

NYSE Liffe, LLC<sup>1</sup> REGULATORY CHART

CRITERIA FOR CONTRACT MARKET DESIGNATION	NYSE Liffe APPLICATION
<p><b>Sec. 5(a) Applications</b> - A board of trade applying to the Commission for designation as a contract market shall submit an application to the Commission that includes any relevant materials and records the Commission may require consistent with this Act.</p>	<p>See the Appendices submitted with NYSE Liffe’s application for contract market designation.</p>
<p><b>Sec. 5(b) CRITERIA FOR DESIGNATION</b></p>	
<p><b>Designation Criterion 1 <i>In General</i></b> - To be designated as a contract market, the board of trade shall demonstrate to the Commission that the board of trade meets the criteria specified in this subsection.</p>	<p>See the Appendices submitted with NYSE Liffe’s application for contract market designation.</p>
<p><b>Designation Criterion 2 <i>Prevention of Market Manipulation</i></b> - The board of trade shall have the capacity to prevent market manipulation through market surveillance, compliance, and enforcement practices and procedures, including methods for conducting real-time monitoring of trading and comprehensive and accurate trade reconstructions.</p>	<p>NYSE Liffe’s Market Regulation Department is comprised of employees and agents of NYSE Liffe, including its Compliance Service Provider, the National Futures Association (“NFA”). NYSE Liffe has contracted with NFA to perform certain of its market surveillance, compliance and enforcement functions as its designated Compliance Service Provider. (Appendix 5) NYSE Liffe has entered into a Managed Services Agreement with LIFFE Administration and Management, which will conduct real-time monitoring of trading on its behalf. (Appendix 6) Pursuant to Chapter 7 of the NYSE Liffe Rulebook, NYSE Liffe will ultimately be responsible for enforcing disciplinary rules designed to deter abuses (Appendix 4) As described in greater detail in the Regulatory Services Agreement between NYSE Liffe and NFA, NFA will provide NYSE Liffe with Member application processing services, market and trade practice surveillance and ongoing surveillance of the financial and operational status of Members that are registered with the Commission as futures commission merchants. (Schedule A of Appendix 5) Market Regulation Department personnel will coordinate with NFA to address market actions deemed appropriate as a result of NFA’s ongoing market surveillance activities.</p> <p>Discipline and enforcement rules designed to deter abuses are contained in Chapter 7 of the Rulebook. The Review Panel, Disciplinary Panel and Appeals Panel of NYSE Liffe will enforce compliance with the Rules in conjunction with the surveillance services provided by NFA. Under Rule 705, the Review Panel will review investigation reports submitted to it by NFA and decide</p>

<sup>1</sup> NYSE Liffe, LLC (“NYSE Liffe”) is the name that has been assigned to the exchange for purposes of filing an application for designation as a contract market with the Commodity Futures Trading Commission.

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	<p>on the initiation of disciplinary action. The Disciplinary Panel will conduct disciplinary hearings and render a decision following each hearing pursuant to the procedures detailed in Chapter 7. Under Rule 717, the decision of the Disciplinary Panel may be appealed to the Appeals Panel.</p>
<p><b>Designation Criterion 3 Fair and Equitable Trading</b> – The board of trade shall establish and enforce trading rules to ensure fair and equitable trading through the facilities of the contract market, and shall maintain the capacity to detect, investigate, and discipline any person that violates the rules. The rules may authorize – (A) transfer trades or office trades; (B) an exchange of – (i) futures in connection with a cash commodity transaction; (ii) futures for cash commodities; or (iii) futures for swaps; or (C) a futures commission merchant, acting as principal or agent, to enter into or confirm the execution of a contract for the purchase or sale of a commodity for future delivery if the contract is reported, recorded or cleared in accordance with the rules of the contract market or a derivatives clearing organization.</p>	<p>NYSE Liffe will establish and enforce trading rules to ensure fair and equitable trading. As described in greater detail in the LIFFE CONNECT® v9.0 Information Pack (Appendix 8), all Members and Registered Users (collectively, “Participants”) will have equal access to the NYSE Liffe Trading Platform, including information regarding prices, bids and offers. Orders will be executed impartially by the NYSE Liffe Trading Platform in accordance with the principles set out in Chapter 4 of the Rulebook and the procedures included in Appendices 8 (Error Trade Policy) and 9 (Permissible Pre-Execution Discussions). Under Rule 614, pre-arranged trades that are not expressly permitted will be prohibited. The Rulebook also prohibits trading ahead of or against Customer Orders (Rules 610 and 611) and contains other rules to prevent trading-related abuses. NFA will maintain procedures to detect abuses such as wash trading, accommodation trades, trading ahead and other types of market manipulation or fraud (Schedule A of Appendix 5).</p> <p>NYSE Liffe will permit Exchange for Physical and Block Trade transactions on the terms set forth in Rules 422 and 423, respectively.</p>
<p><b>Designation Criterion 4 Trade Execution Facility</b> – The board of trade shall (A) establish and enforce rules defining, or specifications detailing, the manner of operation of the trade execution facility maintained by the board of trade, including rules or specifications describing the operation of any electronic matching platform; and (B) demonstrate that the trade execution facility operates in accordance with the rules or specifications.</p>	<p>NYSE Liffe will establish its trade execution facility, the NYSE Liffe Trading Platform, by utilizing network architecture operated by LIFFE CONNECT®. Appendix 8 describes the functionality of the NYSE Liffe Trading Platform. The capabilities of the NYSE Liffe Trading Platform with respect to quotation, order placement, cancellation and matching are also detailed in Appendix 8.</p> <p>Acceptable order types and order entry procedures are further described in Rules 405 and 406, respectively. The matching of orders employed by the NYSE Liffe Trading Platform is reflected in Rule 407. Additional details regarding the trade-matching algorithms are set forth in Appendix 8, which also contains certain information regarding the testing and review with respect to the NYSE Liffe Trading Platform.</p>

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<p><b>Designation Criterion 5 <i>Financial Integrity of Transactions</i></b> - The board of trade shall establish and enforce rules and procedures for ensuring the financial integrity of transactions entered into by or through the facilities of the contract market, including the clearance and settlement of the transactions with a derivatives clearing organization.</p>	<p>Under Rules 503 and 504, each Member and Clearing Member that is registered with the CFTC as a futures commission merchant or introducing broker is required to comply with applicable minimum financial and related recordkeeping requirements. In addition, NYSE Liffe will have the authority to impose additional minimum financial requirements on such Members and Clearing Members in accordance with Rule 508.</p> <p>Separately, Rule 507 reaffirms the obligations Members and Clearing Members have under Commission regulations with respect to the treatment of customer funds. NFA will maintain procedures to ensure compliance with minimum financial requirements (Schedule A of Appendix 5).</p> <p>As provided in Rule 304, all Members must be Clearing Members or have in place a financial guarantee by a Clearing Member. If a Clearing Member revokes its guarantee with respect to any Member, the trading privileges of that Member will automatically be suspended (Rule 307(b)). Clearing Members must be members of the Clearing Services Provider, which will initially be the Chicago Mercantile Exchange (“CME”). The general financial and other eligibility criteria and default fund contribution obligations established by CME for its members will apply. CME will establish margins for NYSE Liffe clearing participants. Margin requirements for customers of Members will be determined by NYSE Liffe on a contract-by-contract basis (Rule 516). CME and NYSE Liffe will work with each other to coordinate the margin requirements for NYSE Liffe contracts.</p> <p>All clearing services with respect to contracts will be provided by CME pursuant to a clearing service agreement with NYSE Liffe (see Transition Services Agreement, Appendix 7).</p>
<p><b>Designation Criterion 6 <i>Disciplinary Procedures</i></b> - The board of trade shall establish and enforce disciplinary procedures that authorize the board of trade to discipline, suspend, or expel members or market participants that violate the rules of the board of trade, or similar methods for performing the same functions, including delegation of the functions to third parties.</p>	<p>In the case of rule violations, Members and Registered Users will be subject to NYSE Liffe’s disciplinary authority, which will be exercised in accordance with the procedures set forth in Chapter 7 of the Rulebook. As described in response to Criterion 2, the Review Panel and Disciplinary Panel of NYSE Liffe, in conjunction with NFA, will administer disciplinary proceedings. The Disciplinary Panel will conduct hearings in connection with any disciplinary proceeding and has broad authority to impose sanctions it deems fitting under the circumstances. Rule 715 specifies that sanctions imposed by the Disciplinary Panel may include the termination or suspension of Trading Privileges, or the barring or suspension of association with a Member. Rule 307 authorizes NYSE Liffe to revoke, suspend, limit, condition, restrict or qualify the</p>

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	right of any Member or Registered User to access the NYSE Liffe Trading Platform if NYSE Liffe finds such action to be in the best interests of NYSE Liffe.
<p><b>Designation Criterion 7 <i>Public Access</i></b> - The board of trade shall provide the public with access to the rules, regulations, and contract specifications of the board of trade.</p>	<p>The Rulebook, all amendments thereto and notices and policies thereunder, as well as the specifications for all contracts from time to time traded on NYSE Liffe, will be publicly available on NYSE Liffe’s website. In addition, NYSE Liffe will notify Members of any new or modified Rules of NYSE Liffe and any other relevant information.</p>
<p><b>Designation Criterion 8 <i>Ability to Obtain Information</i></b> - The board of trade shall establish and enforce rules that will allow the board of trade to obtain any necessary information to perform any of the functions described in this subsection, including the capacity to carry out such international information-sharing agreements as the Commission may require.</p>	<p>Pursuant to Rule 502, Members will be required to make their books and records available for inspection by, and deliver copies thereof to, NYSE Liffe and NFA upon request. In addition, Rule 503 requires each Member to report promptly to NYSE Liffe whenever the Member is subject to certain civil, criminal, governmental or self-regulatory actions.</p> <p>Rule 702 also provides that each Member, Registered User or other person under NYSE Liffe’s jurisdiction is required to respond to interrogatories and furnish documentary materials and other information requested by NYSE Liffe in connection with disciplinary investigations. Furthermore, Rule 201 enables NYSE Liffe to enter into such information-sharing arrangements as the Commission may require.</p>

## NYSE Liffe REGULATORY CHART

CONTRACT MARKET CORE PRINCIPLES	NYSE Liffe PROPOSAL
<b>SEC. 5(d) Core Principles for Contract Markets</b>	
<b>Core Principle 1 <i>In General</i></b> - To maintain the designation of a board of trade as a contract market, the board of trade shall comply with the core principles specified in this subsection. The board of trade shall have reasonable discretion in establishing the manner in which it complies with the core principles.	See the Appendices submitted with NYSE Liffe’s application for contract market designation.
<b>Core Principle 2 <i>Compliance with Rules</i></b> - The board of trade shall monitor and enforce compliance with the rules of the contract market, including the terms and conditions of any contracts to be traded and any limitations on access to the contract market.	Rules regarding discipline and enforcement are set forth in Chapter 7 of the Rulebook. NYSE Liffe has delegated certain of its monitoring and enforcement functions to NFA, as its Compliance Service Provider. (Schedule A of Appendix 5) NFA will have the authority to investigate any potential rule violations and to submit investigation reports to NYSE Liffe’s Review Panel. As described in response to Designation Criterion 2, the Disciplinary Panel will conduct a hearing to make findings and impose sanctions. Appeals of any decisions by the Disciplinary Panel will be held before the Appeals Panel in accordance with Rule 717.
<b>Core Principle 3 <i>Contracts Not Readily Subject to Manipulation</i></b> – The board of trade shall list on the contract market only contracts that are not readily susceptible to manipulation.	Trading on or through NYSE Liffe will be limited to futures or options on futures that are not readily susceptible to manipulation. NYSE Liffe expects that new contracts will generally be listed by self-certification under Commission Regulation § 40.2.
<b>Core Principle 4 <i>Monitoring of Trading</i></b> – The board of trade shall monitor trading to prevent manipulation, price distortion, and disruptions of the delivery or cash-settlement process.	NYSE Liffe, by contract with LIFFE Administration and Management, and NFA, as NYSE Liffe’s Compliance Service Provider, will implement practices and procedures to monitor trading to prevent manipulation, price distortion and disruptions of the delivery or cash-settlement process. (Appendices 5 and 6) Market Regulation Department personnel will coordinate with <b>LIFFE Administration and Management</b> and NFA to address market actions deemed appropriate as a result of NFA’s ongoing market surveillance activities.
<b>Core Principle 5 <i>Position Limitations or Accountability</i></b> –To reduce the potential threat of market manipulation or congestion, especially during trading in the delivery month, the board of trade shall adopt position limitations or position accountability for speculators, where necessary and appropriate.	Position limits and reportable position thresholds will be set by NYSE Liffe (Rules 420 and 421), and will comply with the general criteria set forth in Appendix B to Part 38 of the Commission Regulations. Rule 420 regarding position limits contemplates exemptions for certain qualified hedge transactions. Paragraph (e) of that Rule provides for aggregation ( <i>i.e.</i> , all positions in accounts for which a particular Person, by power of attorney or otherwise, directly or indirectly controls trading, are included in determining such Member’s compliance with applicable position limits), with paragraph (g) providing the applicable parameters for determining “control”. NFA will monitor compliance

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	with the position limits and reportable position thresholds as detailed in Schedule A of Appendix 5. Violations of such Rules will be sanctioned in accordance with Rule 715.
<p><b>Core Principle 6 Emergency Authority</b> –The board of trade shall adopt rules to provide for the exercise of emergency authority, in consultation or cooperation with the Commission, where necessary and appropriate, including the authority to – (A) liquidate or transfer open positions in any contract; (B) suspend or curtail trading in any contract; and (C) require market participants in any contract to meet special margin requirements.</p>	<p>Procedures and guidelines for the exercise of emergency authority by NYSE Liffe are set forth in Rule 425. Among other things, that Rule requires NYSE Liffe to notify the Commission of any emergency action taken, or proposed to be taken, and to document its decision-making process and reasons for using its emergency action authority. Any conflicts of interest arising in connection with emergency actions will be addressed in accordance with the principles set forth in Rule 204. The measures available to NYSE Liffe in the case of an emergency include each of the items listed in Appendix B to Part 38 of the Commission Regulations. In addition, measures available to NYSE Liffe concerning system redundancy, reliability and disaster recovery are further detailed in Appendix 8.</p>
<p><b>Core Principle 7 Availability of General Information</b> – The board of trade shall make available to market authorities, market participants, and the public information concerning – (A) the terms and conditions of the contracts of the contract market; and (B) the mechanisms for executing transactions on or through the facilities of the contract market.</p>	See the response to Designation Criterion 7 above.
<p><b>Core Principle 8 Daily Publication of Trading Information</b> – The board of trade shall make public daily information on settlement prices, volume, open interest, and opening and closing ranges for actively traded contracts on the contract market.</p>	NYSE Liffe will publish information regarding settlement prices, volume, open interest and opening and closing ranges for actively traded contracts on a timely basis on its website and through one or more market data vendors
<p><b>Core Principle 9 Execution of Transactions</b> – The board of trade shall provide a competitive, open, and efficient market and mechanism for executing transactions.</p>	<p>As described in response to Designation Criterion 3 and 4 above, Orders will be entered into the NYSE Liffe Trading Platform in accordance with the procedures set forth in Rules 405 and 406 and executed impartially in accordance with the principles set forth, and the procedures referred to, in Rule 407. The block trading procedures reflected in Rule 423 are designed to ensure that block trading will not compromise the integrity of prices or price discovery in the relevant market. Ongoing testing and review procedures with respect to the NYSE Liffe Trading Platform are summarized in Appendix 8.</p>
<p><b>Core Principle 10 Trade Information</b> - The board of trade shall maintain rules and procedures to provide for the recording and safe storage of all identifying trade information in a manner that enables the contract market to use the information for purposes of assisting in the prevention of customer and market abuses and providing evidence of any violations of the rules of the contract market.</p>	<p>A description of how the NYSE Liffe Trading Platform and related systems employed by NYSE Liffe will record full data entry and trade details and safely store audit trail data is set forth in Appendix 8. Rule 406 specifies Order entry and ticket procedures. Rule 418 sets forth the principles to be applied in the case of error in the handling of Orders after the relevant trade is completed.</p>

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<p><b>Core Principle 11 <i>Financial Integrity of Contracts</i></b> - The board of trade shall establish and enforce rules providing for the financial integrity of any contracts traded on the contract market (including the clearance and settlement of the transactions with a derivatives clearing organization), and rules to ensure the financial integrity of any futures commission merchants and introducing brokers and the protection of customer funds.</p>	<p>See the response to Designation Criterion 5 above.</p>
<p><b>Core Principle 12 <i>Protection of Market Participants</i></b> – The board of trade shall establish and enforce rules to protect market participants from abusive practices committed by any party acting as an agent for the participants.</p>	<p>As described in response to Designation Criterion 3 above, the Rulebook prohibits trading ahead of or against Customer Orders (Rules 610 and 611); it also addresses potential abuses related to withholding, withdrawing or disclosing Orders (Rules 612 and 613, see also the Order handling procedures described in Rule 409) and contains a broad prohibition against fraudulent acts and market manipulation (Rules 601 and 603). Separately, the Rulebook prohibits any fraudulent or misleading communications relating to the purchase or sale of any contract (Rule 512) and establishes a due diligence standard with respect to the handling and execution of Customer Orders (Rule 513). In addition, as described in response to Designation Criterion 2 above, NFA will provide surveillance practices and procedures to protect market participants, as detailed in Schedule A of Appendix 5.</p>
<p><b>Core Principle 13 <i>Dispute Resolution</i></b> – The board of trade shall establish and enforce rules regarding [sic] and provide facilities for alternative dispute resolution as appropriate for market participants and any market intermediaries.</p>	<p>Chapter 8 of the Rulebook provides for the resolution of disputes involving Members, or Members and their Customers, through arbitration conducted by NFA, pursuant to NFA’s Code of Arbitration or NFA’s Member Arbitration Rules, as applicable. NYSE Liffe understands that NFA as an institution and the dispute resolution mechanisms administered by it satisfy the pertinent criteria set forth in Appendix B to Part 38 of the Commission Regulations</p>
<p><b>Core Principle 14 <i>Governance Fitness Standards</i></b> - The board of trade shall establish and enforce appropriate fitness standards for directors, members of any disciplinary committee, members of the contract market, and any other persons with direct access to the facility (including any parties affiliated with any of the persons described in this paragraph).</p>	<p>Rule 202 of the Rulebook sets forth the eligibility criteria for persons serving as members of the Board, any Review Panel, any Disciplinary Panel, any Appeals Panel or any other “disciplinary committee”, “arbitration panel” or “oversight panel” (all as defined in Commission Regulation § 1.63). A Person may qualify for trading privileges in accordance with the provisions of Rule 302.</p>
<p><b>Core Principle 15 <i>Conflicts of Interest</i></b> - The board of trade shall establish and enforce rules to minimize conflicts of interest in the decision-making process of the contract market and establish a process for resolving such conflicts of interest.</p>	<p>NYSE Liffe’s methods to ascertain the presence of conflicts of interest and to make decisions in the event of such conflicts are described in Rule 204. Limitations on the use or disclosure of material non-public information gained through the performance of official duties by Board or committee members or Exchange employees are contained in Rule 204. In addition, NYSE Liffe’s Board of Directors will</p>

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	<p>establish a Regulatory Oversight Committee, whose primary purpose will be to (i) provide independent oversight of core regulatory functions, including trade practice, market and financial surveillance, (ii) assist the Board in minimizing potential conflicts of interests of NYSE Liffe with the goal that the core regulatory functions enable the Board to administer effectively NYSE Liffe’s self-regulatory obligations, and (iii) ensure that core regulatory functions are fair and impartial to all NYSE Liffe members. (Appendix 3)</p>
<p><b>Core Principle 16 <i>Composition of Boards of Mutually Owned Contract Markets</i></b> - In the case of a mutually owned contract market, the board of trade shall ensure that the composition of the governing board reflects market participants.</p>	<p>Not applicable.</p>
<p><b>Core Principle 17 <i>Recordkeeping</i></b> – The board of trade shall maintain records of all activities related to the business of the contract market in a form and manner acceptable to the Commission for a period of 5 years.</p>	<p>NYSE Liffe will maintain records of all activities related to its business for a period of five years and in accordance with Commission Regulation § 1.31. Each Member and Clearing Member is obliged to maintain all requisite books and records for five years from the date such books and records were prepared (Rule 502).</p>
<p><b>Core Principle 18 <i>Antitrust Considerations</i></b> – Unless necessary or appropriate to achieve the purposes of this Act, the board of trade shall endeavor to avoid – (A) adopting any rules or taking any actions that result in any unreasonable restraints of trade; or (B) imposing any material anticompetitive burden on trading on the contract market.</p>	<p>NYSE Liffe believes that its Rulebook and business plan have been designed to avoid unreasonable restraints of trade or the imposition of any material anticompetitive burden on trading. In particular, access to NYSE Liffe 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. NYSE Liffe will operate through precise and predetermined electronic algorithms, without discrimination among different users or user groups. Trade information will be disseminated both to Participants and to the public on a continuous basis.</p>