fine, suspend, prohibit, order injunctions, bring criminal prosecutions or take other action to prevent market abuse. The FCA has additional authority to make a public announcement when it begins disciplinary action against a firm or individual and to publish details of warning notices. In addition, the FCA works closely with law enforcement agencies to combat financial crime.

**(3) A description of the laws, rules, regulations and policies that govern the authorization and ongoing supervision and oversight of market intermediaries who may deal with members and other participants located in the United States, including:**

Market intermediaries located in the U.K. are subject to a Commission Rule 30.10 Order.<sup>5</sup> In that Order, the Commission exempts U.K. Intermediaries from registration as an FCM in their intermediation of futures and option contracts on U.K. futures exchanges. The first 30.10 Order applicable to U.K. intermediaries was issued in 1989, and has been updated to reflect changes to the U.K. regulatory framework since that time. The current, extended version of the U.K. 30.10 Order was issued in 2003. As the Commission notes, the revised 30.10 Order was issued in light of the changes to the U.K. regulatory system engendered by passage of FSMA:

*On December 1, 2001, pursuant to the Financial Services and Markets Act 2000 (“2000 Act”), the Financial Services Authority (“FSA”), as the successor organization to SIB, assumed its role as the single U.K. regulator directly responsible for the regulation of investment business, including the offer and sale of commodity futures and options. Prior to the enactment of the 2000 Act, the responsibility for supervising commodity futures markets and intermediaries rested with FSA and certain SROs, including the SFA and IMRO. Pursuant to the 1986 Financial Services Act (“FSAct”), FSA regulated the U.K. financial markets and established general standards for investor protection. The SROs conferred the status of authorization for intermediaries and promulgated general fitness standards, financial requirements, sales practice rules and rules designed to ensure the integrity of the market. With the enactment of the 2000 Act, the responsibility for each of these tasks has been assumed by FSA as the single supervisory authority, the U.K. SROs have been wound up, and the members of these now-defunct organizations are deemed to have been authorized by FSA. In addition, the FSA Handbook replaces all prior rules and regulations regarding firm conduct and operations.<sup>6</sup>*

The 30.10 Order is based on the Commission’s finding that the U.K. regulatory system under FSMA can be substituted for compliance with various provisions of the Commodity Exchange Act and exempts U.K. Intermediaries from a number of Commission rules subject to specified conditions.<sup>7</sup>

**(i) Recordkeeping requirements.**

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<sup>5</sup> See “Foreign Futures and Options Transactions,” 68 Fed. Reg. 58583 (October 10, 2003).

<sup>6</sup> 66 Fed. Reg. at 58584.

<sup>7</sup> Id. at 58585.

As previously found by the Commission, U.K. regulatory scheme under FSMA provides for:

*(4) Recordkeeping and reporting requirements pertaining to financial and trade information including, without limitation, order tickets, trade confirmations, monthly customer account statements, customers' segregation records, accounting records for customer and proprietary trades.*<sup>8</sup>

At the time of the Commission's Order (10 October 2003) the provisions relating to client assets were contained in the Handbook at COB 9. These provisions have since been substantially revised and now appear in a dedicated chapter of the Handbook called CASS. Compliance with, and developments to, the CASS rules are overseen by a dedicated team at the FCA.

**(ii) The protection of customer funds.**

In addition, the Commission has found that the U.K. under the FSA (now the FCA) has:

*(3) A system for the protection of assets of appropriate customers that is designed to preclude the use of such customer assets to satisfy house obligations and requires separate accounting for such assets, augmented by a compensation scheme designed to compensate customers whose assets are segregated and who have suffered a loss as a result of fraud and/or insolvency of a firm.*<sup>9</sup>

These requirements were not amended by the FSA and are in effect the same as in 2003 when the Commission's Order was issued.

**(iii) Procedures for dealing with the failure of a market intermediary in order to minimize damage and loss to investors and to contain systemic risk.**

The U.K. framework includes specific provisions addressing default of a market intermediary. REC 2.17 deals exclusively with various default scenarios. Specifically, REC 2.17.2 requires a U.K. RIE to have default rules which provide for the procedure that it will use in addressing a default. It provides that the default rules must provide as follows:

(a) for all rights and liabilities of the defaulter under or in respect of unsettled market contracts to be discharged and for there to be paid by or to the defaulter such sum of money (if any) as may be determined in accordance with the default rules;

(b) for the sums so payable by or to the defaulter in respect of different contracts entered into by the defaulter in one capacity for the purposes of section 187 of the Companies Act [1989] to be aggregated or set off so as to produce a net sum;

(bb) if relevant, for that sum to be aggregated with, or set off against, any sum owed by or to the investment exchange by or to a recognized clearing house or another recognized

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<sup>8</sup> Id. at 58586

<sup>9</sup> Id.

investment exchange of whom a Participant Member is a member under an indemnity given or reimbursement or similar obligation in respect of a margin set off agreement in which the defaulter chose to participate so as to produce a net sum;

(c) for the net sum referred to in (2)(b) or, if relevant, the net sum referred to in (2)(bb)

(i) if payable by the defaulter to the exchange, to be set off against

(aa) any property provided by or on behalf of the defaulter as cover for margin (or the proceeds of realisation of such property);

(bb) to the extent (if any) that any sum remains after set off under (aa), any default fund contribution provided by the defaulter remaining after any application of such contribution;

(ii) to the extent (if any) that any sum remains after set off under (i), to be paid from such other funds, including the default fund, or resources as the exchange may apply under its default rules;

(iii) if payable by the exchange to the defaulter, to be aggregated with

(aa) any property provided by or on behalf of the defaulter as cover for margin (or the proceeds of realisation of such property);

(bb) any default fund contribution provided by the defaulter remaining after any application of such contribution; and

(d) for the certification by or on behalf of the UK RIE of the sum finally payable or, as the case may be, of the fact that no sum is payable.

**(4) A description of the regulatory regime/authority's inspection, investigation and surveillance powers; and the program pursuant to which the regulatory regime/authority uses those powers to inspect, investigate, and enforce rules applicable to the foreign board of trade.**

Please see discussion above of the FCA's inspection, investigation and surveillance powers.

**(5) For both the foreign board of trade and the clearing organization (unless addressed in Supplement S-1), a report confirming that the foreign board of trade and clearing organization are in regulatory good standing, which report should be prepared subsequent to consulting with the regulatory regime/authority governing the activities of the foreign board of trade and any associated clearing organization. The report should include:**

**(i) Confirmation of regulatory status (including proper authorization, licensure and registration) of the foreign board of trade and clearing organization.**

**(ii) Any recent oversight reports generated by the regulatory regime/authority that are, in the judgment of the regulatory regime/authority, relevant to the foreign board of trade's status as a registered foreign board of trade.**

**(iii) Disclosure of any significant regulatory concerns, inquiries or investigations by the regulatory regime/authority, including any concerns, inquiries or investigations with regard to the foreign board of trade's arrangements to monitor trading by members or other participants located in the United States or the adequacy of the risk management controls of the trading or of the clearing system.**

**(iv) A description of any investigations (formal or informal) or disciplinary actions initiated by the regulatory regime/authority or any other self-regulatory, regulatory or governmental entity against the foreign board of trade, the clearing organization or any of their respective senior officers during the past year.**

A report has been requested of the FCA.

**(6) For both the foreign board of trade and the clearing organization (unless addressed in Supplement S-1), a confirmation that the regulatory regime/authority governing the activities of the foreign board of trade and the clearing organization agree to cooperate with a Commission staff visit subsequent to submission of the application on an "as needed basis," the objectives of which will be to, among other things, familiarize Commission staff with supervisory staff of the regulatory regime/authority; discuss the laws, rules and regulations that formed the basis of the application and any changes thereto; discuss the cooperation and coordination between the authorities, including, without limitation, information sharing arrangements; and discuss issues of concern as they may develop from time to time (for example, linked contracts or unusual trading that may be of concern to Commission surveillance staff).**

The Exchange confirms that it will cooperate with any on-site visit by the Commission as has been coordinated with its home country regulator, the FCA.

## FORM FBOT—EXHIBIT G-1

### Request:

**Attach, as Exhibit G-1, a description of the foreign board of trade’s regulatory or compliance department, including its size, experience level, competencies, duties and responsibilities.**

### Response:

The staff dedicated to ensure the Exchange’s compliance with applicable laws and prevent market abuse are:

- (a) The Chief Regulatory & Surveillance Officer (“CRSO”);
- (b) The CME Europe Market Regulation Team (“MREG”).

A description of each appears below:

### **I. Chief Regulatory & Surveillance Officer**

The CRSO, Paul Richardson, is responsible for ensuring compliance with the Exchange’s regulatory responsibilities. Mr. Richardson is an experienced market professional with previous experience in the field of compliance, including serving as a technical specialist for the Financial Services Authority for over a decade.

The CRSO’s responsibilities include:

- (a) Overseeing the market regulation and compliance function of the Exchange;
- (b) Setting (and approving all decisions regarding) the parameters for all market monitoring programs;
- (c) Determining, in conjunction with CME Europe’s senior management team, if and when to halt or suspend trading;
- (d) Deciding whether to initiate a disciplinary process;
- (e) Keeping a record of any decisions and actions taken in relation to information escalated to the CRSO from the MREG (described below), including (i) any actions taken, or (ii) if no action is taken, the rationale; -
- (f) Reviewing ongoing surveillance reports about Exchange trading activity and alerts identifying potentially suspicious behaviour arising from monitoring; and
- (g) Communicating with Regulatory Authorities, including, when appropriate, making suspicious activity reports as well as providing details of ongoing investigations and disciplinary actions.<sup>2</sup>

### **II. The CME Market Regulation Team (MREG)**

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<sup>2</sup> To minimize conflicts of interests, the CRSO reports directly to the CEO (with a dotted line report to the Risk and Audit Committee), and is independent of, and has separate reporting lines from, the commercial and marketing

functions of the Exchange.

The CRSO is assisted by the Exchange's Market Regulation Team ("MREG"), which is comprised of three members. The MREG team has two functions: (a) Compliance and (b) Market Regulation.

#### **A. Compliance function**

The Compliance function is responsible for identifying and managing regulatory risk in relation to the operations and business of the Exchange, on a day-to-day basis. Those duties include:

- (a) Monitoring and assessing the Exchange's compliance with its RIE requirements, including making an annual risk assessment;
- (b) Investigating and pursuing inquiries from the FCA and other regulatory bodies;
- (c) Coordinating the disciplinary and complaints processes;
- (d) Undertaking member visits as part of an ongoing member review programme;
- (e) Coordinating the onboarding of new members, including carrying out due diligence checks;
- (f) Making a regulatory assessment of new Exchange contracts as part of the product approval process and reviewing new product submissions made to the FCA;
- (g) Advising market participants regarding market regulation and compliance matters;
- (h) Maintaining a record of any activity on the Exchange that MREG considers potentially worthy of escalation to the CRSO, including: the rationale for not escalating specific activity, as well as the outcome of CRSO oversight of surveillance reports;
- (i) Reviewing EU and UK regulatory developments to ensure that Exchange rules reflect regulatory requirements,
- (j) Advising the Legal Department on amendments required to Exchange Rules and Procedures in the light of regulatory change and developments in market practices;
- (k) Developing and maintaining departmental procedures to implement consistent practices as well as providing evidence to internal and external review of an appropriate level of systems and controls;  
Providing the Exchange's Board and its sub committees with appropriate management information on a regular basis.

As noted above, the MREG team works with the Legal Department, in relation to maintaining the Exchange's Rules & Procedures. Responsibilities in relation to this include:

- (a) Ensuring the Board is notified of any proposed amendments to the Exchange Rules for the Board's consideration, in particular where consultation is required;
- (b) Reviewing and analyzing all responses received from the Board to any consultation, and considering whether it would be appropriate to proceed with an Exchange Rule change and, if so, whether to make any modifications to it;
- (c) If the Board's responses to a consultation indicate that the proposed rule must be amended, making such amendments (and obtaining legal advice in relation to them, where necessary);
- (d) Submitting the final draft of any proposed amendments to the Exchange Rules to the Board for final approval.

## **B. Market Regulation function**

The Market Regulation function monitors market activity on the Exchange in order to detect possible instances of market abuse or breaches of Exchange or other regulatory requirements. Its duties include the following:

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<sup>3</sup> As noted above, the CRSO is responsible for maintaining related records.

- (a) Aiding the CRSO in addressing specific transaction related enquiries from regulators;
- (b) Monitoring for market abuse using CME Group surveillance applications, in particular the SMART, Large Trader and RAPID systems;
- (c) Monitoring the activity of participants in Exchange incentive schemes to ensure they meet Exchange and regulatory requirements;
- (d) Maintaining records of surveillance activity and reports made to the CRSO, including additional investigations made as a result of escalation to the CRSO and the outcome of investigations;
- (e) Contacting market participants in connection with trade activity to provide guidance on Exchange rules;
- (f) Liaising with CME Group market regulation staff as required, including participating in weekly calls with designated contacts and other regular meetings to ensure that changes required to meet UK regulations are reflected in CME Group systems development planning;
- (g)
- (h) Participating in training from CME Group on the market monitoring applications as these are developed;
- (i) Providing training to CME Group staff as required about the UK market abuse and financial crime regimes; and
- (a) Maintaining ongoing product knowledge

A comprehensive description of MREG's surveillance systems to detect market abuse, including data collected on market activity, appears in Exhibit G-4.

### **III. CME Group. Market Regulation Department**

Systems and investigations assistance to the Exchange is provided under the Globex Services Agreement (Exhibit A-3(2)) and the Market Regulation Service Level Document (Exhibit A-3(3)). The Exchange uses three of CME Group's in-house proprietary applications to monitor the market and detect possible instances of market abuse: SMART, Large Trader and RAPID, on a T+1 basis. In addition to the market regulation monitoring systems, the Globex Command Centre provides a number of alerts to MREG in relation to the real time monitoring of orderly trading conditions on the Exchange. A comprehensive description of the surveillance programme, including the routine reports and alerts that the MRD utilizes on a daily basis to monitor market activity for abusive behavior, appears in Exhibit G-4.

CME Group is itself a Designated Contract Market, established in the U.S., and is also a Recognised Overseas Investment Exchange in the UK. As one of the world's largest derivatives exchanges, CME Group has sufficient resources to provide the services which are being outsourced by the Exchange. Most of the services are performed alongside those performed for CME Group itself. This outsourcing arrangement is monitored on a day to day basis by the CEO for CME Europe and by MREG. Regular operational reports are received on the provision of services. The Exchange's Board, however, has ultimate oversight over the services provided by CME Group.

## FORM FBOT—EXHIBIT G-2

### Request:

Attach, as Exhibit G-2, the following:

A description of the foreign board of trade's trade practice rules, including but not limited to rules that address the following –

- (1) Capacity of the foreign board of trade to detect, investigate, and sanction persons who violate foreign board of trade rules.
- (2) Prohibition of fraud and abuse, as well as abusive trading practices including, but not limited to, wash sales and trading ahead, and other market abuses.
- (3) A trade surveillance system appropriate to the foreign board of trade and capable of detecting and investigating potential trade practice violations.
- (4) An audit trail that captures and retains sufficient order and trade-related data to allow the compliance staff to detect trading and market abuses and to reconstruct all transactions within a reasonable period of time.
- (5) Appropriate resources to conduct real-time supervision of trading.
- (6) Sufficient compliance staff and resources, including those outsourced or delegated to third parties, to fulfill regulatory responsibilities.
- (7) Rules that authorize compliance staff to obtain, from market participants, information and cooperation necessary to conduct effective rule enforcement and investigations.
- (8) Staff investigations and investigation reports demonstrating that the compliance staff investigates suspected rule violations and prepares reports of their finding and recommendations.
- (9) Rules determining access requirements with respect to the persons that may trade on the foreign board of trade, and the means by which they connect to it.
- (10) The requirement that market participants submit to the foreign board of trade's jurisdiction as a condition of access to the market.

### Response:

The Exchange Rules contain many provisions that empower the Exchange to detect and address potential manipulation and other forms of market abuse. The Exchange reviews the Exchange Rules at least annually to ensure that the Exchange Rules remain up to date and to consider whether they need to incorporate any changes or new developments in the legal or regulatory framework or the way in which the Exchange operates.

- (1) Capacity of the foreign board of trade to detect, investigate, and sanction persons who violate foreign board of trade rules.

The Exchange Rules provide the Exchange with several means to detect, investigate and sanction persons who violate its rules. First, as described in Exhibit G-3, Chapter 8 of the rulebook has comprehensive rules pertaining to the disciplinary process, including surveillance, investigations, and sanctions. Second, in addition to those rules, the Exchange Rules enable the Exchange to suspend or terminate trading of Members or their customers in order to prevent or halt violative behavior. As described in Exhibit G-3, the Exchange's Rules allow the Disciplinary Panel, to suspend

a Member or deny a Member access to the Exchange and/or the Globex Platform if it finds such Member has breached the Exchange Rules and/or Applicable Law.<sup>1</sup>

Third, under Exchange Rule 3.4.3., if the Exchange suspects that a Customer is conducting trading activities in violation of the Exchange Rules or in a manner that otherwise threatens the integrity or liquidity of any product traded on the Exchange, the Exchange can request that the Customer submit to the disciplinary processes under Chapter 8. If a Customer refuses to cooperate with the Exchange's request (or to address other violative conduct), the Exchange has the power to order the Clearing Member to promptly suspend or terminate the Customer's or a Non-Clearing Member's access to the Globex Platform.<sup>2</sup> If a Clearing Member does not suspend or terminate a Non-Clearing Member's or a Customer's access to the Globex Platform in a reasonable time frame, the Exchange or the CME Group's Global Command Centre ("GCC"), in the case of a system issue, and in response to instruction from the Exchange, may take such action as is required to immediately suspend or terminate the Non-Clearing Member's or Customer's access to the Exchange or Globex.<sup>3</sup>

Fourth, under its Emergency Actions authority, the Chief Executive Officer ("CEO"), Chief Regulatory and Surveillance Officer ("CRSO"), or one of their delegates, can take emergency action if it appears that a Member or any other person has failed to perform any obligations it may have under any Transactions, Contracts or Back-Off Transactions or the Member or such person is in such financial or operational condition or is conducting business in such a manner that the Member or such person cannot be permitted to continue in business without jeopardizing the safety of Members or the Exchange<sup>4</sup>

Under its emergency action authority, the CEO, CRSO, or their delegates can take a range of measures, including

- (a) terminate trading;
- (b) limit or deny access to the Exchange or the Globex Platform;
- (c) limit trading to liquidation of Transactions, Contracts or Back-Off Transactions only;
- (d) impose or modify position limits and/or order liquidation of all or a portion of a Member's or Customer's account;
- (e) order liquidation of positions as to which the holder is unable or unwilling to make or take delivery;
- (f) confine trading to a specific price range;
- (g) modify price limits;
- (h) modify the Trading Sessions;
- (i) modify conditions of delivery;
- (j) establish the Settlement Price and/or the final settlement price of any Transactions, Contracts or Back-Off Transactions;
- (k) amend any Contract Specifications; or
- (l) order any other action to address or relieve the emergency.<sup>5</sup>

And last, the Exchange may also impose position limits,<sup>6</sup> or require that position accountability reports, in which Members must provide information relating to their positions.<sup>7</sup>

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<sup>1</sup> Exchange Rule 8.4.14.

<sup>2</sup> Exchange Rule 3.8.1.

<sup>3</sup> Exchange Rule 3.8.2.

<sup>4</sup> Exchange Rule 3.13(1) (d).

<sup>5</sup> Exchange Rule 3.13.2. The Exchange shall notify the FCA of any actions taken pursuant to Exchange Rule 3.13.3.

<sup>6</sup> Exchange Rule 6.16.

Violation of the position limits or position accountability levels can result in the Exchange reducing the Member's positions.<sup>8</sup> Thus, the Exchange has a number of rules that allow and provide it with the capacity to monitor and address potential violative conduct by its Members and/or their customers.

**(2) Prohibition of fraud and abuse, as well as abusive trading practices including, but not limited to, wash sales and trading ahead, and other market abuses.**

The Exchange Rules prohibit the use of the Exchange's facilities for abusive or improper purposes and prohibits market abuse, insider dealing, market manipulation, money laundering, fraud or a breach of any similar Applicable Law. For instance, per Exchange Rule 3.11.1, a Member is prohibited from engaging in the following behaviors:

- (a) breaching any Applicable Law or requirements of a Regulatory Authority or any of the Exchange Rules;
- (b) engaging in any behavior which amounts to market abuse, insider dealing, market manipulation, money laundering, bribery or corruption, fraud or which is in breach of any similar Applicable Law and, which in the reasonable opinion of the Exchange, would be likely to have a material adverse effect on the Member's suitability as a Member;
- (c) engaging in any other practice which the Exchange reasonably considers to be capable of impairing the integrity of the Exchange;
- (d) taking any action which is likely to bring the Exchange or any of the Members into disrepute or otherwise damage the reputation of the Exchange;
- (e) using any of the facilities provided by the Exchange in contravention of the Exchange Rules or other than for the purpose of conducting its business as a Member; or
- (f) failing to supervise properly its representatives and customers and their representatives in their use of the Exchange.<sup>9</sup>

Similarly, Exchange Rule 6.11 prohibits Members from engaging in a number of abusive trade practices including:

- (a) Reporting or publication of false information about Orders or Transactions;
- (b) Transactions or Back-Off Transactions in which a party is improperly indemnified against losses;
- (c) Orders and Transactions which create a false appearance of trading activity or are intended to do so as further detailed in Exchange Rule 6.12 and the Trading Procedure;
- (d) Cross trades executed otherwise than in accordance with Exchange Rule 6.13;
- (e) Prearranging or pre-negotiating a Transaction made or intended to be made on the Exchange, except a Transaction made or to be made under Exchange Rule 6.10 or Exchange Rule 6.15;
- (f) Knowingly (or having reason to know) entering into a Transaction or Back-Off Transaction in an attempt to conceal a potential or actual trading abuse by the Member or another person;
- (g) Entering into a Transaction or Back-Off Transaction which the Member or the other party does not intend to close out or settle;
- (h) Assigning a Transaction or Back-Off Transaction due to a Customer to another account;

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<sup>7</sup> Exchange Rule 6.17 Information can include, but is not limited to, the nature and size of the position, the trading strategy employed with respect to the position, and hedging information, if applicable. Exchange Rule 6.17.2.

<sup>8</sup> Exchange Rule 6.17.4.

<sup>9</sup> Exchange Rule 3.11.1(f).

- (i) Executing one or more Transactions for the purpose of effecting a monetary transfer between accounts in a concealed manner without creating or eliminating open interest or for no legitimate purpose;
- (j) Engaging in disorderly trading;<sup>10</sup> and
- (k) Engaging in wash trades.<sup>11</sup>

Exchange Rules 3.11 and 6.11, thus prohibit the full range of market manipulation and other forms of market abuse. And, as noted in Exhibit G-4, the Exchange has the controls and systems in place to enforce these rules.<sup>12</sup>

**(3) A trade surveillance system appropriate to the foreign board of trade and capable of detecting and investigating potential trade practice violations and appropriate resources to conduct real-time supervision of trading.**

Under the Exchange rules, Members are required to ensure that they have adequate systems and controls to appropriately monitor the submission of orders to the Exchange, including controls required to ensure that those who submit orders on the exchange are adequately supervised.<sup>13</sup> Exchange Rule 3.6 also requires that Members that provide direct market access to the Exchange have the capacity to monitor orders sent to the exchange, namely Members:

- (a) Are held accountable for any Orders submitted via Direct Market Access; all such orders will be deemed to have been submitted by the Member providing the service as principal and the Exchange may take disciplinary action, in accordance with Chapter 8, against a Member for failure to ensure that the provision of the Direct Market Access complies with the Exchange rules.
- (b) Must have systems and controls in place, including pre-trade and post-trade controls, to ensure the provision of Direct Market Access does not cause the Member to breach any Exchange Rule, lead to disorderly trading or facilitate conduct that may involve market abuse;
- (c) Must satisfy themselves that any Customer to which they provide Direct Market Access is permitted to access Direct Market Access services from that Member and has the relevant level of fitness and propriety, financial, operational, technical and risk management capacity and competence to submit Orders via Direct Market Access.<sup>14</sup>

**(4) An audit trail that captures and retains sufficient order and trade-related data to allow the compliance staff to detect trading and market abuses and to reconstruct all transactions within a reasonable period of time.**

Exchange Rule 6.21.5 requires that Clearing Members maintain an order routing/frontend audit trail for all electronic orders, including order entry, modification, cancellation and responses to such messages, entered into the Globex Platform through the CME iLink gateway. Members are responsible for maintaining audit trail records for five years and making them available to the Exchange upon request.<sup>15</sup> The Exchange rules further specify the elements that must be recorded in the audit trail.<sup>16</sup>

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<sup>10</sup> Exchange Rule 6.11.2(j)

<sup>11</sup> Exchange Rule 6.12.

<sup>12</sup> Relevant rules also appear in the Compliance Manual (Exhibit A-6(5) – see section 20 for the money laundering, insider dealing, market abuse and suspicious transaction reporting policies, section 30 for the fraud policy and section 38 for the bribery and corruption policy) and the Anti-Money Laundering Manual (Exhibit A-6(6)) set out guidance on these areas for Exchange employees.

<sup>13</sup> Exchange Rule 3.2.1(k).

<sup>14</sup> Exchange Rule 3.6.3.

<sup>15</sup> Exchange Rule 6.21.6.

<sup>16</sup> These include order entry, including Transaction date, Product, Exchange code, Contract Month, quantity, Order type, Order qualifier, price buy/sell indicator, stop/trigger price, Order number, unique Transaction number, account number, session ID, User ID, host order number, trader Order number, Clearing Member, type of action, action status code, Customer type indicator, origin and timestamps.

As described in Exhibit G-4, the Exchange employs RAPID, an efficient and effective system to create an audit trail database of all orders submitted to the Globex Platform.

**(5) Appropriate resources to conduct real-time supervision of trading.**

As described above, Exchange Rules 3.2.1(k) and 3.6.3 require Members to have adequate systems to monitor orders entered by themselves and those to whom they provide direct market access. Furthermore, as noted in Exhibit G-4, the Exchange utilizes three of the CME Group's in-house proprietary applications to monitor the market and detect possible instances of market abuse: SMART, Large Trader and RAPID, on a T+1 basis.

**(6) Sufficient compliance staff and resources, including those outsourced or delegated to third parties, to fulfill regulatory responsibilities.**

As noted in Exhibit G-1, the Exchange maintains sufficient compliance staff and resources to fulfill its regulatory responsibilities. Compliance is handled by the: (a) The Chief Regulatory and Surveillance Officer ("CRSO"); (b) The CME Europe Market Regulation Team ("MREG"); additional support is available from CME Group's Market Regulation Department in accordance with outsourcing agreements between CME Group and the Exchange.

The MREG team is responsible for monitoring and overseeing the use of the Exchange's facilities, assisted by the GCC in London and Chicago, which will refer certain information to MREG under the Globex Services Agreement. All cases of potential misuse of the facilities and non-compliance with the Exchange Rules regarding use of the Exchange's facilities are reported to the CRSO.

**(7) Rules that authorize compliance staff to obtain, from market participants, information and cooperation necessary to conduct effective rule enforcement and investigations.**

The Exchange has several rules that allow the compliance staff to obtain the information necessary to conduct effective rule enforcement. First, under Exchange Rule 3.9, Members are required to notify the Exchange immediately and in writing of potential breaches to the Exchange's rules including if:

- (a) The Member ceases to be able to satisfy any of the Membership Criteria and, if applicable, the Clearing Membership Criteria, or reasonably believes it may cease to do so;
- (b) There are any material changes made to the information previously provided to the Exchange;
- (c) The Member is notified that a Regulatory Authority will investigate any of its affairs or those of any of its Parent Undertakings or Guarantors which is material in terms of the overall size of its group or take disciplinary or other formal action against it or a Parent Undertaking or Guarantor or the Member has reason to believe that a Regulatory Authority is considering the same; and
- (d) Anything else relating to the Member of which the Exchange would reasonably expect notice.<sup>17</sup>

Second, the Exchange has a right to audit its Members at any time. And, at such audits, Members are required to:

- (a) Provide such information, books and records as the Exchange may reasonably request; and
- (b) Cooperate with the Exchange in the same way as set out in Exchange Rule 8.2.2 for such purposes save that the Member shall not be required to permit access without notice to its business premises.<sup>18</sup>

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<sup>17</sup> Exchange Rule 3.9.1.

<sup>18</sup> Exchange Rule 3.10.1.

Third, each Member is required to enter into an Exchange Membership Agreement with the Exchange, which binds the Member to the Exchange Rules. Fourth, the Exchange Rules require Members to cooperate fully with any investigation, provide information requested by the Exchange and permit the Exchange to interview their representatives regarding any Exchange Complaints and investigations. Specifically, Members are obliged under Exchange Rule 8.2.2 to cooperate fully with all investigations (whether or not such Member or person is the direct subject of such investigation). In particular, Members must:

- (a) Provide to the Exchange such information in whatsoever form as the Exchange may reasonably request, within the time period specified;
- (b) Permit representatives of the Exchange access, with or without notice, during business hours to any of the Member's business premises in order to carry out the Investigation;
- (c) Make its representatives readily available for meetings with the representatives of the Exchange conducting the Investigation, and use its best endeavours to procure that such persons answer truthfully, fully and promptly, all questions that are put to them;
- (d) Produce and give the representatives of the Exchange conducting the Investigation reasonable access to documents, records, files, tapes, computer systems and any other pertinent information which are within the Member's possession or control and provide any facilities which such representatives may reasonably request; and
- (e) Print information in the Member's possession or control which is held on computer or otherwise convert it into a readily legible document or any other record that may be reasonably requested by the representatives of the Exchange conducting the Investigation.<sup>19</sup>

Fourth, Exchange Rule 2.5.2 requires Members to agree to permit the Exchange to disclose information it receives from the Member where required to do so by any regulatory authority or pursuant to the Applicable Law. Fifth, Exchange Rule 8.1.3 allows the Exchange to provide details to a Regulatory Authority about any Complaint, matter or concern which it considers requires investigation and about any outcome of an Investigation or Disciplinary Proceeding. And last, under Exchange Rule 3.4.2(c), Members must also require that each of their Customers cooperates with the Exchange in the event of action being taken against the Member in the same way as described above save that the Customers are not required to permit access to their business premises.

**(8) Staff investigations and investigation reports demonstrating that the compliance staff investigates suspected rule violations and prepares reports of their finding and recommendations.**

Rules regarding staff investigations and investigations reports are thoroughly described in Exhibit G-3. The MREG team's procedures set out the process for reviewing suspicious transactions or unusual behaviour, recording the findings and escalating these if necessary. This also includes the investigation of complaints made about the conduct of persons in the course of using the Exchange's facilities. The MREG team

**(9) Rules determining access requirements with respect to the persons that may trade on the foreign board of trade, and the means by which they connect to it.**

As noted in Exhibit B, the Exchange has comprehensive rules regarding the criteria that persons must meet in order to be Members of the Exchange.<sup>20</sup> In addition to those rules, and as noted above, the Exchange rules specify requirements for Members who provide direct market access to the Exchange.<sup>21</sup> And last, the Exchange (Chief Executive Officer or the Chief Regulatory and Surveillance Officer of the Exchange or any of their delegates) is also able to deny Members or

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<sup>19</sup> Exchange Rule 8.2.2.

<sup>20</sup> Exchange Rule 3.2.

<sup>21</sup> Exchange Rule 3.6.2.

customers access to the Exchange at any time if they determine that immediate action is required to protect the best interests of the Exchange.<sup>22</sup>

**(10) The requirement that market participants submit to the foreign board of trade's jurisdiction as a condition of access to the market.**

As noted above, Exchange Rule 8.2.2, requires that Members cooperate with any Exchange investigation, including by supplying documents, providing access to its premises, and make its representatives available for interview. Also, under Clause 2.1 of the Membership Agreement, the Member agrees to comply with the provisions of the Exchange Rules. Further, the Exchange has jurisdiction over all Members and their employees and agents throughout the duration of their Membership. Additionally, the Membership Agreement contains a representation that all the obligations assumed by the Member in the Membership Agreement, the Exchange Rules and each Transaction, Contract and Corresponding Contract it enters into are legal, valid, binding and enforceable obligations (Clause 4.1.6).

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<sup>22</sup> Exchange Rule 3.12.1. Members are able to request that the matter be referred to a Disciplinary Panel for review.

## FORM FBOT—EXHIBIT G-3

### Request:

Attach, as Exhibit G-3, the following:

A description of the foreign board of trade's disciplinary rules, including but not limited to, rules that address the following –

- (1) **Disciplinary authority and procedures that empower staff to recommend and prosecute disciplinary actions for suspected rule violations and that provide the authority to fine, suspend, or expel any market participant pursuant to fair and clear standards.**
- (2) **The issuance of warning letters and/or summary fines for specified rule violations.**
- (3) **The review of investigation reports by a disciplinary panel or other authority for issuance of charges or instructions to investigate further, or findings that an insufficient basis exists to issue charges.**
- (4) **Disciplinary committees of the foreign board of trade that take disciplinary action via formal disciplinary processes.**
- (5) **Whether and how the foreign board of trade articulates its rationale for disciplinary decisions.**
- (6) **The sanctions for particular violations and a discussion of the adequacy of sanctions with respect to the violations committed and their effectiveness as a deterrent to future violations.**

### Response:

- (1) **Disciplinary authority and procedures that empower staff to recommend and prosecute disciplinary actions for suspected rule violations and that provide the authority to fine, suspend, or expel any market participant, pursuant to fair and clear standards.**
- (2)

Generally, the Exchange's investigation and disciplinary powers and processes are set out in Chapter 8 of the Exchange Rules. The Exchange's disciplinary procedure has two stages— Investigations and Disciplinary Proceedings. The powers available to the Exchange at the conclusion of each stage differs. A thorough description of the process the Exchange utilizes once it receives a complaint is in the Complaints Procedure Flow Chart (*see* Exhibit A-6(4)).

The assessment of any non-compliance with the Exchange Rules by Members and Customers is the responsibility of the CME Europe Market Regulation Team ("MREG").

The Chief Regulatory & Surveillance Officer ("CRSO") decides whether to conduct an Investigation or Disciplinary Proceedings as described in Exchange Rules 8.2.1 and 8.4.1

following investigation by the MREG Team. CME Group may provide additional information under the Market Regulation Service Level Document where appropriate, for example by checking details of the Member's historic activities through its databases.

Pursuant to Exchange Rule 8.2.2, members are obliged to cooperate fully with all investigations (whether or not such Member or person is the direct subject of such investigation). Members are required to provide to the Exchange such information as the Exchange may reasonably request and to permit the Exchange access, with or without notice, during business hours to any of the Member's business premises. Members are also required to make their representatives readily available for meetings with the Exchange and to provide the Exchange with access to documents records, files, tapes, computer systems and other pertinent information which are within the Member's possession or control.<sup>2/</sup>

The CRSO and the MREG carry out an investigation and make recommendations to the Disciplinary Panel about what action to take. The disciplinary powers which the Exchange may exercise at this investigative stage are limited to those provided in Exchange Rule 8.3.1., and enable the Exchange to:

- conclude that no further action should be taken;
- issue a private written warning to the Member;
- carry out further enquiries if the investigation indicates that this is necessary in order to conclude satisfactorily the investigation;
- commence a Disciplinary Proceeding in accordance with Exchange Rule 8.4; or
- refer all or a portion of the investigation to a Regulatory Authority.

Before making a decision, the Exchange may send to the relevant Member a notice setting out its preliminary factual conclusions and its intended course of action in relation to the alleged breach. The Exchange may also invite the Member to either attend a meeting with it or to provide it with written comments, in either case to allow the Member the opportunity to correct any factual error it considers to be contained before the Exchange issues a finalized version of its initial findings in writing.

### **(3) The issuance of warning letters and/or summary fines for specified rule violations.**

As noted above, a warning letter may be issued at the conclusion of an investigation. Summary fines may not be issued at this time. If the Exchange determines that further action is

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<sup>1</sup>

<sup>2/</sup> Under Exchange Rule 3.4.2(c), Members must also procure that each of their Customers cooperates with the Exchange in the event of action being taken against the Member in the same way as described.

appropriate, a further inquiry may be commenced, referral made to a regulatory authority, or a Disciplinary Proceeding initiated in accordance with Exchange Rule 8.4.

**(4) The review of investigation reports by a disciplinary panel or other authority for issuance of charges or instructions to investigate further, or findings that an insufficient basis exists to issue charges.**

Based upon a review of the Investigation, or otherwise, the Exchange may decide to commence a Disciplinary Proceeding where it is reasonably satisfied that a Member has breached an Exchange rule. In order to commence a Disciplinary Proceeding, the Exchange will send the Member a written notice setting out details of the alleged breach and sufficient information to enable the Member to understand and respond to the allegations.

The Member has 20 Business Days from receipt of this notice to provide a statement of Defence to the Exchange in respect of the allegations. The statement of Defence should set out its plea and any admissions of fact. After due consideration of the Defence, the Exchange may decide either to proceed with or terminate the Disciplinary Proceeding or amend the Disciplinary Notice. A Disciplinary Notice may be amended under Rule 8.4.7 as long as the amendment is relevant to the allegation of breach, the essential character of the allegation is unchanged, and that the amendment would not prejudice the Member's defence.

**(5) Disciplinary committees of the foreign board of trade that take disciplinary action via formal disciplinary processes.**

Under Exchange Rule 8.4.3 the Board of Directors nominates the members to serve on a Disciplinary Panel. Each Disciplinary Panel is required to be comprised of any two of the Exchange's independent non-executive directors joined by any two Members that do not have a conflict of interest relating to the subject of the proceeding, chosen at random. A Member chosen to serve on a Disciplinary Panel is required to provide a representative to do so.

The Disciplinary Panel will hear submissions on the matter of the alleged breach of the Exchange Rules, determine whether there has been a breach and, if so, which sanctions should be imposed. In carrying out this function, the Disciplinary Panel has a certain degree of flexibility in how to conduct proceedings. The Disciplinary Panel may:

- order the disclosure by the Exchange or the Member of such further information, documents or other evidence as may be necessary;
- issue directions and take such other steps as it considers appropriate to clarify the facts and issues and determine the case;
- decide to determine the case upon written submissions and evidence placed before it (although this requires the express agreement of the Exchange and the Member concerned);

- in all other cases, give the opportunity to, or require, the Exchange and the Member to attend hearings before the Disciplinary Panel (the Exchange and the Member may call witnesses to give evidence and be questioned);
- allow the Member and the Exchange to be assisted or represented by any person, whether or not legally qualified;
- require hearings to be held in private unless the Member or the Exchange requests otherwise and the other party consents; and
- appoint its own legal advisers.

Upon review of the file, the Disciplinary Panel applies the civil standard of proof on the balance of probabilities. The Disciplinary Panel communicates its findings and the sanction imposed in writing to the Member concerned and to the Exchange. Such findings and sanction may be appealed under the provisions of Exchange Rule 8.5.

#### *Appeal Process*

Exchange Rule 8.5 sets out an appeal procedure. Either the Member which is subject to the Disciplinary Proceedings or the Exchange, or both, may file a written appeal of the Disciplinary Panel's decision within ten Business Days of receipt. The grounds of the appeal may be based on a claim that the Disciplinary Panel's decision was:

- arbitrary, capricious, or an abuse of its discretion; or
- based on a clearly erroneous application or interpretation of the Exchange Rules.

As set out in Exchange Rule 8.5.4, an Appeals Body will be nominated by the Centre for Effective Dispute Resolution in London ("CEDR").<sup>3/</sup> The Appeals Body shall consist of one or more persons that is independent of the Exchange, has appropriate experience of the European derivatives exchange market and has knowledge of the Exchange, Exchange Rules and Applicable Law. Exchange Rule 8.5.5 provides that an Appeals Body may adopt such procedures as it thinks fit. The appellant and the respondent shall be entitled to appear, make representations and (subject to any restriction on adducing new evidence), call witnesses, who may be examined and cross-examined at any hearing, which will not be held in public.

After review, the Appeals Body will issue a final decision in writing. The Appeals Body may affirm, revoke or vary the sanction, or order such other action as it deems proper, including directing a re-hearing before a differently constituted Disciplinary Panel. Generally, the Appeals Body tries to conduct its proceedings and provide its final decision within 20 Business Days of referral to it of the notice of appeal. However, this is subject to the availability of an appropriate expert.

#### **(6) Whether and how the foreign board of trade articulates its rationale for disciplinary decisions.**

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<sup>3/</sup> CEDR is a third-party, professional mediation and dispute resolution service.

Under Exchange Rule 8.4.13 the Disciplinary Panel communicates its findings and the sanction to be imposed in writing to the Exchange and to the Member concerned. Such findings and sanctions are deemed conclusive and binding unless appealed within the applicable time for appeal. Except for those sanctions which must be made public (such as a public censure) the findings and sanctions are not made public.

As noted above, decisions regarding any appeal are also made in writing. Exchange Rule 8.5.6 provides that, unless otherwise agreed by the parties, the outcome of any hearing conducted by an Appeals Body is not made public.

**(7) The sanctions for particular violations and a discussion of the adequacy of sanctions with respect to the violations committed and their effectiveness as a deterrent to future violations.**

Generally, the Disciplinary Panel has discretion as to the appropriate sanction in each case and need not necessarily select the same sanction in relation to similar cases if there is a reason to differentiate between them. The Disciplinary Panel may take into account factors including whether the breach was deliberate or negligent, the seriousness of the consequences, any impact on Customers and whether the Member has taken action to remedy the breach or prevent a recurrence. The Disciplinary Panel may impose one or more of the following sanctions:<sup>4/</sup>

- issue a private written warning to the Member;
- issue of a public notice of censure;
- impose a fine of any amount;<sup>5/</sup>
- the disgorge of any gain made by the Member or its representatives in connection with the breach of the Exchange Rules;
- deny the Member access to the Exchange and/or the Globex Platform;

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<sup>4/</sup> In addition to the Disciplinary Panel's discretion, Exchange Rule 3.9 allows the CEO or the CRSO (or any of their delegates) to deny access to the Exchange to any Member or Customer where there are substantial reasons to believe that such immediate action is necessary to protect the best interests of the Exchange. Upon such an order the relevant Member or Customer will be informed of the order having been made, the reasons why and the effective date, time and duration of the access denial. If a Member wishes to have its access restored before the end of the specified period it may request that the matter be referred to the Disciplinary Committee (Exchange Rule 3.9.2). If a Customer wishes to have its access restored before the end of the specified period it may request that the Exchange refer the matter to the Disciplinary Committee providing that the Customer submits to the Disciplinary Process as set out in Chapter 8 of the Exchange Rules (Exchange Rule 3.9.3). In either case the Disciplinary Panel shall have the right to extend the period for which access is denied.

<sup>5/</sup> Exchange Rule 8.6.1 sets out the purposes for which the Exchange may impose financial penalties on Members. If the Exchange imposes any significant fines, it will undertake an accounting of its expenses incurred in the Investigation and Disciplinary Proceedings and, if appropriate, appeal in respect of the relevant violation and apply the fine towards such costs. Any excess and the proceeds of small fines will be deposited in a separate account and the Exchange will consider how to use any such amount on an annual basis. It may either contribute it to a project of benefit to the Members, or if no such project exists, donate the money to charity. The Exchange will not levy upon or collect financial penalties from Members for the purpose of raising revenue for the Exchange and will not allow any sums received in the way of financial penalties to accrue for the benefit of the Exchange.

- order the relevant Clearing Member not to enter into any new Transactions in relation to the Member;
- order the relevant Clearing Member to liquidate all or any portion of a Member's Contracts;
- recommend to the Exchange to suspend or terminate the membership of the Member with immediate effect; or
- issue an order requiring the Member to take such steps including making an order for compensation, as the Disciplinary Panel may direct, to remedy the situation caused by the breach of the Exchange Rules.

As noted above, the Disciplinary Panel has power to recommend to the Exchange that a Member's membership should be suspended or terminated with immediate effect as a result of Disciplinary Proceedings.<sup>4</sup> The consequences of suspension are set out in Exchange Rule 3.12 and those of termination are set out in Exchange Rule 3.11. The Disciplinary Panel is generally the decision maker on the finding and award of penalties in Disciplinary Proceedings and the Board has delegated that power to it. However, the Exchange considers it appropriate for the Disciplinary Panel to refer the decision back to the Exchange in case of suspension or termination recommendations because it is such a significant outcome. It is intended that the Exchange would act in accordance with the Disciplinary Panel's recommendation unless it felt that different remedy would be more appropriate, in which case it would refer the matter back to the Disciplinary Panel.

The Exchange views the range of available sanctions as establishing a credible deterrent against future violations.

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## FORM FBOT—EXHIBIT G-4

### Request:

Attach, as Exhibit G-4, a description of the market surveillance program (and any related rules), addressing the following—

The dedicated market surveillance department or the delegation or outsourcing of that function, including a general description of the staff; the data collected on traders' market activity; data collected to determine whether prices are responding to supply and demand; data on the size and ownership of deliverable supplies; a description of the manner in which the foreign board of trade detects and deters market manipulation; for cash-settled contracts, methods of monitoring the settlement price or value; and any foreign board of trade position limit, position management, large trader or other position reporting system.

### Response:

#### I. Exchange's Market Surveillance Staff

As noted in Exhibit G-1, the Exchange has an in-house Market Regulation Team (“ MREG”), which has three members, and is also supported by market regulation staff employed by CME Group, principally in the provision of surveillance systems. The MREG team aids and reports to the CME Europe Chief Regulatory & Surveillance Officer (CRSO). The respective responsibilities and functions of the MREG team and CRSO are set out fully in EXHIBIT G-1.

#### II. Exchange's Market Surveillance Practices

##### A. Electronic Surveillance Systems – SMART and RAPID

The Exchange principally uses three of CME Group's in-house proprietary applications to monitor the market and detect possible instances of market abuse: SMART, RAPID, and Large Trader (described below in Position Limits section), on a T+1 basis.

**SMART System:** SMART serves as the primary trade surveillance application for MREG. The system consists of: (a) a collection of back-end processes that profile and mine the data on a daily basis to identify patterns of trading and (b) a feature-rich front- end interface that facilitates robust analysis and efficient interaction with large volumes of transactional data. The SMART application allows the user to selectively view and filter detail trade data, and view volumetric and quotation information. Additionally, the SMART platform also produces pre-programmed exception reports, which help isolate items of regulatory interest. The parameters for the exception reports are set by the Exchange's CRSO. At a minimum the following data items are recorded for each Exchange transaction: trade date, product code, expiration month, firm ID, buy/sell indicator, trade quantity, trade price, trade identifier, client account number, trade type, trade submit time, trader order number.

**RAPID System:** The RAPID system captures all order, trade and market data messaging from

the Globex electronic system on a real-time basis and stores this information online. The

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application allows analysts to view, analyse, summarize and reconstruct Globex activity. The retained information includes all orders, all order modifications, cancellation, and fill messages. Additionally, each order contains the date, time to the nearest millisecond, order price, quantity, product, expiration date, buy/sell indicator, account number, and Operator code. Each order is numbered, and these numbers can be used to track an order's full history, including all amendments or cancellations. The system independently records these messages. The data recorded cannot be accessed by any trader or trading firm, and, once recorded, data elements cannot be changed.

**B. Controls to identify for potential Market Abuse Practices**

As part of its market monitoring duties, MREG has defined potential market abuses, based on European and UK market abuse regulation.<sup>3/</sup> and monitors Exchange activity for such abuses on a regular basis using a variety of systematic and human processes. The monitoring approach to identifying potential market abuse appear below:

<b><u>Potential Market Abuse</u></b>	<b><u>How it is monitored</u></b>
<b>Insider dealing - i.e., dealing on the basis of inside information <sup>4/</sup></b>	
Executing transactions using material/inside information prior to it being made public.	<p>The SMART application shows market and participant activities MREG is able to look at a particular moment in the market and identify which market participants were active at a particular time. The RAPID system enables a review to be made of all order entries for a particular time.</p> <p>MREG can identify market spikes through their own reviews using the SMART application. They additionally receive automatic alerts if a price moves above pre-determined levels.</p>
Front running (i.e., executing a transaction for own benefit ahead of a customer order to benefit from expected impact of customer order)	The SMART application has an exception report which looks for this. The timing of this report is on T+1 basis.

**orders or transactions which give a false or misleading impression of supply, demand or price, or secure price at an abnormal or artificial level (§118(5)).**

Buying or selling derivatives at the close of

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<sup>3/</sup> Available at, <http://eurlex.europa.eu/legalcontent/EN/TXT/HTML/?uri=CELEX:32014R0596&from=EN>.

<sup>4/</sup> References are to the FCA's MAR Handbook.

<p>market, otherwise than for legitimate reasons i.e. to artificially affect the settlement price for the benefit of the trader.</p>	<p>MREG reviews trading around the settlement period as part of its ongoing monitoring schedule and runs a report on activity around the settlement period.</p>
<p>Wash trades (i.e., sale or purchase of derivatives where there is no change in beneficial interest or risk or where the transfer is between the same or colluding parties).</p>	<p>There is a SMART exception report that identifies any wash trade activity. The parameters for searches can be adjusted a number of different ways including reviewing by individual trader, firm or clearer etc.</p>
<p>Painting the tape (i.e., entering into a series of transactions for the purpose of giving the impression of activity or price movement).</p>	<p>Irregular or potentially abusive order entry activity can be identified by using RAPID..</p>
<p>Orders or transactions to secure dominant position over supply or demand which fix prices or create other unfair trading conditions (either individually or in collusion ).</p>	<p>The Large Trader application is used to analyse Exchange positions, in particular leading up to expiry.</p>
<p>Entering buy or sell orders at same time or nearly same time with same price and quantity (can be colluding parties), unless carried out in accordance with the Exchange Rules.</p>	<p>An exception report is produced on a monthly basis to review trades that have no exchange of P&amp;L. A SMART report additionally identifies instances where 2 parties open and close trades with each other.</p>
<p>Entering small orders at prices higher than previous bid or lower than previous offer to move price.</p>	<p>There is no specific alert for this activity, however RAPID enables all order activity to be reviewed and SMART can be used to review unusual price movements.</p>

<p>Abusive squeezes (i.e., a person with significant influence over supply, demand or delivery mechanism of the underlying, has a position in derivatives under which underlying is deliverable and engage in behaviour to distort price at which others must make or take delivery).</p>	<p>Monitoring is performed on an ad hoc basis. The Large Trader application is used to analyze positions, in particular leading up to expiry; trade activity by large position holders can be reviewed using SMART.; Exchange rule 6.17.4 allows the CRSO to order a participant to stop increasing or reduce an open position. Rule</p>
<p>Trading to improperly influence the price of a similar derivative on another prescribed market.</p>	<p>Exchange contracts generally have different specifications to contracts available on other exchanges. Unusual trade activity, e.g. leading to irregular price fluctuations would be investigated. Where a comparative product existed it is likely that a comparison would be made against it.</p>
<p><b>Orders or transactions which employ fictitious devices or another form of deception</b></p>	

Voicing an opinion about the underlying product relating to a derivative contract in order to influence the price of the derivative and profit from its impact.	Notwithstanding the requirement of Exchange rule 3.11.1 which prohibits the breach of any Applicable Law or requirements of a Regulatory Authority we do not believe that commodity derivative markets are easily susceptible to being manipulated in the same way that equity derivatives given that price formation is based on a wider variety of information sources, much of which is published by governmental or other central bodies. MREG reviews price spikes when they occur and the activity and positions of those that benefit from them.
“Pump and dump” (i.e., taking a long position in a derivative and disseminating misleading positive information to increase its price).	See above
“Trash and cash” (i.e., taking a short position on a derivative and disseminating misleading negative information to reduce its price).	See above
<b>Behaviour likely to give a false or misleading impression or distort the market.</b>	
E.g. moving physical commodities held on warrant with the Exchange to create a false impression about the availability of last resort delivery.	MREG is allowed under its conflicts of interest policy to share information with the Exchange’s Registrar about commodity stock levels and relevant open positions to ensure that any potentially abusive behaviour is identifiable. MREG, as well as using Large Trader, has access to Deliveries Plus, the system used to record stock warrant positions.

### C. Market Regulation Reports

The table below details the routine reports and alerts that MREG uses on a daily basis to monitor market activity for abusive behavior.

Report / alert name	Description of behaviour
Account Wash Trade/Money Pass I	<u>Direct Wash</u> Direct Wash exceptions occur when the same firm/account

	combination appears on both the buy and sell side of a single trade.
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Money Pass	<u>Money Pass</u>  Money Pass exceptions occur when Firm A/Account A buys or sells contracts opposite Firm B/Account B in a given product and Firm A/Account A offsets contracts opposite Firm B/Account B in the same contract . The round turn ratio, as well as a number of other filter parameters, can be adjusted to capture potentially improper activity where, for instance, the buy and sell amounts are not identical.
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5/15 Super Cross	<p>The 5/15 Cross alert identifies single trade exceptions where either a trader or firm directly crosses a buy and a sell order outside of the permitted time range requirement (i.e. does not wait 5 seconds before crossing for a futures contract).</p>
<b>Front Running</b>	<p>Front Running exceptions occur when a front running candidate trade is executed on Globex within a pre-defined period (x seconds) prior to the execution of an identified Aggregated Market Moving Aggressor order (“AMMAO”).</p> <p>An AMMAO is defined as being an aggressor order that trades through at least one price level when it is executed.</p> <p>The front running candidate is executed as an aggressor trade in the same instrument and on the same side of the market as an identified AMMAO; the order quantity of the front running candidate is less than or equal to the order quantity of the AMMAO; the VWAP of the front running candidate must be better or equal to the worst fill price received by the AMMAO; and the firm/account on the front running candidate is not equal to the firm/account on the AMMAO.</p> <p>For each identified front running candidate, the system identifies the first potential offsetting electronic trade, if one exists, that was executed by the front running candidate firm/account in the cited instrument on the opposite side of the market from any time after the first trade was made until the end of the trading day.</p>


The MREG team additionally uses a number of exception reports to identify whether Exchange rules are being met, such as the block trade report, which includes alerts to identify whether trades are reported within the maximum reporting timescales, conform to the minimum size requirement or are within an agreed percentage difference from the previous day’s settlement price. Other reports, like the EFRP report, are useful as a means of identifying relevant trades that might be the subject of ad hoc review.

**D. Functionalities of the Globex Platform Designed to Ensure Stable, Orderly Markets**

In keeping with the trade practice rules described in Exhibit G-3, the Exchange has established the following procedures to ensure fair, stable and orderly market activity:

- (a) **Price limits:** Daily price limits and circuit breakers, where appropriate, are established on a product by product basis and implemented by the Globex Command Centre (GCC) on behalf of the Exchange. The price limits are stated in terms of the previous or prior settlement price, plus or minus the specific trading unit limit. The circuit breakers allow for normal limits to be expanded by a specific amount, and are reassessed quarterly. Price limits refer to high or low price limit assigned to a given instrument. It is a precautionary measure enforced by Globex to prevent abnormal market movements. Price limits are set based on product specifications. Once a futures price has increased by its daily limit, there can be no trading at any higher price until the next day of trading. Conversely, once a futures price has declined by its daily limit, there can be no trading at any lower price until the next day of trading.
- (b) **Price banding:** To ensure a fair, stable and orderly market all orders submitted to the Globex Platform will be subjected to price verification using a process called price

banding. Price banding prevents bid orders being entered at a price that is well above the market or offer orders being entered at a price that is well below the market. Without this control such erroneous orders could trigger a sequence of market-moving transactions that would require subsequent price adjustments. For futures products, a price band variation value is assigned to each product and applied to both the upside (for bids) and downside (for offers) to determine the price band variation range. With each price change

the price band variation range is recalculated and a new range applied. The Globex Platform automatically rejects all bids and offers outside the price band variation range. The price bands for each of the products are set out in the Procedures. Price banding does not: (i) prevent Users from entering bids below the market or entering offers above the market; (ii) restrict how far below or above the market a Participant may wish to trade; or (iii) hinder the market's depth in any way. Price Banding only prevents a Participant from bidding or offering prices that appear to be unrealistic and potentially damaging to the marketplace.

(c) **Stop Spike Logic:** Stop Spike Logic is a functionality of the Globex Platform designed to prevent excessive, improper price movements. In volatile markets, the bid and ask prices can experience significant price changes. Such changes can result from general market conditions but can also be generated as a result of cascading stop price orders. Cascading stop price orders are triggered by a spike in market prices that triggers stop orders, which in turn causes the market to trigger other stop orders, inappropriately moving the markets. The Stop Spike Logic functionality detects market movement due to the triggering, election and trading of stop price orders. When this situation causes a condition where the market triggers and trades additional stop price orders at extreme market prices the Stop Spike Logic is engaged. The result of this is that a momentary pause is applied to the market, which allows new orders to be entered and matched against the triggered stops in an algorithm similar to market opening.

(d) **Trade cancellation and price adjustment:** The authority delegated to the GCC to adjust prices, cancel transactions or make other adjustments is reflected in the Exchange's Rules.<sup>5/</sup> The Exchange may review a trade based on its analysis of market conditions or when a request for review is made by a Participant. A participant request must be made within eight minutes of the execution of the order. The GCC department promptly determines whether the trade can be reviewed based on Exchange supplied parameters. If the trade is potentially outside the non-reviewable range the GCC promptly issues an alert to all Users indicating that the trade is under review. The Exchange grants the GCC the authority to review trades reported more than one hour following execution if it determines that the trade price was significantly out of line with fair value. In order to cancel or price adjust a trade, the GCC first determines if the trade is within the non-reviewable range for the particular product. If a trade is within it, the trade will stand and cannot be cancelled or price adjusted. If the trade is outside of this, the GCC sends a message to all registered contacts at the Users alerting them that the trade has been cancelled, adjusted or stands. The GCC also attempts to contact directly all parties involved in the trade.

In accordance with the above, MREG receives a number of alerts from the GCC in relation to the real time monitoring of orderly trading conditions on the Exchange, including:

Alert/System	What it shows
Price banding	Alerts are received when orders are rejected

<sup>5/</sup> Exchange Rule 6.20.

	by the Globex Platform due to price banding. Generally, order rejects for price banding are to confirm that the banding values are correct based on the current market. If not, the bands are adjusted to appropriate levels to allow orders to be accepted. Another potential reason is an error in price format caused when a single Member/Customer is submitting orders outside the market.
<b>Price limits</b>	Alerts are received when orders are rejected due to the order violating price limits.
<b>Market maker protections</b>	Alerts are received when market maker protection values are reached. These are informational alerts only, no action would be taken.
<b>Stop Spike Logic (please see the response to REC 2.7.4(2) for a description of this tool)</b>	Alerts are received when a stop spike is triggered. Stop spike events will be investigated.
<b>Cancel on Disconnect (please see the response to REC 2.7.4(2) for a description of this tool)</b>	Alerts are received when a Cancel on Disconnect event is triggered. This is an informational alert only.
<b>Market Activity Surveillance System</b>	This application allows the Globex Command Centre to monitor products based on configurable volume and price movement thresholds. An alert is triggered when a threshold is met. If trading continues to happen above that threshold, the application stores order and matched Transaction information until trading falls back below the threshold (another alert is sent at this point). This application links directly into the RAPID application.

The CRSO and the Exchange's COO works with GCC to determine the parameters to be set for alerts for Exchange activities and the frequency and format of of such alerts to MREG

### **III. Position Limits**

#### **A. Exchange Rules**

The Exchange has rules regarding position limits and position accountability levels. The Exchange can impose limits on the size of a position on any product at any

time.<sup>6/</sup> If a Member or its customer exceeds such limits (or makes a bid or offer that, if fulfilled, would exceed such limits), they are considered in violation of Exchange rules.<sup>7/</sup>

The Exchange can require a person using its trading facilities to provide information about their positions,<sup>8/</sup> including, but not limited to: (a) the nature and size of the position, (b) the trading strategy employed with respect to the position, and (c) hedging information, if applicable.<sup>9/</sup> If such information is not provided, the Exchange can order the reduction of such position.<sup>10/</sup>

## **B. Electronic Surveillance System – Large Trader System**

The Exchange uses the Large Trader System, a CME Group in-house proprietary application, to monitor positions on the Exchange, and thus any violations of position limits or position accountability levels should these be applied. The Large Trader System contains information regarding the open positions of market participants which exceed a certain size threshold. This application is used to monitor large position holders and spot potential market manipulation. The Large Trader System tracks positions at each Clearing Member, broken down by the specific Client account numbers.

Using the Client account number that is submitted on each transaction, the Large Trader Database is updated after each night's clearing cycle. The net buys and sells are added to the accounts' open position, aggregated by maturity dates within each product. In the event that an account is not registered and therefore is not known to MREG, an information request will be made to the relevant Clearing Member requesting that they identify the unknown client. Large Trader provides full details of all open positions and position movements.

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<sup>6/</sup> Exchange Rule 6.16.1.

<sup>7/</sup> Exchange Rule 6.16.3.

<sup>8/</sup> Exchange Rule 6.17.1.

<sup>9/</sup> Exchange Rule 6.17.2.

<sup>10/</sup> Id.




The Exchange, therefore has robust surveillance system that is well-designed to prevent, detect and deter market manipulation and other disruptive, and unfair trade practices.

## FORM FBOT—EXHIBIT H

### Request:

Attach, as Exhibit H, the following:

- (1) A description of the arrangements among the Commission, the foreign board of trade, the clearing organization, and the relevant foreign regulatory authorities that govern the sharing of information regarding the transactions that will be executed pursuant to the foreign board of trade's registration with the Commission and the clearing and settlement of those transactions. This description should address or identify whether and how the foreign board of trade, clearing organization, and the regulatory authorities governing the activities of the foreign board of trade and clearing organization agree to provide directly to the Commission information and documentation requested by Commission staff that Commission staff determines is needed:**

  - (i) To evaluate the continued eligibility of the foreign board of trade for registration.**
  - (ii) To enforce compliance with the specified conditions of the registration.**
  - (iii) To enable the CFTC to carry out its duties under the Act and Commission regulations and to provide adequate protection to the public or registered entities.**
  - (iv) To respond to potential market abuse associated with trading by direct access on the registered foreign board of trade.**
  - (v) To enable Commission staff to effectively accomplish its surveillance responsibilities with respect to a registered entity where Commission staff, in its discretion, determines that a contract traded on a registered foreign board of trade may affect such ability.**
- (2) A statement as to whether and how the foreign board of trade has executed the International Information Sharing Memorandum of Understanding and Agreement.**
- (3) A statement as to whether the regulatory authorities governing the activities of the foreign board of trade and clearing organization are signatories to the International Organization of Securities Commissions Multilateral Memorandum of Understanding. If not, describe any substitute information-sharing arrangements that are in place.**
- (4) A statement as to whether the regulatory authorities governing the activities of the foreign board of trade and clearing organization are signatories to the Declaration on Cooperation and Supervision of International Futures Exchanges and Clearing Organizations. If not, a statement as to whether and how they have committed to share the types of information contemplated by the International Information Sharing Memorandum of Understanding and Agreement with the Commission, whether pursuant to an existing memorandum of understanding or some other arrangement.**

**Response:**

As a general matter, the Exchange's regulator, the FCA, as the successor agency to the FSA, abides by international information-sharing agreements with other regulators, including the Commission. U.K. regulators in general, have been in the forefront, with the Commission, in entering into such arrangements.

The Exchange has initiated the process to join the relevant international sharing arrangements under which it will be able to share information with other exchanges. This process will be completed shortly.

**(1) A description of the arrangements among the Commission, the foreign board of trade, the clearing organization, and the relevant foreign regulatory authorities that govern the sharing of information regarding the transactions that will be executed pursuant to the foreign board of trade's registration with the Commission and the clearing and settlement of those transactions. This description should address or identify whether and how the foreign board of trade, clearing organization, and the regulatory authorities governing the activities of the foreign board of trade and clearing organization agree to provide directly to the Commission information and documentation requested by Commission staff that Commission staff determines is needed:**

The CME Group is committed to sharing information with regulators where required. CME Group is party to an information sharing agreement with the Commission and with the SEC under which it agrees to share information about itself and its members with regulatory bodies.

As discussed below, the Exchange is aware of the MoU between the FSA and the Commission. The Exchange stands ready to share information with the Commission under the arrangements and through the channels of communication established under the MoUs.

The Exchange also is aware that if it lists for trading linked contracts and makes such contracts available for direct access from the U.S., various reporting requirements will attach. The Exchange is further aware that other exchanges located in the U.K. have entered into arrangements with the Commission to fulfill these requirements. If the Exchange were to list such linked contracts, it equally would be able legally to fulfill these requirements under similar arrangements.

The FCA (through its predecessor agencies) and other relevant U.K. regulatory authorities have entered into agreements with the Commission for the sharing of information for regulatory purposes. These agreements provide a ready channel for providing information to the Commission as required to fulfill its regulatory obligations. These MoUs entered into by U.K. regulatory authorities include the following:

- (a) Memorandum of Understanding Concerning Consultation, Cooperation and the Exchange of Information of the International Organization of Securities Commissions, (2003)(FSA).

- (b) Memorandum of Understanding concerning cooperation and the exchange of information related to the supervision of cross-border clearing organizations, (2009) (FSA).
- (c) Memorandum of Understanding concerning consultation, cooperation and the exchange of information related to market oversight, November 17, 2006 (FSA).
- (d) Arrangement on Warehouse Information to facilitate exchanges of information for surveillance and enforcement purposes regarding deliverable commodities, (2000) (FSA).
- (e) Memorandum of Understanding concluded jointly with the U.S. Securities and Exchange Commission, (1997).
- (f) Declaration on Cooperation and Supervision of International Futures Exchanges and Clearing Organizations (as amended) (Boca Declaration), (1996) (FSA).
- (g) Financial Information-Sharing Memorandum of Understanding (1988,1989) (FSA).

**2) A statement as to whether and how the foreign board of trade has executed the International Information Sharing Memorandum of Understanding and Agreement.**

The Exchange has initiated the process to become a signatory and expects to complete the process during the pendency of the review of this Application.

**(3) A statement as to whether the regulatory authorities governing the activities of the foreign board of trade and clearing organization are signatories to the International Organization of Securities Commissions Multilateral Memorandum of Understanding. If not, describe any substitute information-sharing arrangements that are in place.**

The FSA was a signatory and its successor continues the commitment of that agreement.

**(4) A statement as to whether the regulatory authorities governing the activities of the foreign board of trade and clearing organization are signatories to the Declaration on Cooperation and Supervision of International Futures Exchanges and Clearing Organizations. If not, a statement as to whether and how they have committed to share the types of information contemplated by the International Information Sharing Memorandum of Understanding and Agreement with the Commission, whether pursuant to an existing memorandum of understanding or some other arrangement.**