

| DCO REQUIREMENTS ¹ | CANTOR CLEARINGHOUSE APPLICATION |
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| <p>Core Principal A – In General: <i>“To be registered and to maintain registration as a derivatives clearing organization, an applicant shall demonstrate to the Commission that the applicant complies with the core principles specified in this paragraph. The applicant shall have reasonable discretion in establishing the manner in which it complies with the core principles.</i></p> <p>In addressing Core Principal A, an entity preparing to submit to the Commission an application to operate as a derivatives clearing organization is encouraged to contact Commission staff for guidance and assistance in preparing its application. Applicants may submit a draft application for review prior to the submission of an actual application without triggering the application review procedures of §39.3 of the Commission’s regulations. The Commission also may require a derivatives clearing organization to demonstrate to the Commission that it is operating in compliance with one or more core</p> | <p>The Clearinghouse is submitting for review by the Commodity Futures Trading Commission (the “<u>Commission</u>”) an application to operate as a derivatives clearing organization (“<u>DCO</u>”), demonstrating the Clearinghouse’s compliance with the DCO Core Principles. The Clearinghouse looks forward to working with the Commission staff, following their guidance, meeting with Commission staff and responding to their comments and questions in this process. The Clearinghouse believes that its application and the accompanying appendices meet the relevant criteria and demonstrates its compliance with the core principles.</p> <p>Please see the rulebook of the Clearinghouse (the “<u>Rules of the Clearinghouse</u>”) and other Appendices submitted with the Clearinghouse’s application for derivatives clearing organization designation. References herein to a “Rule” mean the applicable section of the Rules of the Clearinghouse. Capitalized terms used but not defined herein have the meanings assigned to them in the rules of the Clearinghouse.</p> <p>The Clearinghouse will initially clear Domestic Box Office Receipts Contracts (“<u>DBOR Contracts</u>”) traded through the Cantor Futures Exchange, L.P. (the “<u>Exchange</u>”). Please see the rules relating to the trading of DBOR Contracts (the “<u>DBOR Contract Rules</u>”) submitted as part of this application for greater detail. The proposals described in this document are intended to be of general applicability to any contracts cleared by the Clearinghouse; however, where issues arising in connection with the DBOR Contracts in particular, those</p> |

¹ The Core Principles for Derivatives Clearing Organizations are set forth in Section 5b(c)(2) of the Commodity Exchange Act, and illustrative guidance for each core principal appears in Appendix A to Part 39 – Application Guidance and Compliance with Core Principles. All capitalized terms used in this document that are not otherwise defined shall have the meaning ascribed to them in the Rulebook.

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| principles.” | issues or mechanisms will relate to DBOR Contracts only. |
| <p>Core Principal B – Financial Resources: <i>“The applicant shall demonstrate that the applicant has adequate financial, operational, and managerial resources to discharge the responsibilities of a derivatives clearing organization.</i></p> <p>In addressing Core Principle B, applicants and registered derivatives clearing organizations may describe or otherwise document:</p> <p>(1) The resources dedicated to supporting the clearing function: (a) The level of resources available to the clearing organization and the sufficiency of those resources to assure that no material adverse break in clearing operations will occur in a variety of market conditions; and (b) The level of member/participant default such resources could support as demonstrated through use of hypothetical default scenarios that explain assumptions and variables factored into the illustrations; and</p> <p>(2) The nature of resources dedicated to supporting the clearing function: (a) The type of the resources, including their liquidity, and how they could be accessed and applied by the clearing organization promptly; (b) How financial and other material information will be updated and reported to members, the public, if and when appropriate, and to</p> | <p><u>Resources Dedicated to Clearing Function:</u></p> <p>Participants will be required to satisfy all Original and Variation Margin requirements in the form of Margin Eligible Assets applicable to the Contracts traded, as set forth in the rules of each contract cleared by the Clearinghouse (herein referred to as the “<u>Contract Rules</u>”).</p> <p>All Participants will be required to pre-fund their accounts with Margin Eligible Assets such that any net Original Margin due from the Participant to the Clearinghouse is available at the moment that a Contract is submitted for clearing.</p> <p>Furthermore, the Clearinghouse will require all Participants to maintain sufficient balances in their Clearing Accounts such that any Variation Margin due or increases in Original Margin may at any moment in time may be immediately covered by Margin Eligible Assets already on deposit with the Clearinghouse. Failure of a Participant to maintain sufficient margin balances, if unresolved by 12:00 Noon the following Trading Day (or, if the next Trading Day is not a Business Day, the next following Trading Day that is also a Business Day), will be an Event of Default.</p> <p>If an Event of Default should occur, with respect to any Participant, then the Participant will be automatically suspended and the Clearinghouse will liquidate the Participant’s Open Contract Positions pursuant to Rule VII-2. Pursuant to Rule VII-3, the Clearinghouse will first use any and all amounts previously paid by the Defaulting Participant pursuant to the applicable Contract Rules to cover any payment deficiency.</p> <p>The Clearinghouse will set Original Margin and Variation Margin requirements for each Contract such that, in all cases and upon liquidation of the Defaulting Participant’s position, the resources already on deposit will be sufficient to satisfy such Defaulting Participant’s net obligations to the Clearinghouse. To provide, however, for additional protection, to the extent Defaulting Participant resources are insufficient to cover any payment deficiency,</p> |

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| <p>the Commission on an ongoing basis; and (c) Any legal or operational impediments or conditions to access.”</p> | <p>then the deficiency will be satisfied from the Guaranty Fund provided and funded by the parent company of the Clearinghouse, Cantor Fitzgerald L.P. (“<u>Cantor</u>”).</p> <p>The Guaranty Fund will be maintained in an aggregate principal amount equal to the greater of (x) \$1,000,000 or (y) 1% of the aggregate Original Margin required to be provided by Participants. The Clearinghouse will have full and immediate access to these assets.</p> <p><u>Operational and Managerial Resources:</u></p> <p>The Clearinghouse will derive its operating capital in the form of an equity contribution from Cantor.</p> <p>In addition, Cantor has committed senior management personnel who will become employees of the Clearinghouse, and will be utilized by the Clearinghouse pursuant to agreements among the various entities. The number of such personnel committed to the operation of the Clearinghouse will be at a level appropriate to ensure the effective operation of the Clearinghouse and the satisfaction of their regulatory responsibilities</p> <p>The proposed structure of the Clearinghouse staff is presented as <u>Exhibit A</u>. The President and all Vice President level personnel will be directly employed by the Clearinghouse; certain operator level employees will be shared with other Cantor related business units, including the Exchange. Governance and management is further described in the Clearinghouse Rules.</p> <p><u>Access to Information:</u></p> <p>The Clearinghouse will maintain a website through which Participants and the public will be able to obtain and review current financial and other material information regarding the Clearinghouse and its operations.</p> |

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| <p><i>Core Principal C – Participant and Product Eligibility:</i> “The applicant shall establish –</p> <p>(i) appropriate admission and continuing eligibility standards (including appropriate minimum financial requirements) for members of and participants in the organization; and (ii) appropriate standards for determining eligibility of agreements, contracts, or transactions submitted to the applicant.</p> <p>In addressing Core Principle C, applicants and registered derivatives clearing organizations may describe or otherwise document:</p> <p>(1) Member/participant admission criteria: (a) How admission standards for its clearing members/participants would contribute to the soundness and integrity of operations; and (b) Matters such as whether these criteria would be in the form of organization rules that apply to all clearing members/participants, whether different levels of membership/participation would relate to different levels of net worth, income, and creditworthiness of members/participants, and whether margin levels, position limits and other controls would vary in accordance with these levels;</p> <p>(2) Member/participant continuing eligibility criteria: (a) A program for monitoring the financial status of its members/participants; and (b) Whether and how the clearing organization would be able to change continuing eligibility criteria in accordance</p> | <p><u>Membership/Participant Admission Criteria:</u></p> <p>In general, the Clearinghouse will have only one class of Participants. Participants will not have any proprietary interest in the Clearinghouse. All transactions cleared through the Clearinghouse will be cleared on a direct, non-intermediated basis by the Participants executing the transactions (on the Exchange or another facility or exchange). There will be no futures commission merchants or other intermediaries clearing transactions through the Clearinghouse on behalf of customers.</p> <p>Notwithstanding the foregoing, the Clearinghouse shall have the right to establish more than one class of Participants in connection with the clearing of particular Contracts.</p> <p>Each applicant to become a Participant that is an individual must (i) be at least 18 years of age, (ii) have a U.S. bank account in the name of the Participant, (iii) make an initial deposit appropriate to the Contracts then being traded to open a Clearing Account, and (iv) satisfy such other operational, regulatory or other requirements as may from time to time be adopted by the Clearinghouse.</p> <p>Each applicant to become a Participant that is an entity must (i) be duly organized and in good standing in its jurisdiction of organization, (ii) maintain a United States bank account in the name of the Participant, (iii) have the legal authority and be duly authorized and empowered to open accounts and effect transactions in futures and options, or other contracts, agreements or transactions, cleared through the Clearinghouse, (iv) make an initial deposit appropriate to the Contracts then being traded to open a Clearing Account, and (v) satisfy such other operational, regulatory or other requirements as may from time to time be adopted by the Clearinghouse.</p> <p>In considering any applicant for status as a Participant, the Clearinghouse may request additional information, or employ such other means that it deems desirable or appropriate to ascertain relevant facts bearing on the applicant’s qualifications. The Clearinghouse may limit the clearing of particular Contracts to specific classes of Participants based on</p> |

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| <p>with changes in a member’s/participant’s financial status;</p> <p>(3) Criteria for instruments acceptable for clearing: (a) The criteria, and the factors considered in establishing the criteria, for the types of agreements, contracts, or transactions it will clear; and (b) How those criteria take into account the different risks inherent in clearing different agreements, contracts, or transactions and how they affect maintenance of assets to support the guarantee function in varying risk environments; and</p> <p>(4) The clearing function for each instrument the organization undertakes to clear.”</p> | <p>financial, regulatory or other criteria established by the Clearinghouse. Without limitation of the foregoing, the Clearinghouse may determine to limit the clearing of particular Contracts to Participants that are financial institutions.</p> <p>Participants may hold either long or short positions and will be margined. Every applicant to become a Participant must designate an Approved Financial Institution for all applicable margin and settlement payments.</p> <p>Pursuant to Rule II-7, each Participant will be required to provide financial statements to the Clearinghouse at such times and in such form as may be prescribed by the Clearinghouse from time to time, or as may be required by any applicable Contract Rules. The Clearinghouse may, but shall not be required to, establish different requirements applicable to Participants that are natural persons.</p> <p><u>Participant Continuing Eligibility Criteria:</u></p> <p>The Clearinghouse has the right, at any time, to suspend, revoke, limit, condition, restrict or qualify the Clearing Privileges of any Participant if, in the sole discretion of the Board, such action is in the best interests of the Clearinghouse, including if such Participant: (i) fails to pay when due any margin requirements or any Clearinghouse dues, assessments, fees, fines or other amounts to be paid by such Participant, and such payment obligation remains unsatisfied for 30 consecutive days after its due date; (ii) is near insolvency or becomes insolvent, as determined by the Board in its sole discretion, (iii) fails to satisfy any other obligations to the Clearinghouse, including but not limited to any margin or settlement obligations, or (iv) fails to satisfy any final arbitration award rendered pursuant to the Rules of the Clearinghouse.</p> <p><u>Criteria for instruments acceptable to clearing:</u></p> <p>Initially, the Clearinghouse intends to clear only listed futures contracts and, specifically, DBOR Contracts. It is possible that the Clearinghouse will in the future clear other types of futures contracts or over the counter (“<u>OTC</u>”) products traded on exempt or excluded</p> |

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| | <p>facilities, although it has no current plans to do so. The eligibility to clear any particular instrument will require that either of the following two conditions can be met:</p> <ul style="list-style-type: none"> a. the market must be of sufficient depth and liquidity that the Clearinghouse can effect an offset of the economic risk resulting from a defaulting Participant by engaging in a sale of the instrument or its proxy in a cash or futures market; OR b. for illiquid markets or instruments, the Participants in that market must be willing to accept mutualization of the economic risk resulting from a defaulting Participant by allowing the Clearinghouse to offset such a position against the opposite side open interest as specified in the Clearinghouse rules for such market or instrument. <p>In all cases, the President or the Vice President of Risk Management shall establish risk parameters specific to the markets being cleared including any special risk or capital based requirements for each instrument or market such as Minimum Capital Requirements, Trade Acceptance Policies, Margin Methodologies, or Specialized Delivery Requirements.</p> <p>The Clearinghouse will enter into a Clearing Services Agreement with the Exchange (the “<u>Clearing Services Agreement</u>”), and with each other designated contract market or exempt or excluded facility for which it clears transactions, setting out the rights and obligations of the Clearinghouse and the exchange or facility. The Clearing Services Agreement is being submitted to the Commission as part of the Clearinghouse's application.</p> |
| <p>Core Principal D – Risk Management: <i>“The applicant shall have the ability to manage the risks associated with discharging the responsibilities of a derivatives clearing organization through the use of appropriate tools and procedures.</i></p> <p>In addressing Core Principle D, applicants and registered derivatives clearing organizations may</p> | <p><u>Use of Risk Analysis Tools and Procedures:</u></p> <p>The Clearinghouse will use a multi-layer risk management process including the following elements:</p> <ul style="list-style-type: none"> (1) Creating Risk Management Policies and Procedures; this includes identifying the specific topics to be covered in Policies and Procedures manuals; determining the frequency of reviews; and establishing the specific approval processes for all Policies |

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| <p>describe or otherwise document:</p> <p>(1) Use of risk analysis tools and procedures: (a) How the adequacy of the overall level of financial resources would be tested on an ongoing periodic basis in a variety of market conditions; (b) How the organization would use specific risk management tools such as stress testing and value at risk calculations; and (c) What contingency plans the applicant has for managing extreme market events;</p> <p>(2) Use of Security: (a) What forms and levels of Security would be established and collected; (b) How amounts would be adequate to secure prudentially obligations arising from clearing transactions and, where applicable, performing as a central counterparty; (c) The factors considered in determining appropriate margin levels for an instrument cleared and for clearing members/participants; (d) The appropriateness of required or allowed forms of margin given the liquidity and related requirements of the clearing organization; (e) How the clearing organization would value open positions and Security assets; and (f) The proposed margin collection schedule and how it would relate to changes in the value of market positions and Security values; and</p> <p>(3) Use of credit limits: If systems would be implemented that would prevent members/participants and other market participants</p> | <p>and Procedures.</p> <p>(2) Administering the Admissions Process for Participants; this includes setting the minimum conditions for approval and monitoring continued compliance with the financial conditions necessary to maintain privileges.</p> <p>(3) Managing Original Margin Policies and Procedures; this includes the identification and setting of original margin amounts, frequently reviewing the adequacy of original margin, and the approval process for new forms of margin.</p> <p>(4) Determining criteria for acceptable margin and haircuts; this includes reviewing the types of acceptable margin, determination of margin haircuts, and monitoring concentration limits on margin types.</p> <p>(5) Monitoring Daily and Intra-day Risk; this includes determining the type and frequency of routine reports; monitoring Participant financial changes, and mitigating intra-day by establishing the level for special intra-day pay/collects.</p> <p>(6) Managing Variation Margin Collection; this includes overseeing routine schedules for pay/collects, specifying methods so that margin collection requirements can be satisfied efficiently, and identifying technologies for the particular banking process being used.</p> <p>(7) Selecting and Implementing Stress-testing Systems; this includes identifying the suite of software tools required, establishing appropriate stress-testing scenarios to evaluate exposure to all Participants including sector based methodologies, and retesting scenarios as conditions change.</p> <p>In Risk Management Layer (1), Clearinghouse Staff will generate the risk management documents necessary for operating the Clearinghouse and complying with the Core Principles as required by CFTC regulations and the CEA.</p> |

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| <p>from exceeding credit limits and how they would operate.</p> | <p>In Risk Management Layer (2), and as described elsewhere, the risk management process continues with the Participant application process.</p> <p>However, once trades are presented to the Clearinghouse, the other layers of the risk management process enable the Clearinghouse to meet its responsibilities as a central counterparty. These are captured by Risk Management Layers (3), (4), (5), and (6).</p> <p>The margin policies, practices and procedures utilized in Risk Management Layers (3-6) will be under the direct oversight of the VP of Risk Management. This includes all policy issues relating to margin levels, the methodologies used to calculate margin requirements, the frequency of such calculations, the types of collateral accepted and the methodology for setting collateral haircuts. In discharging these responsibilities, the VP of Risk Management will review and approve the parameters used to calculate original margin requirements, based on recommendations developed by staff and coordinated with OTC or exchange markets as appropriate.</p> <p>The Clearinghouse will operate a continuous matching process for all submitted trades. As such, every trade obligation assumed by the Clearinghouse will have an equal and offsetting trade obligation so that the Clearinghouse will always have an aggregate matched book of positions against its Participants.</p> <p>The Clearinghouse will use a periodic variation margin process to ensure that losses are not allowed to accumulate in Participant accounts, minimizing the risk of default. For liquid markets this process will be driven by the trades being reported to the Clearinghouse; for illiquid markets this process will be driven by external pricing mechanisms.</p> <p>To further mitigate its risk, the Clearinghouse reserves the right to make additional calls for additional margin at any time when market conditions warrant. For example, such calls may be made whenever the price change for a given instrument exceeds the original margin level for that futures contract.</p> <p>From a risk management perspective, it is essential that the Clearinghouse ensures that it</p> |

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| | <p>has adequate, but not excessive, margin deposits to meet every Participant’s open obligations under normal market conditions. Similarly, those assets deposited as margin must meet prudential standards of liquidity so that the obligations of the Clearinghouse can be quickly met under a default scenario.</p> <p>Each month the Risk Management Department will conduct a statistical analysis of close-to-close price changes of each cleared contract over the preceding six months (or a lesser period for newly listed contracts) and will provide the President with their recommendations as to what margin intervals will reflect at least a 99% probability that the margin level will cover the daily price move. In between the regularly scheduled monthly review meetings, the President or the Vice President of Risk Management shall have authority to establish margin interval and spread credits as necessary to protect the interests of the Clearinghouse.</p> <p>In conducting this analysis, staff shall:</p> <ol style="list-style-type: none"> a. Identify and note the maximum, minimum, median and average price change during the preceding 30 and 90 day periods; b. Calculate the standard deviation about the mean price change for each of the aforementioned time periods; c. Identify and note the dollar amount per contract required to achieve a 99% probability that the margin intervals will cover the daily price move based on each of these time-frames; d. Note the current margin interval, price limit, trading volume and open interest for each and every instrument; e. Prepare and distribute a report displaying this information in appropriate tables and graphs; and, f. Provide the President with staff's recommendations as to appropriate margin and |

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| | <p>volatility intervals for margin calculation purposes, insuring that such recommendations have been coordinated with the relevant exchange market(s).</p> <p>For each cleared instrument, the President or the Vice President of Risk Management will determine an interval for which a price change in that futures equal to such interval will cause the original margin requirements for that futures contract to be automatically increased by 50% for two business days following the limit move.</p> <p>In addition to valuing the cleared contracts held by Participants, the Risk Management Department will also value any non-cash assets that have been placed with the Clearinghouse to satisfy Original Margin. Each asset so placed shall be marked to market on a daily basis utilizing price information provided by an independent third party. Furthermore, for the purposes of using the asset to cover Original Margin obligations, each asset that qualifies as margin will be subjected to a "haircut" to cover the price risk inherent to that type margin.</p> <p>The President will consider staff's recommendations regarding additional forms of acceptable assets to satisfy original margin requirements. As a general matter, in order to be considered acceptable, an asset must meet the following criteria:</p> <ul style="list-style-type: none"> a) There must be either adequate demand for the broad use of the asset among Participants or the asset must enhance the competitive position of the relevant market(s) products; b) An active secondary market must exist for the asset where there are regular quotations in an inter-dealer quotation system which represent bona fide offers to buy and sell in reasonable quantities at stated prices; c) Accurate, reliable and timely price information must be available from an independent third party source regarding asset values; and, d) The Clearinghouse must be capable of obtaining a perfected security interest in the |

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| | <p>asset.</p> <p>The Clearinghouse will also utilize various margin and risk systems and corresponding reports to support the risk management function. These include:</p> <p>Margin Systems</p> <ol style="list-style-type: none"> (1) Deployment of standard risk tools (e.g. SPAN) where appropriate; (2) Multi-layered account level portfolio margining; (3) Generation of statistical values on historical price streams of 30, 90, 125 days; (4) Clearinghouse surplus/deficit summary report, detailed account level surplus/deficit report, account level collateral reports; <p>Risk Systems</p> <ol style="list-style-type: none"> (1) Net Debit Cap System real-time, intra-day risk monitoring system <ol style="list-style-type: none"> a. intra-day recalculation and monitoring of pay/collect, margins, surplus deficits, and total risk exposure obligations b. drill-down of Participant accounts –portfolio level and product level; c. utilization of multiple pricing sources as appropriate – quote vendors, internal exchange feed, clearinghouse trade feed, and a manual feed; d. utilization of error checking methods and algorithms to validate quotes; e. positions and margins are updated and saved every 60 minutes; |

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| | <p>f. monitor limit breaches with email notification.</p> <p>(2) General Risk Reports</p> <p>a. Participant margin requirements in detail and summary;</p> <p>b. Participant margin on deposits in detail and summary;</p> <p>c. Participant surplus/deficit in detail and summary;</p> <p>d. Participant variation pay/collect in detail and summary;</p> <p>e. Participant final pay/collect in detail and summary;</p> <p>f. Participant combined pay/collect and surplus/deficit;</p> <p>g. Historical pay/collect ratio reports – 5, 30, 120, YTD average P/C;</p> <p>h. volume and open interest reports;</p> <p>i. large trader risk reports. The Clearinghouse will review the principal amount held in the Guaranty Fund on a periodic basis to confirm that the aggregate principal amount equals (1) the greater of (A) \$1,000,000 and (B) one percent (1%) of the 90-day trailing average of Original Margin required to be maintained or provided by Participants.</p> <p>At any time, the Clearinghouse may increase Participant margins to reflect changes in the volatility of an underlying market and/or may require the deposit of “super margin” by any Participant who presents an exceptional risk to the Clearinghouse because of its positions or trading behavior.</p> <p><u>Use of Security and Credit Limits:</u></p> |

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| | <p>As described in Article IV of the Rules of the Clearinghouse of the Clearinghouse, each Participant will be required to pay all amounts of Original Margin, Variation Margin and any other margin in connection with each Contract traded, as specified in the applicable Contract Rules. Please see the DBOR Contract Rules for margin requirements applicable to the DBOR Contracts.</p> <p>Margin-Eligible Assets, with respect to the margining of the DBOR Contracts, will include only cash, obligations of the United States Department of the Treasury or other non-cash assets that may be approved by the Clearinghouse from time to time.</p> <p>The Board, in its discretion, may from time to time designate any bank, trust company or other institution as an Approved Financial Institution for the purpose of guaranteeing the obligations of, or providing credit support to (including, but not limited to, by issuing letters of credit on behalf of) any Participant.</p> |
| <p>Core Principal E – Settlement Procedures: <i>“The applicant shall have the ability to –(i) complete settlements on a timely basis under varying circumstances; (ii) maintain an adequate record of the flow of funds associated with each transaction that the applicant clears; and (iii) comply with the terms and conditions of any permitted netting or offset arrangements with other clearing organizations.</i></p> <p>In addressing Core Principle E, applicants and registered derivatives clearing organizations may describe or otherwise document:</p> <p>(1) Settlement time frame: (a) Procedures for completing settlements on a timely basis during</p> | <p>The Clearinghouse has established the daily processing guidelines and procedures for settlement, as described below. Furthermore, to facilitate settlements, the Clearinghouse will establish a relationship with one or more Settlement Banks that are currently engaged in settling U.S. futures contracts on designated contract markets. In coordination with the banking institution(s), the Clearinghouse will formalize the specific Settlement Procedures employed for the instruments it will clear.</p> <p>Procedurally, the Clearinghouse will update each Participant’s account with the trades matched in real time. At the same time, the Clearinghouse will obtain current market prices from the relevant market and all matched trades and prior positions will be marked to that price. With this completed, as soon as practical after the End of Trading on each Trading Day, the Clearinghouse will provide its Participants with the applicable reports as provided in Chapter V of the Rules of the Clearinghouse and the applicable Contract Rules. Immediately thereafter, the final trade registers reflecting the day's positions shall be generated, with the final settlement price and all trades for that day, including the</p> |

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| <p>times of normal operating conditions; and (b) Procedures for completing settlements on a timely basis in varying market circumstances including during a period when one or more significant members/participants have defaulted;</p> <p>(2) Recordkeeping: (a) The nature and quality of the information collected concerning the flow of funds involved in clearing and settlement; and (b) How such information would be recorded, maintained and accessed; and</p> <p>(3) Interfaces with other clearing organizations: How compliance with the terms and conditions of netting or offset arrangements with other clearing organizations would be met, including, among others, common banking or common clearing programs.</p> | <p>Participant’s new ending position.</p> <p>The Clearinghouse will then calculate a final net Variation Margin amount for each Participant’s account, increasing or decreasing this amount, by the amount already debited or credited as a result of the intraday activity. The Clearinghouse will also calculate a revised original margin requirement for each Participant based on the net positions resulting from this update and these amounts will be included in the variation margin calculation. The Clearinghouse will then calculate the net pay, or collect, for each Participant within the respective customer and house accounts and move funds within the Clearinghouse books and records as appropriate.</p> <p>It is important to stress the Clearinghouse requirement that each Participant maintain margin sufficiency at all times. While this requirement does not preclude the possibility that a Participant may have a margin call, it substantially mitigates the risk that the Clearinghouse has to any defaulting Participant.</p> <p>For a description of the settlement procedures applicable to DBOR Contracts, please see the DBOR Contract Rules.</p> <p><u>Settlement Time Frame:</u></p> <p>A chart of the relevant Settlement cycle time frames is provided as <u>Exhibit B</u>.</p> <p><u>Recordkeeping:</u></p> <p>The records to be maintained by the Clearinghouse with respect to all flows of funds will include: (1) Authorized wire instructions; (2) bank statements showing wire fund movements and balances (electronic and paper format); and (3) accounting system entries.</p> <p>These records will be maintained by the Clearinghouse for a minimum period of five years in electronic and/or paper format and will be readily accessible for the first two years of this</p> |

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| | <p>period.</p> <p><u>Interfaces with other clearing organizations:</u></p> <p>No interfaces with other clearing organizations are currently contemplated.</p> <p><u>Interfaces with Settlement Banks</u></p> <p>J.P. Morgan Chase will serve as the settlement bank for the Clearinghouse and will hold all assets of Participants deposited by the Clearinghouse in an account that is segregated in accordance with Commission Rule 1.20. Such assets will be invested in a J.P. Morgan Chase money market fund that is a permissible investment under Commission Rule 1.25 .</p> |
| <p>Core Principal F – Treatment Of Funds: <i>“The applicant shall have standards and procedures designed to protect and ensure the safety of member and participant funds.</i></p> <p>In addressing Core Principles F, applicants and registered derivatives clearing organizations may describe or otherwise document:</p> <p>(1) Safe custody: The safekeeping of funds, whether in accounts, in depositories, or with custodians, and how it would meet industry standards of safety; (a) Any written terms regarding the legal status of the funds and the specific conditions or prerequisites for movement of the funds; and (b) The extent to which the deposit of funds in accounts in depositories or with custodians would limit concentration of risk;</p> <p>(2) Segregation between Subscriber and proprietary</p> | <p><u>Safe Custody and Segregation of Funds:</u></p> <p>Pursuant to Rule IV-2, each Participant will establish and maintain only one Clearing Account to track Open Contract Positions, Closed Contract Positions, Contract Profit or Loss Amounts and the corresponding margin requirements.</p> <p>The Clearinghouse will establish relationships with one or more Custody Banks (as defined in the Rules of the Clearinghouse) approved by the Board, based on their creditworthiness and other factors. Each such clearing bank must be a major financial institution. The Clearinghouse will commingle the funds in each Clearing Account at an approved Custody Bank, but will maintain a separate account on its books and records for each Participant.</p> <p>The Clearinghouse will ensure that all Participant funds are maintained in segregation at all times in accordance with the Commission’s rules and the Commodity Exchange Act. Without limitation of the foregoing, the Clearinghouse will, upon opening a Custody Account, will obtain and hold in its files an acknowledgement from the relevant bank, trust company or other institution that it has been informed that the obligations belong to the Participant and are being held in accordance with applicable CEA and CFTC rules.</p> |

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| <p>funds: Requirements or restrictions regarding commingling Subscriber funds with proprietary funds, obligating Subscriber funds for any purpose other than to purchase, clear, and settle the products the clearing organization is clearing, or procedures regarding Subscriber funds which are subject to cross-margin or similar agreements, and any other aspects of Subscriber fund segregation; and</p> <p>(3) Investment standards: (a) How Subscriber funds would be invested consistent with high standards of safety; and (b) How the organization will gather and keep associated records and data regarding the details of such investments.”</p> | <p>J.P. Morgan Chase will serve as the settlement bank for the Clearinghouse.</p> <p><u>Investment Standards:</u></p> <p>The Clearinghouse will invest any available Participant funds only in those instruments permissible under Commission Rule 1.25.</p> |
| <p>Core Principal G – Default Rules And Procedures: <i>“The applicant shall have rules and procedures designed to allow for efficient, fair, and safe management of events when members or participants become insolvent or otherwise default on their obligations to the derivatives clearing organization.</i></p> <p>In addressing Core Principle G, applicants and registered derivatives clearing organizations may describe or otherwise document:</p> <p>(1) Definition of default: (a) The events that will constitute member of participant default; (b) What action the organization would take upon a default and how the organization would otherwise enforce</p> | <p><u>Definition of Default</u></p> <p>The Rules of the Clearinghouse contains specific default provisions and remedies under which the Clearinghouse is able to enforce all Rules, including the applicable Contract Rules. The Contract Rules may also specify differing or additional default provisions and remedies for each applicable contract. The definition of default includes a number of explicit provisions as well as considerable discretion to the Clearinghouse in determining an Event of Default. Some key components of Events of Default with respect to a Participant include:</p> <ul style="list-style-type: none"> • Failure to meet Contract obligations; • A failure to pay any other amounts due by such Participant; • The commencement of a voluntary or involuntary bankruptcy proceeding against such Participant; • An application by the Securities Investor Protection Corporation or other regulatory or |

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| <p>the definition of default; and (c) How the organization would address situations related to but which may not constitute an event of default, such as failure to comply with certain rules, failure to maintain eligibility standards, actions taken by other regulatory bodies, or other events;</p> <p>(2) Remedial action: The authority pursuant to which, and how, the clearing organization may take appropriate action in the event of the default of a member/participant which may include, among other things, closing out positions, replacing positions, set-off, and applying margin;</p> <p>(3) Process to address shortfalls: Procedures for the prompt application of clearing organization and/or member/participant financial resources to address monetary shortfalls resulting from a default;</p> <p>(4) Use of cross-margin programs: How cross-margining programs would provide for clear, fair, and efficient means of covering losses in the event of a program participant default; and</p> <p>(5) Subscriber priority rule: Rules and procedures regarding priority of Subscriber accounts over proprietary accounts of defaulting members/participants and, where applicable, in the context of specialized margin reduction programs such as cross-margining or trading links with other exchanges.</p> | <p>self-regulatory authority for a protective decree with respect to such Participant;</p> <ul style="list-style-type: none"> • Failure by a Participant holding a short Contract position to satisfy its obligations with respect to a delivery or settlement notice on or before the time specified in the relevant Contract Rules, or as otherwise specified by the Clearinghouse; • Failure by a Participant holding a long Contract position to accept delivery or make full payment when due as specified in the relevant Contract Rules, as applicable; or • The Approved Financial Institution of such Participant fails to timely honor any draft under any letter of credit or other credit support facility issued for the benefit of the Clearinghouse on account of such Participant. <p><u>Remedial Action</u></p> <p>Upon the occurrence of an Event of Default, the Clearinghouse may undertake a number of remedial actions as described in Chapter VII of the Rules of the Clearinghouse, including, among other things:</p> <ul style="list-style-type: none"> • Other than in certain circumstances, the Participant will automatically and without further action be suspended as a Participant (except that such suspension may be temporarily postponed by the President of the Clearinghouse if the President determines that such suspension would not be in the best interests of the Clearinghouse, subject to review by the Board, as described in the Rules of the Clearinghouse); • Other than in certain circumstances, all Open Contract Positions carried by the Clearinghouse for such Person, whether in one or more Clearing Accounts, will be liquidated in the manner set forth in the rules of the Clearinghouse as expeditiously as practicable; or • If the Clearinghouse determines not to liquidate one or more Open Contract Positions, or if the Clearinghouse is unable for any reason to liquidate one or more Open Contract Positions in a prompt and orderly fashion, the Clearinghouse may engage in hedging transactions for its own account, solely for the purpose of reducing the risk to the |

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| | <p>Clearinghouse resulting from the continued maintenance of such Open Contract Positions.</p> <p>In addition to the foregoing, and as noted above, the Contract Rules for each contract cleared through the Clearinghouse may impose additional procedures that will apply upon an Event of Default.</p> <p>When a Participant is in default due to failure to meet a margin call such Participant's Open Contract Positions will be liquidated as expeditiously as is practicable in such a manner as the Clearinghouse may direct to insure that one hundred percent (100%) risk cover is guaranteed by such Participant's Original Margin held at the Clearinghouse and that such liquidation is achieved on the same day as the day on which the default occurs.</p> <p>The Participant whose Contracts are liquidated will be liable to the Clearinghouse for any shortfall and for any commissions or other expenses incurred in liquidating such Contracts.</p> <p>Any such liquidation may be effected by placing orders for the purchase or sale of Contracts on the relevant exchange or trading facility and subject to the rules of the Exchange.</p> <p>Furthermore, with respect to contracts that do not have liquid underlying cash markets (e.g. DBOR Contracts) the Clearinghouse may offset such Contracts against the opposite side open interest on a last-in first-out basis at a price equal to the settlement price on the day such liquidation is ordered or at such other price as the Clearinghouse may establish.</p> <p><u>Process to Address Shortfalls</u></p> <p>As described in Chapter VII of the Rules of the Clearinghouse, if a shortfall exists after the application of all applicable amounts held by the Clearinghouse, and the defaulting Participant fails to pay the Clearinghouse the amount of such shortfall on demand, the defaulting Participant will continue to be liable for the deficiency but the amount of such deficiency, until collected from the defaulting Participant, will be satisfied from the</p> |

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| | <p>following sources of funds in the order listed:</p> <ul style="list-style-type: none"> • Any loan obtained by the Clearinghouse (on terms and conditions determined by the President); • the Guaranty Fund; and • a portion of the surplus of the Clearinghouse (as determined by the Board). <p><u>Use of Cross-Margin Programs</u></p> <p>The Clearinghouse does not currently anticipate that it will participate in cross-margin programs.</p> |
| <p>Core Principal H – Rule Enforcement: <i>“The applicant shall – (i) maintain adequate arrangements and resources for the effective monitoring and enforcement of compliance with rules of the applicant and for resolution of disputes; and (ii) have the authority and ability to discipline, limit, suspend, or terminate a member’s or participant’s activities for violations of rules of the applicant.</i></p> <p>In addressing Core Principle H, applicants and registered derivatives clearing organizations may describe or otherwise document:</p> <p>(1) Surveillance: Arrangements and resources for the effective monitoring of compliance with rules relating to clearing practices and financial</p> | <p><u>Surveillance:</u></p> <p>There are a number of systems and reporting requirements in place to ensure compliance with the Rules of the Clearinghouse and the applicable Contract Rules: (a) <i>System Monitoring</i> – The Clearinghouse, with the assistance of the National Futures Exchange (“NFA”) (all contracts traded on a DCM), will maintain ongoing monitoring of trades to ensure proper market surveillance; and (b) <i>System Safeguards</i> – The clearing system will not accept trades from any Participant until all margin obligations required by the applicable Contract Rules have been satisfied.</p> <p>A Sample compliance report list is presented in <u>Exhibit C</u>.</p> <p><u>Enforcement:</u></p> <p>As described in Chapter VIII of the Rules of the Clearinghouse, the Board will have the ultimate responsibility to enforce compliance with the Rules of the Clearinghouse and the policies and requirements of the Clearinghouse. Certain aspects of monitoring and enforcement of compliance with the Rules of the Clearinghouse will be outsourced to the NFA. The Exchange has executed a Regulatory Services Agreement with the NFA (the</p> |

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| <p>surveillance;</p> <p>(2) Enforcement: Arrangements and resources for the effective enforcement of rules and authority and ability to discipline and limit or suspend a member's/participant's activities pursuant to clear and fair standards; and</p> <p>(3) Dispute resolution: Where applicable, arrangements and resources for resolution of disputes between Subscribers and members/participants, and between members/participants.</p> | <p>“<u>Regulatory Services Agreement</u>”). An execution draft of the Regulatory Services Agreement has previously been submitted to the Commission on an informal basis and is being submitted as a part of this application.</p> <p><u>Dispute Resolution:</u></p> <p>As described in Chapter VIII of the Rules of the Clearinghouse, any Participant that has a dispute, claim or controversy with or against another Participant or the Clearinghouse with respect to any Contract must submit such dispute, claim or controversy to arbitration in accordance with the Rules of the Clearinghouse. Any dispute, claim or controversy that the Clearinghouse may have with or against any Participant must be resolved in accordance with the Rules of the Clearinghouse.</p> <p>Notwithstanding anything to the contrary in the foregoing, the Clearinghouse may at any time seek equitable relief against any Participant (<i>e.g.</i>, a stay, injunction or order of attachment) in any court of competent jurisdiction.</p> |
| <p>Core Principal I – System Safeguards: <i>“The applicant shall demonstrate that the applicant – (i) has established and will maintain a program of oversight and risk analysis to ensure that the automated systems of the applicant function properly and have adequate capacity and security; and (ii) has established and will maintain emergency procedures and a plan for disaster recovery, and will periodically test backup facilities sufficient to ensure daily processing, clearing, and settlement of transactions.</i></p> <p>In addressing Core Principle I, applicants and registered derivatives clearing organizations may</p> | <p><u>Oversight/risk analysis program:</u></p> <p>The principles, procedures and third party assessments for the oversight of the Clearinghouse’s clearing system, capacity and security are as follows:</p> <p>The clearing system provides for the maintenance and updating of Clearing Accounts. The capacity monitoring of these clearing systems is necessarily interlinked with the trading system, incorporating network and hardware utilization thresholds and monitoring with automatic alerts to system operations staff. The principles of capacity monitoring are those of pro-active use of the system’s inherent scalability.</p> <p>System resource parameter data is collected daily and archived. This data is examined to ensure that system ‘high water marks’ are not being hit. The Help Desk receives “trouble” calls from both internal and external sources. The Help Desk function is supplemented by the Operations Control Center during the night, providing 24 hour telephone support for</p> |

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| <p>describe or otherwise document:</p> <p>(1) Oversight/risk analysis program: (a) Whether a program addresses appropriate principles and procedures for the oversight of automated systems to ensure that its clearing systems function properly and have adequate capacity and security. The Commission believes that the guidelines issued by the International Organization of Securities Commissions (IOSCO) in 1990 and adopted by the Commission on November 21, 1990 (55 FR 48670), as supplemented in October 2000, are appropriate guidelines for an automated clearing system to apply; (b) Emergency procedures and a plan for disaster recovery; and (c) Periodic testing of back-up facilities and ability to provide timely processing, clearing, and settlement of transactions; and</p> <p>(2) Appropriate periodic objective system reviews/testing: (a) Any program for the periodic objective testing and review of the system, including tests conducted and results; and (b) Confirmation that such testing and review would be performed or assessed by a qualified independent professional.”</p> | <p>customers, 6 days per week. In the event of a hardware or network problem, the Operations Control Center and Network Control Center follow documented procedures for problem identification, reporting, and recovery. In the event of a software problem, the Help Desk routes trouble calls to the Application Support Group. This group provides first and subsequent levels of support including software problem identification, reporting, and resolution.</p> <p><u>Security:</u></p> <p>A layered approach to security is employed. At the Internet edge, high volume specialist firewalls are used to defend against Distributed Denial of Service (DDOS) attacks. Beneath this layer are deployed standard Cisco edge routers and Cisco firewall technology to only allow legitimate traffic to flow into the network. Actual servers are positioned on a De-Militarized Zone (“DMZ”), with careful access control. Network based intrusion detection is deployed, and host based protection software used on physical servers.</p> <p>Monitoring is enabled by having all firewall, edge router and Intrusion Detection Server (“IDS”) alerts are monitored via Cisco Works. Server or Host based IDS alerts are monitored through Big Brother monitoring software.</p> <p>Firewalls, edge routers and IDS fall under the responsibility of the Cantor network team.</p> <p>Host based Big Brother alerts are monitored by the Cantor System Administrative team.</p> <p><u>Emergency Authority of the Board:</u></p> <p>Procedures for the exercise of emergency authority by the Board are set forth in Rule VII-4. In the event of an emergency, the President (with concurrence of a majority of the Board) may institute a temporary emergency rule which may remain in effect for up to 30 Business Days. If the President, the Chairperson of the Board or the most senior available Vice President determines that the functions of the Clearinghouse are or are threatened to be severely and adversely affected by a physical emergency, then such person may take such</p> |

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| | <p>action as is necessary to respond to the physical emergency, including closing the Clearinghouse or suspending clearing.</p> <p><u>Appropriate periodic objective system reviews/testing:</u></p> <p>The Clearinghouse will contract with Cantor Fitzgerald, L.P. to provide periodic audit, validation and advisory services to the Clearinghouse in the area of system reviews and testing, on a periodic basis.</p> |
| <p>Core Principal J – Reporting: <i>“The applicant shall provide to the Commission all information necessary for the Commission to conduct the oversight function of the applicant with respect to the activities of the derivatives clearing organization.</i></p> <p>In addressing Core Principle J, applicants and registered derivatives clearing organizations may describe or otherwise document:</p> <p>(1) Information available to or generated by the clearing organization that will be made routinely available to the CFTC, upon request and/or as appropriate, to enable the CFTC to perform properly its oversight function, including information regarding counterparties and their positions, stress test results, internal governance, legal proceedings, and other clearing activities;</p> <p>(2) Information the clearing organization will make available to the CFTC on a non-routine basis and the circumstances which would trigger such action;</p> | <p>The Clearinghouse will provide the Commission with any information that it requires in order to conduct its oversight function of the Clearinghouse under the CEA. Rule I-4 permits the Clearinghouse to disclose to the Commission information concerning contracts, financial statements and other information pursuant to the requirements of the CEA or CFTC Regulation. The Clearinghouse will also make available to the Commission, on request, information as to the identity of Participants, results of risk analyses, disciplinary and other legal proceedings and other similar information.</p> <p>For designated contract markets, the Clearinghouse will make available to Participants and the public, through its website, daily information regarding executed and cleared transaction volumes, open interest, settlement prices and other pertinent information necessary or desirable for the underlying contracts.</p> <p>For OTC cleared products (including those executed on an exempt or excluded facility), information will be made available to the Participants registered with the Clearinghouse to receive such information and such information may be accessed upon their System login.</p> |

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| <p>(3) The information the organization intends to make routinely available to members/participants and/or the general public; and</p> <p>(4) Provision of information: (a) The manner in which all relevant routine or non-routine information will be provided to the CFTC, whether by electronic or other means; and (b) The manner in which any information will be made available to members/participants and/or the general public.”</p> | |
| <p>Core Principal K – Recordkeeping: <i>“The applicant shall maintain records of all activities related to the business of the applicant as a derivatives clearing organization in a form and manner acceptable of the Commission for a period of 5 years.</i></p> <p>In addressing Core Principle K, applicants and registered derivatives clearing organizations may describe or otherwise document:</p> <p>(1) The different activities related to the entirety as a clearing organization for which it must maintain records; and</p> <p>(2) How the entity would satisfy the performance standards of Commission regulation 1.31 (17 CFR 1.31), reserved in this part 39 and applicable to derivatives clearing organizations, including: (a) What “full” or “complete” would encompass with</p> | <p>The Clearinghouse will maintain records of all activities related to its business for a period of five years and in accordance with Commission Regulation § 1.31.</p> <p>In particular, the Clearinghouse will maintain: (a) Transaction records – Records of all transactions that are undertaken through the Clearinghouse.</p> <p>The records include such details as time and date of transaction, transaction specifications, transacting parties and pricing; (b) Daily Position Reports – The Clearinghouse generates a daily position report which shows current positions; and (c) Financial Settlement Documents – Bank records will be available to evidence the flow of funds for the settlement process. For more information, please see the report list attached as Exhibit C. The reports on this list can be re-generated for any period going back five years.</p> <p>All books and records of the Clearinghouse will be available for inspection by representatives of the Commission or the U.S. Department of Justice at any time. As noted, such books and records will be maintained for a period of five years, and will be readily accessible for the first two years of this period.</p> |

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| <p>respect to each type of book or record that would be maintained; (b) The form and manner in which books or records would be compiled and maintained with respect to each type of activity for which such books or records would be kept; (c) Confirmation that books and records would be open to inspection by any representative of the Commission or of the U.S. Department of Justice; (d) How long books and records would be readily available and how they would be made readily available during the first two years; and (e) How long books and records would be maintained (and confirmation that, in any event, they would be maintained for at least five years).”</p> | |
| <p>Core Principal L – Public Information: <i>“The applicant shall make information concerning the rules and operating procedures governing the clearing and settlement systems (including default procedures) available to market participants.</i></p> <p>In addressing Core Principle L, applicants and registered derivatives clearing organizations may describe or otherwise document disclosure of information regarding rules and operating procedures governing clearing and settlement systems:</p> <p>(1) Which rules and operating procedures governing clearing and settlement systems should be disclosed to the public, to whom they would be disclosed, and</p> | <p>The Clearinghouse’s website, which will be routinely updated, will contain pertinent information reasonably required by Participants regarding the clearing and settlement systems and default procedures. For example, the Clearinghouse’s website will provide information regarding market data and transaction data, including information regarding transaction volume, open interest, and settlement prices. The Rules of the Clearinghouse and any amendments will be made publicly available on the Clearinghouse’s website. Critical information will also be shared with Participants via e-mail as required by the applicable Contract Rules for each Contract traded on the Exchange and cleared by the Clearinghouse.</p> |

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| <p>how they would be disclosed;</p> <p>(2) What other information would be available regarding the operation, purpose and effect of the clearing organization’s rules;</p> <p>(3) How members/participants may become familiar with such procedures before participating in operations; and</p> <p>(4) How members/participants will be informed of their specific rights and obligations preceding a default and upon a default, and of the specific rights, options and obligations of the clearing organization preceding and upon the member’s/participant’s default.”</p> | |
| <p>Core Principal M – Information Sharing: <i>“The applicant shall – (i) enter into and abide by the terms of all appropriate and applicable domestic and international information-sharing agreements; and (ii) use relevant information obtained from the agreements in carrying out the clearing organization’s risk management program.</i></p> <p>In addressing Core Principle M, applicants and registered derivatives clearing organizations may describe or otherwise document:</p> <p>(1) Applicable appropriate domestic and international information-sharing agreements and</p> | <p>The Clearinghouse recognizes the critical role that central counterparties have in reducing systemic risk in the financial market. Through information sharing with other DCOs it is possible for risk concentrations to be identified and payment grid lock to be mitigated.</p> <p>The Clearinghouse intends to enter into appropriate information sharing arrangements with the Joint Audit Committee and the Joint Compliance Committee for the purposes of clearing the Designated Contract Market. No other information sharing arrangements are currently contemplated.</p> |

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| <p>arrangements including the different types of domestic and international information-sharing arrangements, both formal and informal, which the clearing organization views as appropriate and applicable to its operations; and</p> <p>(2) How information obtained from information-sharing arrangements would be used to carry out risk management and surveillance programs: (a) How information obtained from any information-sharing arrangements would be used to further the objectives of the clearing organization’s risk management program and any of its surveillance programs including financial surveillance and continuing eligibility of its members/participants; (b) How accurate information is expected to be obtained and the mechanisms or procedures which would make timely use and application of all information; and (c) The types of information expected to be shared and how that information would be shared.”</p> | |
| <p>Core Principal N – Antitrust Considerations: <i>“Unless appropriate to achieve the purposes of this Act, the derivatives clearing organization shall avoid – (i) adopting any rule or taking any action that results in any unreasonable restraint of trade; or (ii) imposing any material anticompetitive burden on trading on the contract market.</i></p> <p>Pursuant to section 5b(c)(3) of the Act, a registered derivatives clearing organization or an entity seeking</p> | <p>The Clearinghouse believes that the Rules of the Clearinghouse have been designed to avoid unreasonable restraints of trade or the imposition of any material anticompetitive burden on trading, as will the Contract Rules for each Contract approved for clearing by the Clearinghouse.</p> <p>In particular, access to the Clearinghouse will not require the acquisition of any equity interest but will be available to a broad range and potentially unlimited number of participants on a fair, equitable and timely basis. The Clearinghouse will operate through precise and predetermined electronic algorithms, without discrimination among different</p> |

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| <p>registration as a derivatives clearing organization may request that the ASC issue an order concerning whether a rule or practice of the organization is the least anticompetitive means of achieving the objectives, purposes, and policies of the Act. The ASC intends to apply section 15(b) of the Act to its consideration of issues under this core principle in a manner consistent with that previously applied to contract markets.”</p> | <p>users or user groups.</p> |

EXHIBIT A

Organization Chart Cantor Clearing

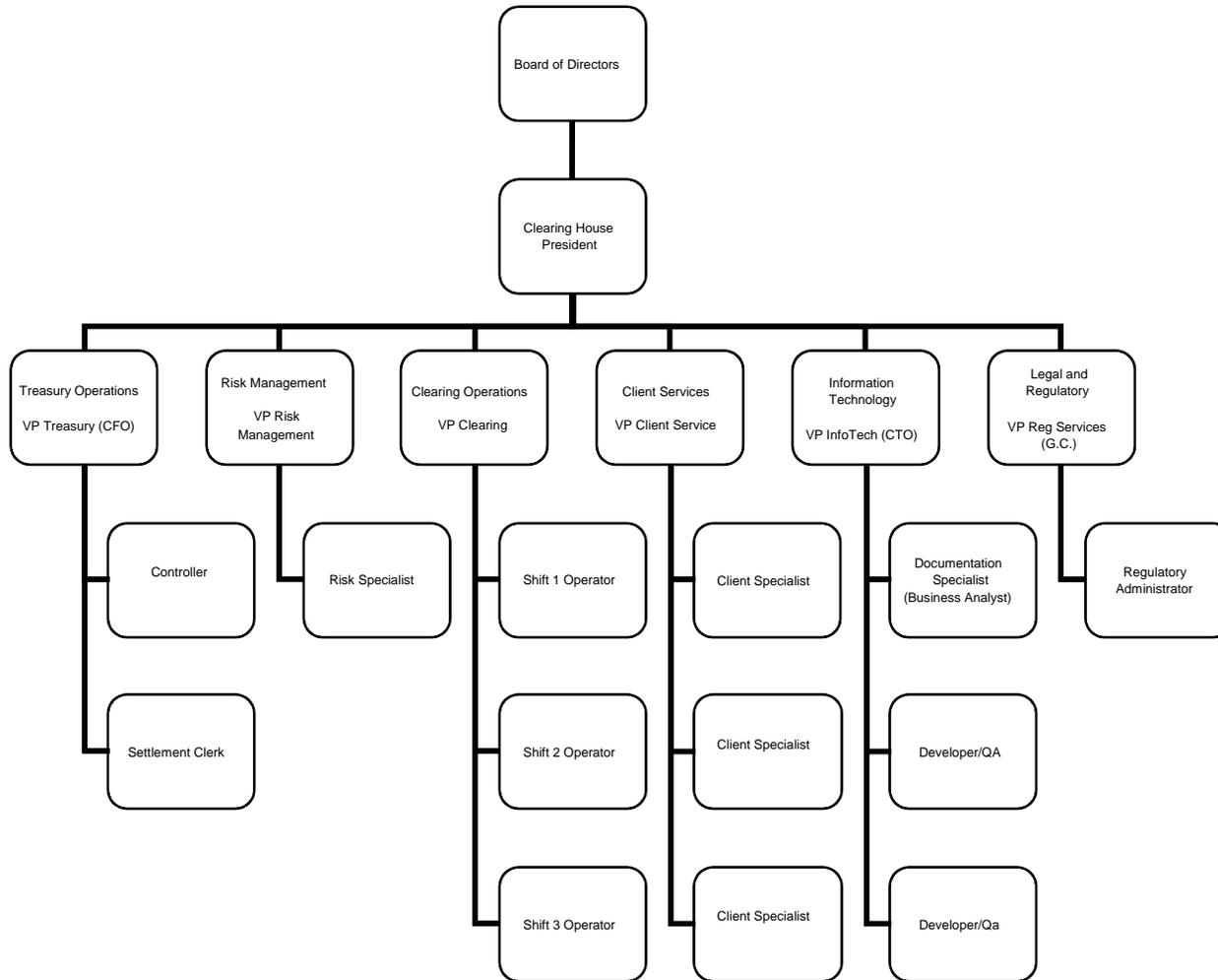


EXHIBIT B

Settlement Time Frames²

| SETTLEMENT CYCLE | |
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| Continually (24 hours) | Variation margin is credited and debited between all Participants on the books and records of the Clearinghouse. Variation margin is not eligible for withdrawal by Participants until ALL amounts due to/from the Clearinghouse are processed. |
| 5:00 pm (New York Time) | End of day reference prices are taken for all markets. All end of day business processes take place. The books and records of the Clearinghouse are updated; net margin rates and price limits take effect. |
| As soon as practical after 5:00 pm | Official settlement prices, margin rates, and daily price limits (if any) are updated and sent electronically to Participants. |
| 7:00 pm | Participant requests for funds withdrawal are processed. Excess amounts available resulting from the End of Trading on such Trading Day will be processed the next day at 3:00 pm. |
| As soon as practical thereafter | Volume and Open Interest through the End of Trading for such Trading Day (for futures markets) are calculated. Participants receive their daily reports from the Clearinghouse that they are entitled to pursuant to the Rules of the Clearinghouse and the applicable Contract Rules. |
| As soon as practical thereafter | Any Participants who have an amount due to the Clearinghouse will be provided electronically notified of their failure to maintain margin sufficiency and the amounts (with details) required to be sent to the Clearinghouse. |
| By 12:00 Noon (next day) | Participants with an amount due to the Clearinghouse must have funded the requirement in full. |
| As soon as practical thereafter | Any Participant failing to fund requirement is in default; liquidation procedures begin immediately. |
| 3:00 pm | The Clearinghouse processes routine Participant withdrawal requests verifying that such requests do not proceed if |

² The procedures in this Exhibit B are of general applicability, but do not necessarily apply to the clearing of DBOR Contracts. Please also see the DBOR Contract Rules for a description of settlement procedures applicable to the DBOR Contracts.

| SETTLEMENT CYCLE | |
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| | such withdrawal is being requested by a Participant in default. |

EXHIBIT C

Reports
(Produced as appropriate for Products Cleared)

| Report | Department |
|--|-------------------|
| Exchange/ Sector/ Product Calendars | Administrative |
| Trader Listing & Status | Administrative |
| Participant Listing & Status | Administrative |
| New Participant/ New AT Listing | Administrative |
| Total Trading by Participant/ AT | Administrative |
| Financial Status Check | Administrative |
| Profit/ Loss by Large Trader, Participant, Trader | Clearing |
| Letter of Credit Surveillance | Clearing |
| Treasury Maturity report | Clearing |
| Assets by Account, Participant, AT | Clearing |
| Assets by Custody Bank | Clearing |
| Deficit report | Clearing |
| Billing and Fees by Participant | Clearing |
| Investment Report | Clearing |
| Position and Margin Statement | Clearing |
| Margin Setting Reports | Clearing |
| Excess Available Margin Report | Clearing |
| Daily Trade and Position Register by Market, Contract, Participant | Clearing |
| Asset Inventory Bank Concentration Report for Letters of Credit | Clearing |
| Asset Security Deposit Summary Report | Clearing |
| Withdrawal Report | Clearing |
| Participant margins statement by risk class | Clearing |
| Margin Comparison Report | Clearing |
| Asset Correction Report | Clearing |
| Full Value Delivery Margin Requirements | Clearing |
| Net Bank Transfers | Clearing |
| Settlement Recap by Participant, Reconciliation of Daily Activity | Clearing |

| Report | Department |
|---|-------------------|
| Bank Wire Activity Recap | Clearing |
| Early Settlement Price | Clearing |
| Settlement Price/ Intramarket Price Report | Clearing |
| Delivery Assignment Report | Clearing |
| Delivery Status Report | Clearing |
| Futures Delivery Recap | Clearing |
| Gross positions listing by position account | Clearing |
| FIA Monthly Report | Market Info |
| Daily Market Report | Market Info |
| Records Report | Market Info |
| Exchange Records Report | Market Info |
| Monthly Records Report | Market Info |
| Clearing Records | Market Info |
| Delivery Information Current Summary | Market Info |
| Times and Sales Historical & Current | Market Info |
| Delivery Information Current Detail | Market Info |
| Price Limits by Market | Product Specs |
| Margins by Product, Market | Product Specs |
| Trading Units by Market | Product Specs |
| Reporting Limits by Market | Product Specs |
| Position Limits by Market | Product Specs |
| Delivery Specification by Market | Product Specs |
| Salient Features by Market & Contract | Product Specs |
| Listing of Contract by Market | Product Specs |
| Minimum Price Fluctuation by Market | Product Specs |
| Business Day and Trading Hours | Product Specs |
| Average Weight Price | Settlement |
| Intraday futures Price report | Settlement |
| CTI Reports | Surveillance |
| Delivery Supplies History/ Report | Surveillance |
| Positions Close to Delivery | Surveillance |

| Report | Department |
|---|-------------------|
| Trader Profile | Surveillance |
| Overall Position Limit Report By Participant, AT | Surveillance |
| Listing of Reportable Accounts, Key Trader, Participant | Surveillance |
| Spot Month Position Limit Report | Surveillance |
| Deliverable Supplies | Surveillance |
| Supply/ Demand Data | Surveillance |
| Conditions in the Cash Market | Surveillance |
| Exemption from Speculative Position Reports | Surveillance |
| Transfer Trade Report | Surveillance |
| Block Trading Report | Surveillance |
| EFP/ EFS Report | Surveillance |
| Basis Report | Surveillance |
| Special Market Situation Reports/ Market Events | Surveillance |
| Change in Margin Status | Surveillance |
| Hedge Exemption/ Position Limit Exception Report | Surveillance |
| Historic Volatility Report | Surveillance |
| Market Commentary | Surveillance |
| Weekly Exchange Report | Surveillance |
| Notice of Delivery Month | Surveillance |
| The Commitment of Traders Report (Short Form) | Surveillance |
| The Commitment of Traders Report (Long Form) | Surveillance |
| Daily Futures Report--CFTC | Surveillance |
| Futures Spread Trade Report | Surveillance |
| Exceptions Report | Surveillance |
| Daily Performance Report by Market Type | Systems |