

NODAL CLEAR, LLC
DCO CORE PRINCIPLES COMPLIANCE SUMMARIES

<u>Core Principle</u>	<u>Brief Compliance Summary</u>
<p><u>CORE PRINCIPLE A - COMPLIANCE</u></p> <p>(i) IN GENERAL. To be registered and to maintain registration as a derivatives clearing organization, a derivatives clearing organization shall comply with each core principle described in this paragraph and any requirement that the Commission may impose by rule or regulation pursuant to section 8a(5).</p> <p>(ii) DISCRETION OF DERIVATIVES CLEARING ORGANIZATION. Subject to any rule or regulation prescribed by the Commission, a derivatives clearing organization shall have reasonable discretion in establishing the manner by which the derivatives clearing organization complies with each core principle described in this paragraph.</p>	<p>The package of application materials submitted by Nodal Clear for registration as a derivatives clearing organization, including the Rules, collectively demonstrates the Clearing House’s compliance with each of the DCO Core Principles set out in Section 5b of the CEA and Commission Regulations.</p> <p>Detailed citations to the Nodal Clear Rules, policies, and procedures that address each DCO Core Principle are set forth in <u>Exhibit A-1(2)</u> (Regulatory Compliance Chart), which identifies the relevant DCO Core Principle or CFTC Regulation with corresponding citations to the applicable Nodal Clear documentation.</p>
<p><u>CORE PRINCIPLE B – FINANCIAL RESOURCES</u></p> <p>(i) IN GENERAL. Each derivatives clearing organization shall have adequate financial, operational, and managerial resources, as determined by the Commission, to discharge each responsibility of the derivatives clearing organization.</p> <p>(ii) MINIMUM AMOUNT OF FINANCIAL RESOURCES. Each derivatives clearing organization shall possess financial resources that, at a minimum, exceed the total amount that would –</p> <p>(I) enable the organization to meet its financial obligations</p>	<p>Nodal Clear has adequate financial, operational, and managerial resources to discharge each responsibility of the Clearing House.</p> <p>As required by Commission Regulations, the unencumbered financial resources of the Clearing House exceed the total amount that would enable the Clearing House to cover: (1) the costs of meeting its financial obligations of non-defaulting Clearing Members in the event of a Clearing Member default; and (2) its operating costs for a one-year period, as calculated on a rolling basis. These financial resources are maintained in a manner that minimizes the risk of loss and are sufficiently</p>

<u>Core Principle</u>	<u>Brief Compliance Summary</u>
<p>to its members and participants notwithstanding a default by the member or participant creating the largest financial exposure for that organization in extreme but plausible market conditions; and</p> <p>(II) enable the derivatives clearing organization to cover the operating costs of the derivatives clearing organization for a period of 1 year (as calculated on a rolling basis).</p>	<p>liquid to ensure that the Clearing House can meet its cash obligations when due.</p> <p>The Clearing House also maintains adequate physical infrastructure as well as information technology and communications resources. The Clearing House maintains appropriate staffing and human resources to fulfill all necessary operations of the Clearing House on a daily basis.</p>
<p><u>CORE PRINCIPLE C – PARTICIPANT AND PRODUCT ELIGIBILITY</u></p> <p>(i) IN GENERAL. Each derivatives clearing organization shall establish -</p> <p>(I) appropriate admission and continuing eligibility standards (including sufficient financial resources and operational capacity to meet obligations arising from participation in the derivatives clearing organization) for members of, and participants in, the derivatives clearing organization; and</p> <p>(II) appropriate standards for determining the eligibility of agreements, contracts, and transactions submitted to the derivatives clearing organization for clearing.</p> <p>(ii) REQUIRED PROCEDURES. Each derivatives clearing organization shall establish and implement procedures to verify, on an ongoing basis, the compliance of each participation and membership requirement of the derivatives clearing organization.</p>	<p>Pursuant to Nodal Clear Rule 3.2, each applicant for clearing membership must meet certain objective qualification criteria that are designed to ensure that Clearing Members meet appropriate financial, credit, operational and risk management requirements. Once admitted, Clearing Members must continue to meet these criteria on an ongoing basis. The membership criteria established by Nodal Clear Rule 3.2 are clear and objective and permit fair and open access. Any Clearing Member that ceases to qualify for membership must notify the Clearing House.</p> <p>As provided in Section V of the Nodal Clear Compliance Policies and Procedures Manual (“Compliance Manual”), Nodal Clear will regularly assess and enforce Clearing Members’ ongoing eligibility with admission criteria by monitoring financial reports and all event-driven notifications received by the Clearing House.</p> <p>The Rules setting forth Nodal Clear membership criteria and the membership application process will be available on the Nodal Clear website. The Clearing Member Agreement will</p>

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<p>(iii) REQUIREMENTS. The participation and membership requirements of each derivatives clearing organization shall –</p> <p>(I) be objective;</p> <p>(II) be publicly disclosed; and</p> <p>(III) permit fair and open access.</p>	<p>also be available on the Nodal Clear website.</p> <p>The Clearing House will clear the futures contracts listed for trading on Nodal Exchange, which currently includes financially settled electric power and natural gas futures contracts. When considering products for clearing, Nodal Clear’s primary concern is ensuring that the Initial Margin held for the product will cover the cost to liquidate the position in the event of a default by the Clearing Member presenting the largest financial exposure to the Clearing House in extreme but plausible market conditions.</p>
<p><u>CORE PRINCIPLE D – RISK MANAGEMENT</u></p> <p>(i) IN GENERAL.—Each derivatives clearing organization shall ensure that the derivatives clearing organization possesses the ability to manage the risks associated with discharging the responsibilities of the derivatives clearing organization through the use of appropriate tools and procedures.</p> <p>(ii) MEASUREMENT OF CREDIT EXPOSURE.—Each derivatives clearing organization shall—</p> <p>(I) not less than once during each business day of the derivatives clearing organization, measure the credit exposures of the derivatives clearing organization to each member and participant of the derivatives clearing organization; and</p> <p>(II) monitor each exposure described in subclause (I)</p>	<p>Nodal Clear possesses the ability to manage the risks of discharging the responsibilities of the Clearing House as set forth in Section III of the Rules, including Clearing Member minimum capital requirements, Initial and Variation Margin requirements, the authority to prohibit an increase or require a reduction in positions, and to liquidate or transfer positions when necessary to manage risk posed to the Clearing House. In addition, Nodal Clear has established a robust risk management framework through the adoption of the Nodal Clear Risk Policies (“Risk Policies”).</p> <p>As provided in Section 5.1 of the Compliance Manual, the Clearing House will monitor the daily activities (volumes, gains/losses, Margin requirements, etc.) of its Clearing Members to ensure that risks are maintained within acceptable ranges. The Clearing House will review the adequacy of its Initial Margin requirements each business day as set forth in</p>

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<p>periodically during the business day of the derivatives clearing organization.</p> <p>(iii) LIMITATION OF EXPOSURE TO POTENTIAL LOSSES FROM DEFAULTS.—Each derivatives clearing organization, through margin requirements and other risk control mechanisms, shall limit the exposure of the derivatives clearing organization to potential losses from defaults by members and participants of the derivatives clearing organization to ensure that—</p> <p>(I) the operations of the derivatives clearing organization would not be disrupted; and</p> <p>(II) nondefaulting members or participants would not be exposed to losses that nondefaulting members or participants cannot anticipate or control.</p> <p>(iv) MARGIN REQUIREMENTS.—The margin required from each member and participant of a derivatives clearing organization shall be sufficient to cover potential exposures in normal market conditions.</p> <p>(v) REQUIREMENTS REGARDING MODELS AND PARAMETERS.— Each model and parameter used in setting margin requirements under clause (iv) shall be—</p> <p>(I) risk-based; and</p> <p>(II) reviewed on a regular basis.</p>	<p>Nodal Clear Rule 3.20.2.</p> <p>The Clearing House uses Margin requirements and other risk control mechanisms to limit its exposure to potential losses from defaults by Clearing Members. The Risk Policies require that the model for setting Initial Margin levels be risk-based and subjected to appropriate back testing and stress testing. The Margin-setting model is reviewed on a regular basis.</p> <p>The Risk Policies ensure that the Clearing House only accepts highly-liquid, low-risk Collateral from Clearing Members. The Clearing House therefore maintains the ability on an ongoing basis to realize the value of such Collateral without delay.</p>

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<p><u>CORE PRINCIPLE E - SETTLEMENT PROCEDURES</u></p> <p>Each derivatives clearing organization shall—</p> <ul style="list-style-type: none"> (i) complete money settlements on a timely basis (but not less frequently than once each business day); (ii) employ money settlement arrangements to eliminate or strictly limit the exposure of the derivatives clearing organization to settlement bank risks (including credit and liquidity risks from the use of banks to effect money settlements); (iii) ensure that money settlements are final when effected; (iv) maintain an accurate record of the flow of funds associated with each money settlement; (v) possess the ability to comply with each term and condition of any permitted netting or offset arrangement with any other clearing organization; (vi) regarding physical settlements, establish rules that clearly state each obligation of the derivatives clearing organization with respect to physical deliveries; and (vii) ensure that each risk arising from an obligation described in clause (vi) is identified and managed. 	<p>Nodal Clear maintains regular daily settlement procedures that rely on automated systems to complete money settlements on a timely basis, including twice-daily Initial Margin and Variation Margin calls. In addition, Nodal Clear has adopted a specific Risk Policy to ensure that it enters into settlement arrangements only with financial institutions that meet certain credit and operational criteria (“Approved Financial Institutions”). The Clearing House will use multiple Approved Financial Institutions in order to limit its exposure to settlement bank risk.</p> <p>All cash settlement instructions will be transmitted using the internationally-recognized Society for Worldwide Interbank Financial Telecommunications (“SWIFT”) message system that generates confirmation messages upon final settlement. All payments or transfers of funds to and from the Clearing House are irrevocable and unconditional when debited from or credited to an account of the Clearing House at an Approved Financial Institution in accordance with Nodal Clear Rule 3.25. All Settlement Bank Agreements must meet the criteria set out in Nodal Clear Rule 3.18.</p> <p>The Clearing House will maintain detailed records of the flow of funds resulting from clearing and settlement of its obligations with its Clearing Members. Records will be verified by conducting account reconciliations to ensure that the cash and Treasury Securities balances in the Nodal Clear accounts at each Approved Financial Institution are identical to the balances indicated by the internally operated Nodal Clear</p>

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	<p>System.</p> <p>Nodal Clear does not contemplate entering into netting or offset arrangements with other clearing organizations. None of the contracts cleared by the Clearing House involve physical settlements.</p>
<p><u>CORE PRINCIPLE F - TREATMENT OF FUNDS</u></p> <p>(i) REQUIRED STANDARDS AND PROCEDURES</p> <p>Each derivatives clearing organization shall establish standards and procedures that are designed to protect and ensure the safety of member and participant funds and assets.</p> <p>(ii) HOLDING OF FUNDS AND ASSETS</p> <p>Each derivatives clearing organization shall hold member and participant funds and assets in a manner by which to minimize the risk of loss or of delay in the access by the derivatives clearing organization to the assets and funds.</p> <p>(iii) PERMISSIBLE INVESTMENTS</p> <p>Funds and assets invested by a derivatives clearing organization shall be held in instruments with minimal credit, market, and liquidity risks.</p>	<p>Nodal Clear's Rules and procedures require that all money accruing to Customers to guarantee or settle contracts being cleared must be segregated in accordance with the CEA and CFTC Regulations. To ensure the safety of Customer funds, Nodal Clear will only utilize depositories that are Approved Financial Institutions, which have been evaluated and approved in accordance with criteria set forth in Nodal Clear's Approved Financial Institution Policy. The agreements with Approved Financial Institutions uniformly require compliance with the segregation obligations set out in Section 4d(a) of the CEA and implementing CFTC Regulations.</p> <p>To minimize the risks to Customer funds, Nodal Clear's Approved Financial Institution Policy provides that no more than 60% of collateral held may be at any one Approved Financial Institution. The Nodal Clear Investment Policy allows investments of Customer funds only in those financial instruments that are permitted for the investment of Customer funds under CFTC Regulation 1.25.</p>
<p><u>CORE PRINCIPLE G - DEFAULT RULES AND PROCEDURES</u></p>	<p>The Clearing House has adopted Rules and procedures designed to allow for the efficient, fair, and safe management</p>

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<p>(i) IN GENERAL</p> <p>Each derivatives clearing organization shall have rules and procedures designed to allow for the efficient, fair, and safe management of events during which members or participants—</p> <p>(I) become insolvent; or</p> <p>(II) otherwise default on the obligations of the members or participants to the derivatives clearing organization.</p> <p>(ii) DEFAULT PROCEDURES</p> <p>Each derivatives clearing organization shall—</p> <p>(I) clearly state the default procedures of the derivatives clearing organization;</p> <p>(II) make publicly available the default rules of the derivatives clearing organization; and</p> <p>(III) ensure that the derivatives clearing organization may take timely action—</p> <p>(aa) to contain losses and liquidity pressures; and</p> <p>(bb) to continue meeting each obligation of the derivatives clearing organization.</p>	<p>of a Clearing Member default. These procedures include the suspension of any Clearing Member in default and identify the method for closing out the Clearing Member’s account in a manner that reduces risk. Senior management may authorize the Clearing House, in accordance with the Rules, to engage in the execution of Nodal Contracts for purposes of hedging or otherwise reducing the risk to the Clearing House. The list of events that will constitute a Clearing Member default are set out in Nodal Clear Rule 3.29.</p> <p>The Rules provide that the positions of a defaulting Clearing Member can be liquidated in such manner as the Clearing House may direct. The Nodal Clear Default Management Plan (“DMP”) sets forth the roles and responsibilities of the Nodal Clear Board and Nodal Clear management to take timely action in order to contain losses and continue to meet its obligations as a DCO. Accordingly, Nodal Clear may direct the Risk and Account Management Teams to take appropriate action, including placing orders on the Nodal Exchange central limit order book, enlisting the services of voice brokers serving the energy markets, conducting auctions of portfolios of positions, or making close-out book entries in order to liquidate positions.</p> <p>The DMP and related Rules also clearly set out the order in which financial resources will be used to cover losses caused by a Clearing Member default. These arrangements require that, in the event of a Customer-related default, financial resources attributable to the defaulting Clearing Member’s</p>

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	<p>Proprietary Account and Guaranty Fund contribution may be used to cover such losses. Under no circumstances may Customer funds be used to cover house losses of a defaulting Clearing Member.</p>
<p><u>CORE PRINCIPLE H - RULE ENFORCEMENT</u></p> <p>Each derivatives clearing organization shall—</p> <p>(i) maintain adequate arrangements and resources for—</p> <p>(I) the effective monitoring and enforcement of compliance with the rules of the derivatives clearing organization; and</p> <p>(II) the resolution of disputes;</p> <p>(ii) have the authority and ability to discipline, limit, suspend, or terminate the activities of a member or participant due to a violation by the member or participant of any rule of the derivatives clearing organization; and</p> <p>(iii) report to the Commission regarding rule enforcement activities and sanctions imposed against members and participants as provided in clause (ii).</p>	<p>Nodal Clear maintains adequate arrangements and resources for the effective monitoring and enforcement of compliance with Nodal Clear Rules. The monitoring process is set out in the Compliance Manual and includes: (i) periodic reviews of Clearing Member risk management policies, procedures, and operational practices; (ii) reviews to assess each Clearing Member’s continued compliance with the Clearing House’s financial requirements; and (iii) ongoing monitoring to assess compliance with Nodal Clear’s risk management and operational performance standards.</p> <p>By executing the Clearing Member Agreement, each Clearing Member subjects itself to the jurisdiction of the Clearing House, thereby authorizing Nodal Clear to investigate, discipline, limit, suspend, or terminate the activities of Clearing Members that violate the Rules. Section V of the Rules sets forth procedures for the effective enforcement of the Rules and for addressing instances of non-compliance, including the steps and procedural safeguards afforded to Clearing Members. The Rules grant the Clearing House the authority to impose sanctions for violations and other instances of non-compliance, including limiting, suspending or terminating a Clearing Member’s access to the Nodal Clearing System or clearing privileges more generally. In accordance</p>

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	<p>with its Rules, Nodal Clear will report to the Commission regarding Rule enforcement activities and sanctions imposed against Clearing Members.</p> <p>The Nodal Clear Rules require that disputes between Clearing Members and/or Authorized Users must be arbitrated using the National Futures Association (“NFA”) arbitration program, subject to certain exceptions set out in the Rules. The Clearing House has entered into an agreement with NFA pursuant to which NFA has agreed to provide arbitration services to Clearing Members and Authorized Users.</p>
<p><u>CORE PRINCIPLE I - SYSTEM SAFEGUARDS</u></p> <p>Each derivatives clearing organization shall—</p> <p>(i) establish and maintain a program of risk analysis and oversight to identify and minimize sources of operational risk through the development of appropriate controls and procedures, and automated systems, that are reliable, secure, and have adequate scalable capacity;</p> <p>(ii) establish and maintain emergency procedures, backup facilities, and a plan for disaster recovery that allows for—</p> <p>(I) the timely recovery and resumption of operations of the derivatives clearing organization; and</p> <p>(II) the fulfillment of each obligation and responsibility of the derivatives clearing organization; and</p> <p>(iii) periodically conduct tests to verify that the backup</p>	<p>Nodal Clear has established a program of risk analysis and oversight with respect to its operations and automated systems that identify risks across the Nodal Clear technology platforms. The Nodal Clear technology teams have developed a series of customized risk mitigation strategies to eliminate or reduce specific risks using specific best practices to ensure the automated systems are reliable, secure, and have adequate scalable capacity. Independent professionals conduct audits to verify that mitigation strategies are being followed.</p> <p>The Nodal Exchange Business Continuity Plan and the Nodal Exchange Failover and Disaster Recovery Plan also apply to Nodal Clear. These plans enable the timely recovery and resumption of operations and for the fulfillment of the Clearing House’s obligations and responsibilities following any disruption in operations. To ensure continued operations in the event of an incapacitating disruption within the vicinity of the</p>

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resources of the derivatives clearing organization are sufficient to ensure daily processing, clearing, and settlement.	Nodal Clear offices, two staff members, trained on the core operations required to complete an operational day, work remotely. Independent professionals conduct periodic testing of these arrangements in order to verify the efficacy of backup resources to ensure daily processing, clearing, and settlement.
<p><u>CORE PRINCIPLE J - REPORTING</u></p> <p>Each derivatives clearing organization shall provide to the Commission all information that the Commission determines to be necessary to conduct oversight of the derivatives clearing organization.</p>	The Compliance Manual requires the Clearing House to provide the Commission with the daily, quarterly, annual and event-specific reports required under CFTC Regulations 39.11 and 39.19.
<p><u>CORE PRINCIPLE K - RECORDKEEPING</u></p> <p>Each derivatives clearing organization shall maintain records of all activities related to the business of the derivatives clearing organization as a derivatives clearing organization—</p> <p>(i) in a form and manner that is acceptable to the Commission; and</p> <p>(ii) for a period of not less than 5 years.</p>	<p>The Compliance Manual and the Rules require that Clearing House records be maintained in accordance with the provisions of CFTC Regulation 1.31 for a period of not less than 5 years. Such records are readily accessible for inspection by the Commission and the U.S. Department of Justice during the first 2 years of such 5-year period.</p> <p>Patrina Corporation, a provider of data management and recordkeeping services, serves as technical consultant to Nodal Clear within the meaning of CFTC Regulation 1.31(b)(4).</p>
<p><u>CORE PRINCIPLE L - PUBLIC INFORMATION</u></p> <p>(i) IN GENERAL</p> <p>Each derivatives clearing organization shall provide to market participants sufficient information to enable the market participants to identify and evaluate accurately the</p>	<p>Nodal Clear has adopted Rules and procedures requiring the public dissemination of information sufficient for market participants to identify and evaluate accurately the risks and costs associated with using Nodal Clear’s services.</p> <p>The following information will be posted on the Clearing</p>

<u>Core Principle</u>	<u>Brief Compliance Summary</u>
<p>risks and costs associated with using the services of the derivatives clearing organization.</p> <p>(ii) AVAILABILITY OF INFORMATION</p> <p>Each derivatives clearing organization shall make information concerning the rules and operating and default procedures governing the clearing and settlement systems of the derivatives clearing organization available to market participants.</p> <p>(iii) PUBLIC DISCLOSURE</p> <p>Each derivatives clearing organization shall disclose publicly and to the Commission information concerning—</p> <p>(I) the terms and conditions of each contract, agreement, and transaction cleared and settled by the derivatives clearing organization;</p> <p>(II) each clearing and other fee that the derivatives clearing organization charges the members and participants of the derivatives clearing organization;</p> <p>(III) the margin-setting methodology, and the size and composition, of the financial resource package of the derivatives clearing organization;</p> <p>(IV) daily settlement prices, volume, and open interest for each contract settled or cleared by the derivatives clearing organization; and</p> <p>(V) any other matter relevant to participation in the</p>	<p>House’s public website:</p> <p>(1) the terms and conditions of each Nodal Exchange contract accepted for clearing by the Clearing House;</p> <p>(2) each clearing and other fee that the Clearing House charges its Clearing Members;</p> <p>(3) the Clearing House’s margin methodology;</p> <p>(4) the size and composition of the Clearing House’s default resources;</p> <p>(5) daily settlement prices, volume, and open interest for each Nodal Exchange contract accepted for clearing by the Clearing House;</p> <p>(6) the Clearing House’s default rules and procedures; and</p> <p>(7) such other matters that the Clearing House determines are relevant to participation in its clearing and settlement activities.</p>

<u>Core Principle</u>	<u>Brief Compliance Summary</u>
settlement and clearing activities of the derivatives clearing organization.	
<p><u>CORE PRINCIPLE M - INFORMATION-SHARING</u></p> <p>Each derivatives clearing organization shall—</p> <p>(i) enter into, and abide by the terms of, each appropriate and applicable domestic and international information-sharing agreement; and</p> <p>(ii) use relevant information obtained from each agreement described in clause (i) in carrying out the risk management program of the derivatives clearing organization.</p>	<p>The Clearing House shall be a party to appropriate and applicable information-sharing agreements, both domestic and international, which involve or relate to the Clearing House’s operations, especially as it relates to measuring and addressing counterparty risk. Nodal Clear will enter into such agreements that further its purpose or duties and will use relevant information obtained from such agreements to carry out its risk management program.</p>
<p><u>CORE PRINCIPLE N - ANTITRUST CONSIDERATIONS</u></p> <p>Unless necessary or appropriate to achieve the purposes of this chapter, a derivatives clearing organization shall not—</p> <p>(i) adopt any rule or take any action that results in any unreasonable restraint of trade; or</p> <p>(ii) impose any material anticompetitive burden.</p>	<p>The Rules have been designed to avoid unreasonable restraints of trade or the imposition of material anticompetitive burdens.</p> <p>In particular, Nodal Clear Rule 4.1.4 prohibits Clearing Members from engaging in anticompetitive behavior. Nodal Clear is subject to the Nodal Exchange Holdings, LLC Antitrust Compliance Policy, which sets forth policies intended to achieve compliance with U.S. antitrust laws.</p>
<p><u>CORE PRINCIPLE O - GOVERNANCE FITNESS STANDARDS</u></p> <p>(i) GOVERNANCE ARRANGEMENTS</p> <p>Each derivatives clearing organization shall establish governance arrangements that are transparent—</p>	<p>The ownership structure of Nodal Clear permits the consideration of the views of its owner, Nodal Exchange. The same individuals serve on the Boards of Directors of Nodal Clear and Nodal Exchange and the Clearing House coordinates with Nodal Exchange in regard to the clearing of new Nodal Contracts. Two directors are employed by market participants</p>

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<p>(I) to fulfill public interest requirements; and</p> <p>(II) to permit the consideration of the views of owners and participants.</p> <p>(ii) FITNESS STANDARDS</p> <p>Each derivatives clearing organization shall establish and enforce appropriate fitness standards for—</p> <p>(I) directors;</p> <p>(II) members of any disciplinary committee;</p> <p>(III) members of the derivatives clearing organization;</p> <p>(IV) any other individual or entity with direct access to the settlement or clearing activities of the derivatives clearing organization; and</p> <p>(V) any party affiliated with any individual or entity described in this clause.</p>	<p>that trade on Nodal Exchange and which are Customers of Clearing Members.</p> <p>Nodal Clear Rules 2.1.8 and 2.4.3(g) authorize the Board to establish a Risk Advisory Committee to include Clearing Members to present their views in connection with the functioning of the Clearing House and with regard to revisions to the Rules.</p> <p>Nodal Clear has established fitness standards applicable to members of the Board, the Committees established by the Board, and natural persons who, directly or indirectly, own greater than 10% of any one class of equity interest in the Clearing House. Pursuant to Nodal Clear Rule 2.3, no individual may serve on the Board or its Committees or hold a 10% or greater ownership interest in the Clearing House if the individual has a disqualifying disciplinary history as described in CFTC Regulation 1.63(b) or is subject to a statutory disqualification pursuant to Section 8a(2) of the CEA.</p>
<p><u>CORE PRINCIPLE P - CONFLICTS OF INTEREST</u></p> <p>Each derivatives clearing organization shall—</p> <p>(i) establish and enforce rules to minimize conflicts of interest in the decision-making process of the derivatives clearing organization; and</p> <p>(ii) establish a process for resolving conflicts of interest described in clause (i).</p>	<p>Nodal Clear has established rules and procedures to minimize conflicts of interest in the decision-making process. The Clearing House Board must include not less than 35% public directors, as that term is defined by the Commission’s guidance for compliance with Core Principle 16 in Part 38 of the Regulations (“Public Directors”). The Board has also established a Nominating Committee, which must include not less than 35% and no fewer than two, Public Directors. The chair of the Nominating Committee must also be a Public</p>

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	<p>Director. The Nominating Committee is responsible for selecting director nominees in accordance with the criteria approved by the Board, and for recommending such nominees to the Board.</p> <p>The Risk Management Committee must include no less than 35%, and no fewer than two, Public Directors. The Risk Management Committee is responsible for reviewing the performance of the Board and its members on an ongoing basis.</p> <p>In addition, the Clearing House maintains a process described in the Rules for making fair and nonbiased decisions in the event of a conflict of interest. No member of the Board may participate in deliberations or voting in a matter where such member: (i) is a named party in interest in the matter; (ii) is an employer, employee or fellow employee of a named party in interest; (iii) has any other significant, ongoing business relationship with a named party in interest, excluding relationships limited to Nodal Contracts; or (iv) has a family relationship with a named party in interest.</p> <p>Where a conflicted Board member does not abstain, the Chief Compliance Officer must assess the facts to determine whether such individual is subject to a conflicts restriction in accordance with the Nodal Clear Rules. In addition, where the conduct of a Board member is likely to be prejudicial to the sound and prudent management of the Clearing House, such director may be removed in accordance with the procedures set</p>

<u>Core Principle</u>	<u>Brief Compliance Summary</u>
	out in the Nodal Clear Rules.
<p data-bbox="226 412 982 480"><u>CORE PRINCIPLE Q - COMPOSITION OF GOVERNING BOARDS</u></p> <p data-bbox="226 500 982 639">Each derivatives clearing organization shall ensure that the composition of the governing board or committee of the derivatives clearing organization includes market participants.</p>	<p data-bbox="1075 412 1885 480">Nodal Clear has established a Board that consists of five members and includes the views of market participants.</p> <p data-bbox="1075 500 1885 639">Two of the Clearing House’s Board members (40%) are “Public Directors” as defined in the CFTC’s Part 38 Regulations. Two other Board members are employees and officers of Customers.</p>
<p data-bbox="226 678 663 711"><u>CORE PRINCIPLE R - LEGAL RISK</u></p> <p data-bbox="226 730 982 870">Each derivatives clearing organization shall have a well-founded, transparent, and enforceable legal framework for each aspect of the activities of the derivatives clearing organization.</p>	<p data-bbox="1075 678 1885 1003">Nodal Clear is duly organized, in good standing, and legally authorized to conduct business in the United States. Applicable United States federal and New York state law governs the majority of the Clearing House’s operations, principally the CEA and the CFTC Regulations and also including the New York Uniform Commercial Code. The CEA requires that Nodal Clear be registered with the CFTC as a DCO and be subject to the Commission’s regulatory oversight.</p> <p data-bbox="1075 1023 1885 1343">The CEA, CFTC Regulations and related United States federal and state law collectively ensure that Nodal Clear operates pursuant to a well-founded, transparent and enforceable legal framework that addresses each aspect of its activities as a counterparty, including: novation; netting; Nodal Clear’s security interest in Collateral (including Margin); Clearing Member default, including Nodal Clear’s unimpeded ability to liquidate Collateral and close out or transfer positions in a timely manner; finality of settlement and funds transfers that</p>

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	are irrevocable and unconditional when effected; and, as relevant, other significant aspects of Nodal Clear's operations, risk management procedures and related requirements.