

ANNEX L
ICE OTC

REGULATORY REQUIREMENTS
FOR SIGNIFICANT PRICE DISCOVERY CONTRACTS

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**REGULATORY REQUIREMENTS
FOR SIGNIFICANT PRICE DISCOVERY CONTRACTS**

DEFINITIONS

**EXCEPT WHERE THE CONTEXT REQUIRES OTHERWISE,
THE FOLLOWING TERMS SHALL HAVE THE FOLLOWING MEANING
WHEN USED IN THE RULES. USE OF THE SINGULAR SHALL INCLUDE
THE PLURAL AND VICE VERSA, UNLESS THE CONTEXT REQUIRES
OTHERWISE.**

Act

The term "Act" shall mean the Commodity Exchange Act, as amended from time to time.

Arbitrage Position

The term "Arbitrage Position" shall mean (i) an Exchange Significant Price Discovery Contract ("SPDC") in one delivery month for an account which is offset by a SPDC Contract for the same Commodity in the same or a different delivery month for such account which is executed on or subject to the rules of the Intercontinental Exchange, and (ii) an Exchange SPDC Option to sell or purchase the same Commodity as the Underlying SPDC Contract for such Exchange SPDC option, which is executed on or subject to the rules of the Intercontinental Exchange.

Authorized Trader

The term "Authorized Trader" shall mean a person acting on behalf a Participant.

Board

The term "Board" shall mean the Board of Directors of the Exchange. Any reference to "Board of Governors" in the Rules shall also mean the Board of Directors of the Exchange.

Business Day

The term "Business Day" shall mean, with respect to an Exchange SPDC any day on which a SPDC is available for trading on the electronic trading platform for the full regular electronic trading session for such SPDC.

Call Option

The term "Call Option" shall mean an Option whereby:

(i) the Purchaser has the right, but not the obligation, to enter into an Underlying Futures or Swap Contract to buy a Commodity for delivery in the Option Month, at the Strike Price specified; and

(ii) the Grantor has the obligation, upon exercise, to enter into an Underlying Futures or Swap Contract to sell a Commodity for delivery in such Option Month, at such Strike Price.

Cash Commodity

The term "Cash Commodity" shall mean a physical or actual commodity.

CFTC

The term "CFTC" shall mean the Commodity Futures Trading Commission.

Class

The term "Class" shall mean, with respect to any Option, a Put Option or a Call Option covering the same Underlying Futures or Swap Contract.

Clearing Member

The term "Clearing Member" shall mean any Person who is a member of a Clearing Organization.

Commodity

The term "Commodity" shall mean any and all goods, articles, services, rights and interests in which contracts for future delivery are presently or in the future dealt in, on or subject to the Rules.

Commodity Contract

The term "Commodity Contract" shall include Futures Contracts, Options on Commodities or on Futures Contracts, and any other interests or instruments traded on or subject to the Rules.

Customer

The term "Customer" shall mean a Person, including another Member, for whom a Member carries an account.

Emergency

The term "Emergency" shall have the meaning set forth in Rule 1.01(a).

Exchange

The term "Exchange" shall mean ICE, Inc.'s exempt commercial market.

Expiration Day

The term "Expiration Day" shall mean the day on which Options in any Option Month expire.

Firm

The term "Firm" shall mean a corporation, partnership, limited liability company, sole proprietorship or other entity.

ICE

The term "ICE" shall mean IntercontinentalExchange, Inc.

ICE OTC

The term ICE OTC shall mean the ICE exempt commercial market.

Last Trading Day

The term "Last Trading Day" shall mean, with respect to any SPDC the last day on which trading is permitted for such SPDC in accordance with the Rules.

Lot

The term "Lot" shall mean the par quantity of the Commodity deliverable under a particular Significant Price Discovery Contract.

Option

The term "Option" shall mean a contract or Transaction whereby one (1) party grants to another the right, but not the obligation, to buy, sell or enter into a Significant Price Discovery Contract.

Out-of-the-Money Option

The term "Out-of-the-Money Option" shall mean an Option which has a Strike Price that is higher (in the case of a Call Option) or lower (in the case of a Put Option) than the price of the Underlying Significant Price Discovery Contract for such Option on any day.

Participant

The term "Participant" shall mean an individual or Firm

Participant Agreement

The term "Participant Agreement" shall mean the agreement executed by Participants to enter transactions on the ICE OTC platform.

Position

The term "Position" with respect to any Person shall mean all the Significant Price Discovery Contracts held by such Person.

President

The term "President" shall mean the President of the Exchange, or one duly authorized to act with the authority of the President.

Principal

The term "Principal" shall mean with respect to any Firm, any Person who is an executive officer, general partner, director or other person, who, in each case, exercises a controlling influence over the Exchange-related business of such Firm, and any Person who owns ten percent (10%) or more of the outstanding shares of stock of, or has contributed ten percent (10%) or more of the capital to, such Firm.

Public Director

The term “Public Director” shall mean any person who (i) qualifies as a “public” director within the meaning of the regulations proposed by the CFTC as of September 14, 2006 for determining qualification of public directors or, if the CFTC adopts any such regulations, within the meaning of such regulations in effect from time to time and (ii) the independence requirement of the New York Stock Exchange, Inc. for directors serving on the boards of listed companies, as amended from time to time.

Put Option

The term "Put Option" shall mean an Option whereby:

(i) the Purchaser has the right, but not the obligation, to enter into an Underlying Significant Price Discovery Contract to sell a Commodity for delivery in the Option Month at the Strike Price specified; and

(ii) the Grantor has the obligation, upon exercise, to enter into an Underlying Futures Contract to buy a Commodity for delivery in such Option Month at such Strike Price.

Respondent

The term "Respondent" shall mean any Person who is charged with a Rule violation.

Rule or Rules

The term "Rule" or "Rules" shall mean the Participant Agreement and Annexes, rules, resolutions, interpretations, statements of policy, decisions, directives and orders of the Exchange.

Significant Price Discovery Contract

The term “Significant Price Discovery Contract” means any contract listed on the Exchange that has been deemed by the Commodity Futures Trading Commission to serve a Significant Price Discovery function.

Significant Price Discovery Equivalent Contract

The term “Significant Price Discovery Equivalent Contract” shall mean an Option that has been converted to a Significant Price Discovery Contract equivalent in accordance with Rule 1.13(a).

Trade or Transaction

The terms "Trade" and “Transaction” shall mean any purchase or sale of any Significant Price Discovery Contract made in accordance with the Rules.

Underlying Significant Price Contract

The term "Underlying Significant Price Discovery Contract" shall mean the Significant Price Discovery Contract which is the subject of an Option.

EMERGENCIES

Rule 1.01. Emergency Action

(a) Definitions

As used in this section:

The term "Emergency" means any occurrence or circumstance which, in the opinion of the Exchange, requires immediate action and threatens or may threaten such things as the fair and orderly trading in, or the liquidation of or delivery pursuant to, any agreements, Significant Price Discovery Contracts, or Transactions on the Exchange, including any manipulative or attempted manipulative activity; any actual, attempted, or threatened corner, squeeze, congestion, or undue concentration of Positions; any circumstances which may materially affect the performance of agreements, Significant Price Discovery Contracts or Transactions traded on the Exchange, including failure of the payment system or the bankruptcy or insolvency of any Participant; any action taken by any governmental body, or any other board of trade, market or facility which may have a direct impact on trading on the Exchange and any other circumstance which may have a severe, adverse effect upon the functioning of the Exchange.

Emergency Action may be taken by the following:

- (i) By the Governing body empowered to take Emergency action;
- (ii) By the Board in the case of any Emergency;
- (iii) By any two members of the Board in the case of any Emergency where it is impracticable, in the opinion of the Chief Executive Officer, the President and Chief Operating Officer or in their absence, any two (2) members of the Board, to call a meeting of the Board to deal with the Emergency; or
- (iii) By any committee of the Exchange pursuant to powers conferred on said committee under the Rules.

(b) Vote Required

The vote required of the governing body authorized to take any Emergency action hereunder shall be:

- (i) In the case of action by the Board, the affirmative vote of not less than two-thirds of the members of the Board present and voting at a meeting at which there is physically in attendance a quorum; or
- (ii) In the case of action by a committee, the affirmative vote of two (2) or more Persons constituting not less than two-thirds of the members of said committee physically present and voting at a meeting at which there is physically in attendance a quorum; provided, however, that the consent in writing to such action of all members of such governing body shall be sufficient to take such Emergency action without a meeting;
- (iii) A member of the Board or of a committee shall be deemed physically present or physically in attendance at a meeting if such a Person participates in the meeting by means of a conference telephone or similar communications equipment

allowing all Persons participating in the meeting to hear each other at the same time.

(c) Action which may be taken

(i) In the event of an Emergency, the Exchange may, subject to Part 40 of the Regulations under the Act, place into immediate effect a rule which may provide for, or may authorize the Exchange, or the Exchange or any committee, to undertake actions which, in the opinion of the Exchange are necessary or appropriate to meet the Emergency, including, but not limited to, such actions as:

(1) Imposing limits or restrictions on position size, limiting trading to liquidation only, in whole or in part, or limiting trading to liquidation only except for new sales or grants of Significant Price Discovery Contracts by parties who have the commodity underlying such contracts;

(2) Extending or shortening the expiration date for trading in Significant Price Discovery Contracts;

(3) Extending the time of delivery under or expiration of Significant Price Discovery Contracts;

(4) Ordering the liquidation, or transfer of open Significant Price Discovery Contracts, the fixing of a Settlement Price or Settlement Premium, or the reduction in positions;

(5) Ordering the transfer of Significant Price Discovery Contracts, and the money, securities, and property securing such contracts, held on behalf of Customers by a Participant to another Participant or other Participants, willing to assume such contracts or obligated to do so;

(6) Extending, limiting or changing hours of trading;

(7) Modifying price limits or circuit breakers;

(8) Suspending or curtailing trading;

(9) Changing the amount of money to be paid, or the quality of merchandise to be received, under Exchange Significant Price Discovery Contracts, whether theretofore or thereafter entered into or otherwise altering delivery terms or conditions;

(10) Requiring additional Margin to be collected from Participants; and

(11) Modifying or suspending any provision of the Rules.

(ii) Whenever any action is taken under this Rule pursuant to which trading is suspended or other changes in procedure are made, all matters relating to notices, deliveries and other obligations may be suspended or deferred in such manner as the governing body may determine.

Rule 1.02. Physical Emergencies

(a) In the event the physical functions of the Exchange are, or are threatened to be, severely and adversely affected by a "Physical Emergency", such as fire or other casualty, bomb threat, substantial inclement weather, power failure, communication or transportation breakdown, computer malfunction, screen-based trading system break-

down, malfunction of plumbing, heating, ventilation and air conditioning systems, backlog or delay in clearing or in the processing of data related to clearing Trades, the Chief Executive Officer, the Chief Operating Officer, or in their absence any Senior Vice President or in all of their absences any other officer may take any action which, in the opinion of such officer is necessary or appropriate to deal with the Physical Emergency, including, but not limited to, suspending trading in any one (1) or more Significant Price Discovery Contracts, delaying the opening of trading in any one (1) or more Significant Price Discovery Contracts, extending the Last Trading Day and/or the time of trading.

(b) In the event a designated officer has ordered suspension of trading, the Chief Executive Officer, the Chief Operating Officer, or in their absence any Senior Vice President, or in all of their absences any other officer may order restoration of trading on the Exchange, or may remove other restrictions so imposed, if such officer determines that the Physical Emergency has sufficiently abated to permit the physical functions of the Exchange to continue in an orderly manner.

(c) Any action taken hereunder shall be filed with the Commission in accordance with Part 40 of the Regulations under the Act.

Rule 1.03. Suspension of Trading

(a) The Board may, in its discretion, by an affirmative vote of two-thirds of the members of the Board present at a meeting (which, in an Emergency, may be held without previous notice), close the Exchange or suspend trading in any one (1) or more Commodity Contracts on such days or portions of days as will, in its judgment, serve to promote the best interest of the Exchange;

(b) In the event of an Emergency when a quorum of the Board is not available, all trading on the Exchange may be suspended by an affirmative vote of two-thirds of the members of the Board present, or by action of one (1) member of the Board if only one (1) member is present, for such period of time as in their or his judgment is necessary. In the event of an Emergency which prevents normal attendance at the Exchange, when no member of the Board is present, any officer of the Exchange shall have authority to order suspension of trading on the Exchange for such period of time as in his judgment is necessary. Any action taken under this paragraph shall be subject to review and modification by the Board.

Rule 1.04. Conflicts of Interest Involving Emergency and Other Significant Actions

(a) Definitions. For purposes of this Rule, the following definitions shall apply;

(i) The term "Emergency" shall have the meaning set forth in Rule 1.01.

(b) Whenever any Emergency or other significant action which, in the judgment of the deliberating body, is likely to have a material effect upon the price of any Significant Price Discovery Contracts traded on or subject to the Rules or might otherwise have a material impact on the market for such Significant Price Discovery Contracts is being considered by the Exchange (not including any committee which is only authorized to make recommendations for action by the Board or some other committee), the following procedures shall apply:

(i) Disclosure. Prior to consideration of the matter, each member of the Board or committee who desires to participate in deliberations or voting on such action

shall disclose to the Board or committee position information that is known to such member, with respect to any particular month or months that are under consideration, and any other positions which the Board or committee reasonably expects could be affected by the action under consideration. The size of positions shall be disclosed by reference to ranges as determined by the Board or committee and shall be made with respect to the following categories:

(A) gross positions in Significant Price Discovery Contracts carried in (1) accounts in which the member's ownership interest is 10% or greater, (2) "controlled accounts" as defined in CFTC Regulation 1.3(j) and (3) accounts of any individual with whom the member has a "Family Relationship" as such term is defined in Rule 2.16;

(B) gross positions in Significant Price Discovery Contracts carried in proprietary accounts, as defined in CFTC Regulation 1.3(y), at any Affiliated Firm of such member;

(C) net positions in Significant Price Discovery Contracts in "Customer" accounts, as defined in CFTC Regulation 1.17(b)(2), at any Affiliated Firm of such member; and

(D) any other types of positions, whether maintained in Significant Price Discovery Contracts or otherwise, that the Board or committee reasonably expects could be affected by the action being considered.

To the extent that a Participant desires to make the required disclosures but does not know position information with respect to any of the foregoing categories, the President or his designee shall make the disclosure for such member to the extent that such information can be obtained from data and clearing records readily available to the Exchange under the exigency of the action being contemplated.

(ii) Disqualification. Any Participant who does not want to make position disclosures must withdraw from the meeting before disclosure by other members begins and may not participate in the discussion of, or voting on, the matter under consideration. Any member who has, or whose Affiliated Firm has, a position required to be disclosed under paragraph (b)(i) (other than a position which the Board or committee has determined to be de minimus), shall be disqualified from voting and must withdraw from the room before a vote is taken. If such withdrawal results in the lack of a quorum, the Board or committee shall appoint an ad hoc committee comprised of those members who are not disqualified from voting and shall delegate to such ad hoc committee all the powers of the Board or relevant committee with respect to the matter under consideration. No Participant shall be disqualified from voting upon the appointment of an ad hoc committee solely because of positions held by such member or an Affiliated Firm of such member.

(iii) Documentation. The minutes of any meeting at which Emergency or other significant action is considered shall reflect the following information:

(A) the names of all Participants who attended the meeting in person or by electronic means;

(B) the name of any Participant who voluntarily recused himself or was required to abstain from deliberations or voting; and

(C) information on the position disclosures made by each member.

(iv) For purposes of this Rule, a Margin change shall not be deemed to have a material effect upon the price of a Commodity Contract traded on the Exchange or a material impact on the market, if such Margin change was made in response to a change in the price of any delivery month of such Commodity Contract which is equal to or less than 15% of the Settlement Price of such delivery month on the previous Business Day.

RECORDS

Rule 1.07. General Requirements

(a) Each Participant shall make and file reports and maintain records in accordance with the rules and regulations of, and in such manner and form and at such times as may be prescribed by, the CFTC, showing the details and terms of all Transactions involving Significant Price Discovery Contracts or Options on Significant Price Discovery Contracts consummated on the Exchange or subject to the Rules. All such records to be in permanent form, showing the parties to all such Transactions, including the Persons for whom made, any assignments or transfers thereof, with the parties thereto, and the manner in which said Transactions are fulfilled, discharged or terminated. Such record shall be kept for a period of five (5) years from the date thereof, or for a longer period if the CFTC shall so direct, and shall at all times be open to the inspection by Exchange staff, any representative of the CFTC or the United States Department of Justice.

(b) For the purpose of defining the enforcement duties of the Exchange, subparagraph (d) of this Rule shall be limited to the following items:

(i) all orders (filled, unfilled and canceled);

(ii) all journals and ledgers;

(iii) all copies of confirmations, copies of statements of purchase and sale, and copies of month-end statements;

(iv) all written records of orders;

(v) all records of Transactions;

(vi) all other documents necessary to prepare a precise trade register.

(c) Each Participant shall make and file reports with the Exchange, and maintain such records for such length of time, in such manner and form and at such times as the Rules or the Exchange may prescribe. Such records shall at least consist of the following:

(i) all orders (filled, unfilled and canceled);

(ii) all journals and ledgers;

(iii) all copies of confirmations, copies of statements of purchase and sale, and copies of month-end statements;

- (iv) all written records of Orders;
- (v) all records of Transactions;
- (vi) all other documents necessary to prepare a precise audit trail.

(d) Unless otherwise specifically provided, all records listed in this Rule must be retained in accordance with the Act and the regulations thereunder.

REPORTABLE POSITIONS AND SPECULATIVE POSITION LIMITS

Rule 1.11. Emergency Powers Not Limited

Nothing contained in the Rules relating to position limits and position accountability levels shall in any way be construed to limit the Emergency powers enumerated in the Rules, and, unless the Exchange in taking an Emergency action shall state otherwise, any such Emergency action shall be effective with respect to all Participants, regardless of whether an exemption from the position limits has previously been granted pursuant to these Rules.

Rule 1.12. Aggregation of Positions

(a) The position limits and position accountability levels established by these Rules shall apply to all positions held by any Participant, including those positions in accounts for which such Person by power of attorney or otherwise directly or indirectly (i.e., has 10% or greater ownership or equity interest) controls trading; and in the case of positions held by two (2) or more Participants acting pursuant to an express or implied agreement or understanding, the same as if all of the positions were held by a single Participant.

(b) The positions of spouses, parents, and children living in the same household shall be aggregated for purposes of the foregoing position limits and position accountability levels.

Rule 1.13. Enforcement of Position Limits and Position Accountability Levels

(a) No Participant may maintain a combination of Significant Price Discovery Contracts and Significant Price Discovery Contracts Equivalents which is, or which when aggregated in accordance with Rule 1.12 is, in excess of the limits established by this Chapter. For the purpose of the Rules contained in this Chapter:

(i) the Significant Price Discovery Contract equivalent of each Option Contract deemed a Significant Price Discovery Contract is the delta ratio published daily by the Exchange;

(ii) a long Significant Price Discovery Contract, a long Significant Price Discovery Call Option and a short Significant Price Discovery Put Option are on the same side of the market; similarly, a short Significant Price Discovery Contract, a short Significant Price Discovery Call Option and a long Significant Price Discovery Put Option are on the same side of the market;

(iii) in calculating an Equivalent Contract position for Significant Price Discovery Contracts, all serial and regular Significant Price Discovery Options for the Underlying Significant Price Discovery Contract shall be combined.

Participants are responsible for maintaining their position within the limits contained in this Chapter. If, however, a Participant's position exceeds speculative position limits on any given Business Day due to changes in the deltas of the Significant Price Discovery Options, the Participant or Customer shall have one (1) Business Day to bring the position within the limits.

(b) In the event the Exchange learns that a Participant maintains positions in accounts with more than one (1) Clearing Member such that the aggregate position in all such accounts exceeds the position limits and position accountability levels established by this Chapter, the Exchange may notify all Clearing Members maintaining or carrying such accounts of the total positions of such accounts. Such notice may also instruct each such Clearing Member to reduce the positions in such accounts twenty-four (24) hours after receipt of the notice, proportionately or otherwise so that the aggregate positions of such accounts at all such Clearing Members does not exceed the position limits and position accountability levels established by this Chapter, unless as provided by paragraph (c) below, a request for an exemption is made and granted by the Exchange pursuant to this Chapter. Any Clearing Member receiving such notice shall immediately take such steps as may be necessary to liquidate such number of Significant Price Discovery Contracts as shall be determined by the Exchange in order to cause the aggregate positions of such accounts at such Clearing Member to comply with the position limits and position accountability levels established by this Chapter. Notwithstanding the foregoing, the Participant may reduce the positions of such accounts by a different number of Significant Price Discovery Contracts so long as after all reductions have been accomplished at all Clearing Members carrying such accounts, the positions at all such Clearing Members complies with the position limits and position accountability levels established by this Chapter.

(c) In the event a Participant exceeds its position limit due to sudden unforeseen increases in its bona fide hedging needs, such Participant or Customer shall not be considered in violation of the Rules provided that such Person requests a hedge exemption to carry such increased position within one (1) Business Day for following the day on which the Participant's or Customer's position limit was exceeded and provided that such exemption is granted by the Exchange.

(d) Subject to the foregoing provisions of this Rule, in the event that a Participant's position exceeds the position limits established by this Chapter or ordered by the Exchange such Participant shall liquidate such number of Contracts as the Exchange shall direct in order to eliminate the excess within such time as the Exchange may prescribe and shall report to the Exchange when such liquidations have been completed. If a Participant fails so to liquidate Contracts within the time prescribed by the Exchange, then, in addition to any other actions the Exchange may take, the Exchange may take such steps as it may deem necessary or appropriate to liquidate such Contracts on behalf and at the expense of such Participant to the extent necessary to eliminate such excess. In addition, the Exchange in its discretion may require any Clearing Member carrying an account for such Participant to obtain and hold additional original Margin from such Participant or Customer in such amount and form and by such time as the Exchange shall specify until such excess has been eliminated.

Rule 1.14. Exchange Access to Position Information

Without limiting any provision of these Rules, the Exchange shall have the authority to obtain from any Participant information with respect to positions of such Participant. In the event a Participant fails to provide the requested information the Exchange, in addition to any other remedy provided in these Rules, may order that the Participant liquidate the positions which are related to the inquiry.

Rule 1.15. Reportable Positions and Daily Reports

(a) Participants which own, control, or carry a reportable position, as such term is defined by the Act and the Regulations thereunder, shall submit daily reports with respect to such positions to the Exchange containing such information as may be prescribed by the CFTC.

(i) Without limiting any provisions of the Rules, Participants shall provide such additional information with respect to Significant Price Discovery Contracts and Option Contracts positions and the ownership of such positions as may be requested by the Exchange.

Rule 1.16. Hedge Exemption

(a) The position limits for SPDC's specified in this Rulebook shall not apply to bona fide hedging positions as defined in Section 1.3(z)(1) of the Regulations under the Act.

(b) To be eligible for an exemption under this Rule, a Participant must submit a written request in the form provided by the Exchange to the Exchange which shall include the following:

- (i) a description of the size and nature of the proposed Transactions;
- (ii) information which will demonstrate that the proposed Transactions are bona fide hedging Transactions;
- (iii) a statement indicating whether the Person on whose behalf the request is made (1) maintains positions in the SPDC for which the exemption is sought with any other Participant; and/or (2) has made a previous or contemporaneous request pursuant to this Rule through another Participant, and if so, the relationship of the information set forth in such requests;
- (iv) a statement that the intended Transactions will be bona fide hedges;
- (v) a statement that the applicant will immediately supply the Exchange with any material changes to the information submitted pursuant hereto;
- (vi) such further information as the Exchange may request.

Within five (5) Business Days of the submission of the information set forth above, the Exchange shall notify the Participant whether the exemption has been granted and the limitations placed thereon. An exemption will remain in full force and effect until (1) the Participant requests a withdrawal; or (2) the Exchange revokes, modifies or places further limitations thereon.

(c) Written requests for exemptions to notice period limits specified in this Chapter must be received by the Exchange no later than five (5) Business Days prior to exceeding

position limits. Failure to file notice period exemption requests on a timely basis shall subject the Participant to disciplinary action pursuant to the Rules.

Rule 1.17. Arbitrage, Straddle and Spread Exemption

(a) The position limits for SPDC's specified in this Rulebook shall not apply to Arbitrage, Straddle or Spread positions.

(b) To be eligible for an exemption under this Rule, a Participant must submit to the Exchange a written request in the form provided by the Exchange which shall include the following:

- (i) a description of the size and nature of the proposed Transactions;
- (ii) a statement that the intended positions will be Arbitrage or Straddle positions;
- (iii) a statement that the Person on whose behalf the request is made complies with whatever limitations are imposed by the Exchange with regard to said positions;
- (iv) a statement that the Person on whose behalf the request is made agrees to submit immediately a supplemental statement explaining any change in circumstances affecting the position;
- (v) a statement that the Person on whose behalf the request is made complies with all other Rules and requirements;
- (vi) a statement that such positions will be moved in an orderly manner and will not be initiated or liquidated in a manner calculated to cause unreasonable price fluctuations or unwarranted price changes. The Person on whose behalf the request is made will not use said position in an attempt to violate or avoid the Rules, or otherwise impair the good name or dignity of the Exchange; and
- (vii) when applying for a cash and carry exemption, the trader must provide the cost of carrying the physical commodity, the minimum spread differential at which the trader will enter into a straddle position in order to obtain profit, and the quantity of stocks the trader currently owns in Exchange licensed warehouses or tank facilities.

(c) Written requests for exemptions to notice period limits specified in this Chapter must be received by the Exchange no later than five (5) Business Days prior to exceeding the position limit. Failure to file notice period exemption requests on a timely basis shall subject the Participant and/or the Carrying Participant to disciplinary action pursuant to the Rules.

(d) Within five (5) Business Days of the submission of the information set forth above, the Exchange shall notify the Participant whether the exemption has been granted and the limitations placed thereon. An exemption will remain in full force and effect until (i) the Participant requests a withdrawal; or (ii) the Exchange revokes, modifies or places further limitations thereon.

(e) When granted a cash and carry exemption, the trader shall agree that, (i) before the price of the nearby contract month rises to a premium to the second (2nd) contract month, the trader will liquidate all long positions in the nearby contract, and (ii) the trader will comply with all other restrictions or limitations placed on the trader as a condition to the grant of the exemption.

Rule 1.18. Independently Controlled Position Exemption

(a) For the purposes of this Chapter, “Eligible Entity” means a commodity pool operator, an operator of a trading vehicle, which is excluded, or which has qualified for exclusion from the definition of the term "pool" or "commodity pool operator," respectively, under Regulation 4.5 of the Act or a commodity trading advisor which (i) authorizes an independent account controller to control independently all trading decisions for positions it holds directly or indirectly, or on its behalf, but without its day-to-day direction and (ii) maintains only such minimum control over the independent account controller as is consistent with its fiduciary responsibilities and necessary to fulfill its duty to supervise diligently the trading done on its behalf. “Eligible Entity” shall also mean such other person or entity deemed exempt by CFTC Regulations or Guidelines (including Regulation 150.3).

(b) For the purposes of this Chapter, “Independent Account Controller” means a Person who (i) is registered with the CFTC as a Futures Commission Merchant, introducing broker, commodity trading advisor, or as an associated person of any such registrant; (ii) is authorized by the Eligible Entity to control independently trading by, and on behalf of, but without the day-to-day direction of the Eligible Entity; (iii) trades independently of the Eligible Entity and of any other Independent Account Controller trading for the Eligible Entity; (iv) is supervised by the Eligible Entity only to the minimal degree necessary to fulfill its fiduciary responsibilities and duty to supervise diligently the trading done on its behalf; and (v) has no knowledge of trading decisions by any other Independent Account Controller.

(c) an Eligible Entity may carry positions that exceed speculative position limits if (i) such positions (A) are not for the spot month if there is a position limit which applies to individual trading months during their expiration, and (B) are carried for the Eligible Entity in the separate account or accounts of an Independent Account Controller; provided, however, that the overall positions held or controlled by each such Independent Account Controller may not exceed the speculative positions limits; and (ii) such Eligible Entity provides the Exchange with information respecting the Eligible Entity and the Independent Account Controller.

(d) If an Independent Account Controller is affiliated with the Eligible Entity or another Independent Account Controller, each of the affiliated entities must:

(i) have, and enforce, written procedures to preclude the affiliated entities from having knowledge of, gaining access to, or receiving data about trades of the other. Such procedures must include document routing and other procedures or security arrangements, including separate physical locations, which would maintain the independence of their activities; provided, however, that such procedures may provide for the disclosure of information which is reasonably necessary for an Eligible Entity to maintain the level of control consistent with its fiduciary responsibilities and necessary to fulfill its duty to supervise diligently the trading done on its behalf;

(ii) trade such accounts pursuant to a separately developed and independent trading systems;

(iii) market such systems separately; and

(iv) solicit funds for such trading by separate Disclosure Documents that meet the standards of CFTC Regulation 4.21 or 4.31, as applicable, where such Disclosure Documents are required under Part Four of the Regulations.

(e) Upon call by Exchange staff, any Person claiming an exemption from speculative position limits under this Rule must provide to the Exchange such information as specified in the call relating to the positions owned or controlled by that Person; trading done pursuant to the claimed exemption; the Futures, Options or cash market positions which support the claim of exemption; and the relevant business relationships supporting a claim of exemption.

(f) The Exchange may at any time condition an exemption on the Eligible Entity's business needs, financial status and integrity and on the liquidity, depth and volume of the market for which the exemption is sought. The Exchange may at any time modify or revoke the exemption if it is found that the Eligible Entity's status or market conditions have changed.

Rule 1.19. Risk Management Exemption

(a) The position limits for SPDC's specified in this Rulebook shall not apply to Risk Management positions.

(b) To be eligible for an exemption under this Rule, a Participant must submit to the Exchange a written request in the form provided by the Exchange which shall include the following:

(i) a description of the size and nature of the proposed Transactions;

(ii) a statement that the intended positions will be Risk Management positions;

(iii) a statement that the Person on whose behalf the request is made complies with whatever limitations are imposed by the Exchange with regard to said positions;

(iv) a statement that the Person on whose behalf the request is made agrees to submit immediately a supplemental statement explaining any change in circumstances affecting the position;

(v) a statement that the Person on whose behalf the request is made complies with all other Rules and requirements;

(vi) a statement that such positions will be moved in an orderly manner and will not be initiated or liquidated in a manner calculated to cause unreasonable price fluctuations or unwarranted price changes. The Person on whose behalf the request is made will not use said position in an attempt to violate or avoid the Rules, or otherwise impair the good name or dignity of the Exchange; and

(vii) when applying for a cash and carry exemption, the trader must provide the cost of carrying the physical commodity, the minimum spread differential at which the trader will enter into a straddle position in order to obtain profit, and the quantity of stocks the trader currently owns in Exchange licensed warehouses or tank facilities.

(c) Written requests for exemptions to notice period limits specified in this Chapter must be received by the Exchange no later than five (5) Business Days prior to exceeding the position limit. Failure to file notice period exemption requests on a timely basis shall subject the Participant and/or the Carrying Participant to disciplinary action pursuant to the Rules.

(d) Within five (5) Business Days of the submission of the information set forth above, the Exchange shall notify the Participant whether the exemption has been granted and the limitations placed thereon. An exemption will remain in full force and effect until (i) the Participant requests a withdrawal; or (ii) the Exchange revokes, modifies or places further limitations thereon.

(e) When granted a cash and carry exemption, the trader shall agree that, (i) before the price of the nearby contract month rises to a premium to the second (2nd) contract month, the trader will liquidate all long positions in the nearby contract, and (ii) the trader will comply with all other restrictions or limitations placed on the trader as a condition to the grant of the exemption.

Rule 1.20. Conflict With Government Regulations

Any United States Government regulations, orders or decrees affecting performance of either buyer or seller under the Rules shall take precedence over the Rules and in the event of conflict between the Rules and Government regulations, orders or decrees, the Government regulations, orders or decrees shall prevail. Neither buyer nor seller shall be responsible one to the other for delay or lack of performance hereunder resulting from compliance with such Government regulations, orders or decrees and each shall cooperate fully with the other in endeavoring to comply with such Government regulations, orders or decrees.

DISCIPLINARY RULES

Rule 2.01. Jurisdiction.

- (a) ICE shall have the authority to initiate and conduct investigations and to prosecute violations of these Rules committed by Participants and to impose sanctions for such Violations as provided in these Rules.
- (b) Each Participant, upon becoming a Participant and thereafter upon any change to the relevant office, shall file with ICE a written notice designating an office for receiving service of documents. If a Participant fails to designate such an office, mailing service to its address on file with ICE shall be good service, and delivery thereof shall be deemed to have occurred as of the date of such mailing.

Rule 2.02. ICE Compliance Staff — Powers and Duties.

- (a) ICE Compliance Staff shall consist of ICE employees, including officers, and such other individuals (who possess the requisite independence) as ICE may hire on a contract basis.
- (b) ICE Compliance Staff shall conduct investigations of possible Violations, prepare written reports respecting such investigations, furnish such reports to the Business Conduct Committee and conduct the prosecution of such Violations.
- (c) ICE shall provide the Participant that is the subject of any investigation with a copy of the written report no less than five Business Days prior to distribution of the report to the applicable Review Subcommittee of the Business Conduct Committee and shall provide an opportunity to submit written comments regarding or evidence relevant to the report. Any written comments received from the Participant shall either accompany distribution of the report to the Review Subcommittee or shall be furnished to the Review Subcommittee at or before the time of its meeting, depending on the date on which the Participant's comments are received by ICE Compliance Staff.
- (d) If, in any case, the ICE Compliance Staff or another ICE employee designated for this purpose by ICE concludes that a Violation may have occurred, he or she may:
 - (i) issue a warning letter to the Participant informing it that there may have been a Violation and that such continued activity may result in disciplinary sanctions; *provided* that such warning letter shall indicate that it is neither the finding of a Violation nor a penalty and is subject to the review of the Business Conduct Committee; or
 - (ii) negotiate and enter into a written settlement agreement with the Participant, whereby the Participant, with or without admitting guilt, may agree to:
 - (1) a cease and desist order or a reprimand; and/or

- (2) a fine of up to ten thousand dollars for each Violation alleged plus the monetary value of any benefit received as a result of the alleged Violation.

Any such written settlement shall be subject to the approval of a Review Subcommittee of the Business Conduct Committee and shall become final and effective pursuant to Rule 2.14(a).

Rule 2.03. The Business Conduct Committee.

- (a) The Business Conduct Committee shall have the power to direct that an investigation of any suspected Violation be conducted by ICE, and shall hear any matter referred to it by ICE regarding a suspected Violation.
- (b) The Business Conduct Committee shall be comprised of the independent members of the Board. ICE shall appoint from time to time a chairman (the “**BCC Chairman**”) and a vice chairman (the “**BCC Vice Chairman**”) of the Business Conduct Committee. The Business Conduct Committee shall act through one or more subcommittees as provided in this Chapter , with each such subcommittee chaired either by the BCC Chairman or the BCC Vice Chairman. Three subcommittee members shall constitute a quorum for any action of a subcommittee, so long as they are in attendance at the time of the relevant action.
- (c) The Business Conduct Committee shall, from time to time as it deems appropriate, assign a subcommittee of three members (the “**Review Subcommittee**”), chaired by the BCC Chairman or the BCC Vice Chairman, to periodically receive and review the written investigation reports concerning possible Violations provided by ICE and written settlement agreements negotiated and entered into pursuant to Rule 2.02(d)(ii). If a member of a Review Subcommittee believes he or she has a direct financial, personal or other interest in the matter under consideration, the member shall notify the Business Conduct Committee, which shall replace such member on the Review Subcommittee for the particular matter. If there are insufficient available members of the Business Conduct Committee to constitute a quorum on a Review Subcommittee, the Board may appoint such other independent individuals as it determines appropriate to such Review Subcommittee.
- (d) If, after initial review of an investigation report, a Review Subcommittee concludes that a Violation may have occurred, it shall allow the Participant a reasonable opportunity to prepare and present whatever evidence the Participant may have. Such a presentation shall be conducted informally with no transcript taken.
- (e) In any case where a Review Subcommittee concludes that a Violation may have occurred, such Review Subcommittee shall advise the Participant of that fact and may:

- (i) refer or return the matter to ICE Compliance Staff with instructions for further investigation;
- (ii) approve a settlement agreement negotiated and entered into pursuant to Rule 2.02(d)(ii) with such Participant which may provide for a penalty other than that recommended by the relevant ICE Compliance Staff, subject to the limitations set forth in subparagraph (e)(iv) of this Rule;
- (iii) refer the matter to a formal hearing of a Hearing Panel; or
- (iv) negotiate and enter into a written settlement agreement with the Participant, whereby the Participant, with or without admitting guilt, may agree to:
 - (1) a cease and desist order or a reprimand; and/or
 - (2) a fine of up to twenty-five thousand dollars for each Violation alleged plus the monetary value of any benefit received as a result of the alleged Violation.
 - (3) suspension or expulsion

Rule 2.04. Notice of Charges.

In any case in which a Review Subcommittee refers a matter to a formal hearing, ICE Compliance Staff shall serve a Notice of Charges (a “**Notice**”) on the Participant alleged in such Notice to have been responsible for the alleged Violation (the “**Respondent**”), the BCC Chairman and the President and/or Chief Executive Officer. Such Notice shall state:

- (a) the acts, practices or conduct in which the Respondent is alleged to have engaged;
- (b) how such acts, practices or conduct constitute a Violation;
- (c) that the Respondent is entitled, upon written request filed with ICE within twenty days of service of the Notice, to a formal hearing on the charges;
- (d) that the failure of the Respondent to request a hearing within twenty days of service of the Notice, except for good cause shown, shall be deemed a waiver of its right to a hearing;
- (e) that the failure of the Respondent to file an Answer (as defined in Rule 2.05) with ICE Compliance Staff within twenty days of service of the Notice shall be deemed an admission of all of the allegations contained in the Notice; and
- (f) that the failure of the Respondent to expressly deny a particular allegation contained in the Notice shall be deemed an admission of such allegation.

Rule 2.05. Answer; Request for Hearing; Failure to Answer or Deny Charges.

- (a) The Respondent shall serve on ICE a written answer (an “**Answer**”) to the Notice of Charges and a written request for a hearing on the charges within twenty days of the date of service of the Notice of Charges.
- (b) The Respondent’s failure to file an Answer within such twenty-day period shall be deemed an admission of all of the allegations contained in the Notice.
- (c) The Respondent’s failure to expressly deny a particular allegation contained in the Notice shall be deemed an admission of such allegation.
- (d) The Respondent’s failure to request a hearing within such twenty-day period, absent good cause shown, shall be deemed a waiver of Respondent’s right to a hearing.

Rule 2.06. Reply.

ICE Compliance Staff may serve a reply (a “**Reply**”) to the Respondent’s Answer within five days of the date of service of the Respondent’s Answer. The Reply must be limited to the matters set forth in the Answer.

Rule 2.07. Selection of Hearing Panel.

- (a) Formal hearings on any alleged Violation shall be conducted by a three-member panel selected by the BCC Chairman from members of the Business Conduct Committee who were not on the Review Subcommittee for such alleged Violation (the “**Hearing Panel**”) and are not ineligible pursuant to paragraph (c) of this Rule, and, if there are fewer than three available members of the Business Conduct Committee, from the remaining members of the Board who are not employees of the Respondent or any Affiliate. The BCC Chairman, in his or her sole discretion, shall set a date for the hearing (the “**Hearing Date**”).
- (b) The BCC Chairman shall notify ICE Compliance Staff and the Respondent of the Hearing Date and the names of the members of the Hearing Panel at least fifteen days prior to the Hearing Date.
- (c) No member of the Hearing Panel shall hear a case in which that member, in the determination of the BCC Chairman, has a direct financial, personal or other interest in the matter under consideration. If there are insufficient available Board members to constitute a Hearing Panel, the Board may appoint such other individuals who do not have such an interest as it determines appropriate, to complete the Hearing Panel.

Rule 2.08. Challenge to Members of the Hearing Panel.

Within ten days after service on the Respondent of notice of the Hearing Date and names of the members of the Hearing Panel, the Respondent may challenge, in writing, the

inclusion of any member of the Hearing Panel for cause, including without limitation, if the member has a direct financial, personal or other interest in the matter under consideration. The merits of such challenge shall be finally decided by the BCC Chairman in his or her sole discretion. If said written challenge is not received within such ten-day period, absent good cause shown, any such right to challenge is deemed waived.

Rule 2.09. Hearing on Penalty in the Event of Failure to Deny Charges; Failure to Request Hearing Deemed Acceptance of Penalty.

In the event the Respondent fails to file an Answer or admits the allegations or fails to deny the allegations in support of a charge of a Violation contained in the Notice, the Hearing Panel shall find the Respondent guilty of each such Violation and may impose a penalty for each such Violation subject to the limitations set forth in Rule 2.12(b)(v). The Hearing Panel shall promptly notify the Respondent of any such penalty and of the Respondent's right to a hearing on the penalty within ten days, or such longer period as the Hearing Panel may determine, after the imposition of such penalty. Failure to request a hearing on the penalty in a timely manner, absent good cause shown, shall be deemed to be acceptance of the penalty.

Rule 2.10. Settlement Prior to Commencement of Hearing.

Prior to the commencement of the hearing, the Hearing Panel may negotiate and enter into a written settlement agreement with the Respondent, whereby the Respondent, with or without admitting guilt, may agree to:

- (a) a cease and desist order or a reprimand;
- (b) a fine of up to twenty-five thousand dollars for each Violation alleged plus the monetary value of any benefit received as a result of the alleged Violation; and/or
- (c) a suspension of trading or clearing privileges of up to one year

Rule 2.11. Hearing Procedures.

Each Hearing Panel shall determine the procedures to be followed in any hearing before it, except that the following shall apply in every case:

- (a) The prosecution shall be conducted by ICE Compliance Staff.
- (b) The Respondent shall be allowed to be represented by legal counsel or any other representative of its choosing and, either personally or through such representative, to present witnesses and documentary evidence and to cross-examine witnesses.
- (c) ICE Compliance Staff and the Respondent shall deliver to each other a statement listing the witnesses expected to be called and the documents expected to be introduced into evidence, together with copies of such documents, by such date

prior to the hearing as the Hearing Panel may reasonably specify. Unless the Hearing Panel, in its discretion, waives compliance with this requirement, no witness may testify and no documentary evidence may be introduced into evidence unless listed in and, in the case of documents, furnished with such statement. On written request, ICE Compliance Staff shall provide the Respondent with access to all books, documents or other tangible evidence in the possession or under the control of ICE which are to be relied upon by ICE or which are relevant to the allegations contained in the Notice of Charges.

- (d) No formal rules of evidence shall apply, and the Hearing Panel shall be free to accept or reject any and all evidence it considers proper.
- (e) Neither ICE Compliance Staff, the Respondent, any witnesses testifying before the Hearing Panel nor any other Person within ICE's jurisdiction shall engage in conduct that may impede the progress of a hearing or the fair and just resolution of the subject matter thereof, and any such conduct may itself constitute a Violation.
- (f) *Ex parte* contacts by any of the parties with members of the Hearing Panel shall not be permitted.
- (g) A substantially verbatim record capable of being accurately transcribed shall be made of the proceedings, *provided, however*, that such record need not be transcribed, unless the transcript is requested by the Respondent or an applicable regulator.
- (h) The Notice of Charges, the Answer, the Reply, any stenographic transcript of the hearing, the documentary evidence and any other material presented to the Hearing Panel by either party with notice to the other shall constitute the record of the hearing (the "**Hearing Record**").
- (i) The burden of proof shall be on the prosecution. A finding of a Violation shall be made by majority vote based on the Hearing Panel's good faith judgment as to the weight of the evidence contained in the Hearing Record.

Rule 2.12. Written Decision of Hearing Panel.

- (a) If the Hearing Panel finds that the Respondent has not committed any Violation charged, it shall render a written decision to that effect, and the Respondent shall not be subject to any further proceedings with respect to the Violation charged. The written decision shall include:
 - (i) a summary of the allegations contained in the Notice of Charges;
 - (ii) a summary of the Answer;
 - (iii) a brief summary of the evidence produced at the hearing or, where appropriate, incorporation by reference of the investigation report; and

- (iv) a statement of the findings and conclusions of the Hearing Panel with respect to each charge.
- (b) If the Hearing Panel finds the Respondent has committed the Violation charged, it shall render a written decision to that effect. The written decision shall include:
- (i) a summary of the allegations contained in the Notice of Charges;
 - (ii) a summary of the Answer;
 - (iii) a brief summary of the evidence produced at the hearing or, where appropriate, incorporation by reference of the investigation report; and
 - (iv) a statement of the findings and conclusions of the Hearing Panel with respect to each charge, including how Respondent is found to have committed a Violation; and
 - (v) an order stating any penalty imposed and the effective date of such penalty; the penalty that may be imposed on the Respondent shall be one or more of the following:
 - (A) a cease and desist order or a reprimand;
 - (B) a fine of up to one hundred thousand dollars for each Violation plus the monetary value of any benefit received as a result of the alleged violation; and/or
 - (C) a recommendation to the Board to impose a suspension or revocation of clearing privileges or a termination of Participant status of the Respondent, in accordance with the requirements of Rule 2.11.

Rule 2.13. Liability for Expenses.

Any Respondent that, after notice and opportunity for hearing, has been found to have committed a Violation may, in the discretion of the Hearing Panel appointed in the matter, be required to pay to ICE an amount equal to any and all out-of-pocket expenses incurred by ICE in connection with the prosecution of such Violations, in addition to any penalty which may be imposed upon such Participant by virtue of the Violations found by the Hearing Panel.

Rule 2.14. Effective Date of Penalties.

- (a) If a Participant enters into a settlement agreement with relevant ICE Compliance Staff, the terms of which have been approved by the relevant Review Subcommittee, or with such Review Subcommittee or Hearing Panel, any penalty included as a part of such settlement agreement shall become final and effective

on the date that such Review Subcommittee or Hearing Panel approves or enters into such settlement agreement.

- (b) Any decision (including any penalty) by a Hearing Panel shall be the final decision of ICE and shall become effective fifteen days, or such longer time as the Hearing Panel may specify, after a copy of the written decision of the Hearing Panel has been served on the Respondent; *provided, however*, that in any case where the Respondent has consented to the action taken and to the timing of its effectiveness or the matter was referred to the Hearing Panel pursuant to Rule 2.11, the Hearing Panel may cause the decision involving any disciplinary action (including any penalty) to become effective prior to the fifteen day period.
- (c) Any fine imposed by a Hearing Panel shall be due and payable on the effective date of the decision imposing such fine, or on such later date as the Hearing Panel may specify.

Rule 2.15. Extension of Time Limits.

- (a) Any time limit provided for in Rules 2.04, 2.05, 2.06, 2.07., 2.08, 2.09 or 2.11 may be extended by mutual consent of the Respondent and ICE, by the BCC Chairman, or, if a Hearing Panel has been appointed, by the majority vote of the Hearing Panel.

Rule 2.16. Conflicts of Interest Involving Named Participant in Interest

(a) Definitions. For purposes of this Rule the following definitions shall apply:

(i) The term "Family Relationship" shall mean the Person's spouse, former spouse, parent, stepparent, child, stepchild, sibling, stepbrother, stepsister, grandparent, grandchild, uncle, aunt, nephew, niece or in-law.

(ii) The term "Named Participant in Interest" shall mean a Person or entity that is identified by name as a subject of any matter being considered by the Board or a committee.

(b) Prohibition. No member of the Compliance Staff, Hearing Panel or other entity which has authority to take action for and in the name of the Exchange (not including any committee which is only authorized to make recommendations for action by the Board or some other committee) shall knowingly participate in such body's deliberations or voting in any matter involving a Named Participant in Interest where such member (i) is a Named Participant in Interest, (ii) is an employer, employee, fellow employee or guarantor of a Named Participant in Interest, (iii) has a family relationship with a Named Party in Interest or (iv) has any other significant, ongoing business relationship with a Named Participant in Interest, excluding relationships limited to executing futures or option transactions opposite each other or to clearing futures or options transactions through the same Clearing Member.

(c) Disclosure. Prior to consideration of any matter involving a Named Participant in Interest, each member of the deliberating body shall disclose to the

President, or his designee, whether such member has one (1) of the relationships listed in paragraph (b) of this Rule with a Named Participant in Interest.

(d) Procedure and Determination. Exchange staff shall determine whether any member of the deliberating body is subject to a conflict restriction under this paragraph (d). Such determination shall be based upon a review of the following information:

- (i) information provided by the member pursuant to paragraph (b), above, and
- (ii) any other source of information that is maintained by and reasonably available to the Exchange.

Rule 2.17. Restrictions of Certain Persons Who Possess Material, NonPublic Information

No Board Member or employee shall use or disclose, for any purpose other than the performance of his official duties, Material, Non-Public Information obtained as a result of the member's participation on the Board or any committee of the Exchange; provided, however, that if any such member who effects any Transaction after having received any such Material, Non-Public Information so obtained can show that such Transaction was effected in the ordinary course of such member's business, such member shall not be deemed to have used such information for purposes of this paragraph, unless it can be shown that such member would not have effected such Transaction in the absence of such information.

{Rule 2.18. Regulatory Oversight Committee}

Reserved

TRADING STANDARDS

Rule 5.01. Rule Violations

It shall be an offense for a Participant to violate any Rule regulating the conduct or business of a Participant, to violate the Act, or to engage in fraud, dishonorable conduct, or in conduct which is inconsistent with just and equitable principles of trade.

Rule 5.02. Fictitious, Wash or Non-Competitive Transactions

No Participant shall create fictitious transactions, wash transactions or non-competitive transactions except as otherwise authorized under these Rules.

Rule 5.03. Good Faith Bids and Offers

A Participant shall not knowingly enter or cause to be entered, bids or offers into the Exchange other than in good faith for the purpose of executing bona fide transactions.

Rule 5.04. Pre-Execution Discussions

Participants may engage in pre-execution discussions with regard to transactions executed on the Exchange where one party wishes to be assured that a contra party will take the opposite side of the order under the following circumstances:

- a) The Pre-Execution discussions occur on a medium provided by and monitored by ICE (ie. chat room or bulletin board).
- b) The first party's order must be entered into the ETS platform while the second party's order must wait 5 seconds from the time of the first order entry before placement.

Rule 5.05. Error Trades

In order to ensure fair and orderly market conditions, the Exchange may cancel any order and may cancel any trade executed on Exchange pursuant to the ICE Error Trade Policy.

Rule. 5.06. Misuse of Exchange

Misuse of the Exchange is strictly prohibited. It shall be a violation of the Rules for any Participant to willfully or negligently engage in unauthorized access to the Exchange, to assist any Participant in obtaining unauthorized access to the

Exchange, to trade on Exchange without the authorization of a Clearing Member, to alter the equipment associated with Exchange, to interfere with the operation of Exchange, to use or configure a component of Exchange in a manner which does not conform to the Rules, to intercept or interfere with information provided on or through Exchange, or in any way to use Exchange in a manner contrary to the Rules.

Rule 5.07. Acts Detrimental to ICE’s Welfare

It shall be an offense to engage in any act which is detrimental to the interest or welfare of ICE.

Rule 5.08. Supervision of Authorized Traders

A Participant shall be responsible for establishing; maintaining and administering reasonable supervisory procedures to ensure that it’s Authorized Traders comply with Applicable Laws, ICE Rules, and ICE Clear Europe Rules. The Participant may be held responsible for the actions of such Authorized Trader.

Rule 5.09. Acceptable Orders

(a) An acceptable order is in one of the following order types:

(i) “Limit orders” – Limit orders are orders to buy or sell a stated quantity at a specified price, or at a better price, if obtainable. Unless otherwise specified, any residual volume from an incomplete limit order is retained in the central order book until the end of the day unless it is withdrawn or executed.

(ii) “Market orders” – Market orders are executed at the best price or prices available in the order book at the time the order is received by the electronic trading system (“ETS”) until the order has been filled in its entirety. However, a market order will not trade outside of the Reasonability Limits and any residual volume from an incomplete market order is canceled. Market orders are rejected if the market is not open.

(iii) “Stop orders” – Acceptable Types

(A) In the event that a particular Significant Price Discovery Contract is subject to different NCRs based on the delivery months, the widest NCR that is listed for the particular Significant Price Discovery Contract shall be applied for Stop Limit Orders and Stop Orders with Protection, regardless of the delivery month specified in such order.

(B) “Stop-Limit Orders” – A Stop Limit Order has two components: (1) the stop price and (2) the limit price. When a trade has occurred on ETS at or through the stop price, the order becomes executable and enters the market as a Limit order at the limit price. The order will be executed at all price levels from the stop price up to and including the limit

price. If the order is not fully executed, the remaining quantity of the order will remain active in ETS at the limit price.

(a) The allowable price range between the stop price and the limit price of a Stop-Limit Order will be restricted to 100% of the No Cancellation Range (NCR) for the specified Significant Price Discovery Contract.

(b) A buy Stop-Limit becomes executable when a trade occurs at or higher than the stop price. When entered, the stop price must be above the current best offer or, if no working offer, above the current anchor price. The limit price must be equal to or greater than the stop price.

(c) A sell Stop-Limit becomes executable when a trade occurs at or lower than the stop price. When entered, the stop price must be below the current best bid or, if no working bid, then below the current anchor price. The limit price must be equal to or less than the stop price.

(C) “Stop Orders with Protection” – A Stop Order with Protection has two components: (1) the stop price and (2) an Exchange set protection limit price. The Exchange set limit price is the NCR for the specified Significant Price Discovery Contract from the stated stop price. When a trade has occurred on ETS at or through the stop price, the order becomes executable and enters the market as a Limit order at the Exchange set limit price. The order will be executed at all price levels from the stop price up to and including the limit price. If the order is not fully executed, the remaining quantity of the order will remain active in ETS at the limit price.

(a) A buy Stop will have as its Exchange set limit price the stated stop price plus the NCR for the specified Significant Price Discovery Contract.

(b) A sell Stop will have as its Exchange set limit price the stated stop price minus the NCR for the specified Significant Price Discovery Contract.

(c) For Significant Price Discovery Contracts with daily price limits, the Exchange set limit price will not exceed the absolute maximum price permitted.

(iv) “Trade At Settlement orders” – Trade At Settlement (“TAS”) orders are orders to buy or sell a stated quantity at:

(A) the Trading Session’s Settlement Price or up to two (2) minimum price fluctuations above or below the Trading Session’s Settlement Price; or

(B) if a Calendar Spread, at the spread differential between the Trading Session’s Settlement Prices of the two (2) delivery months up to two (2) minimum price fluctuations above or below the spread differential between the Trading Session’s Settlement Prices of the two (2) delivery months. TAS orders may be submitted only for

those Significant Price Discovery Contracts and delivery months and during such time periods as specified by the Exchange from time to time. TAS orders may result in transactions priced outside the daily price limits.

(b) An ETS order may contain one (1) of the following functionalities:

(i) “Reserve Quantity orders” - An ETS order may specify a maximum disclosure volume to be shown to the market for an order enabling the order to be released gradually without revealing the full size. The unrevealed part of the order is released only when the first part of such order is completely filled. When each portion of the order is released, it is placed in its entirety at the end of the order priority queue.

(ii) “Good After Logout orders” – Good After Logout (“GAL”) orders remain in the ETS market even after the trader has logged out or the connection to the ETS platform is lost. However, all orders, including GAL orders, will be deleted when the system closes at the end of the trading session.

(iii) “Good ‘Til Canceled orders” – Good ‘Til Canceled (“GTC”) orders are orders to buy or sell a stated quantity at a stated price which remain active in ETS until such orders are either executed, canceled by the trader or automatically canceled at the Commodity Contract’s expiration. GTC orders may be submitted for those Commodity Contracts as determined by the Exchange. Corrections or additions to the information recorded on the written record of the order shall be made in a manner that does not obliterate or otherwise make illegible the originally recorded information.

Rule 5.10. Revising Orders

The price or volume of an ETS order that has not fully traded may be revised. If the volume is reduced, the time priority originally assigned to the order does not change. Revising the price or increasing the volume will change the order’s time priority in the queue to the time ETS receives the revision.

Rule 5.11. Requirements for Persons Submitting Orders

- a) Each order designated for clearing upon execution shall be submitted under the applicable authorized trader id, and shall indicate the Clearing Account Number for the Participant.
- b) No Person shall submit any order using the authorized trader id of any other person.
- c) Each Participant shall provide in writing to ICE , and keep current such information as ICE may require concerning itself and each of its Authorized Traders or any other person it permits to have access.
- d) Each Participant shall (i) identify in writing to ICE one or more Designated contacts as ICE may determine and (ii) ensure that at least one of its

Designated Contacts is available by telephone at all times when any person to whom it has given permission is accessing ICE.

- e) Each Participant shall be responsible for all ICE orders placed using any of the User IDs assigned to it.

CONTRACT SPECIFICATIONS

Rule 6.01. Henry Financial LD1 Fixed Price

- (a) **Contract Size.** The contract quantity shall be 2,500 MMBTu (million British thermal units).
- (b) **Units of Trading.** Contract size multiplied by the number of days in the month traded. For example, in a 30-day month, such as November, the unit of trading will be 30 days X 2,500 or 75,000 MMBtus. This will be the equivalent of 30-lots. There are 4 possible units of trading, 28, 29, 30, 31 days each multiplied by 2,500 MMBtus.
- (c) **Minimum Price Fluctuation.** Prices shall be reported in U.S. dollars and cents per MMBtu. The minimum price fluctuation shall be \$.001 per MMBtu.
- (d) **Contract Series.** A minimum of eight calendar years. Up to 156 consecutive calendar months commencing with the next calendar month.
- (e) **Last Trading Day.** Close of business three business days prior to the first calendar day of the contract series.
- (f) **Fixed Price.** The traded price or the previous day's settlement price.
- (g) **Floating Price.** In respect of daily settlement, the Floating Price for daily settlement will be determined by ICE using price data from a number of sources including spot, forward and derivative markets for both physical and financial products. In respect of final settlement the Floating Price will be a price in US\$ and cents per mm BTu dry equal to the monthly last settlement price for natural gas as published by the New York Mercantile Exchange (NYMEX) for the month of production per ISDA commodity definitions.
- (h) **Position Accountability.** A Participant holding or controlling twenty four thousand (24,000) or more Henry Hub LD1 Natural Gas Contracts net long or short in any single month or forty eight thousand (48,000) or more Henry Hub LD1 Natural Gas Contracts, net long or net short in all months combined:
 - (i) automatically consents not to increase further and automatically consents to decrease those positions when so ordered by the Exchange acting in its own discretion; and
 - (ii) shall provide, in a timely manner, information on the nature of that Person's related cash, Exchange Futures and Options Contracts positions, trading strategy and/or hedging strategy. Nothing in this

Rule limits the authority of the Exchange to take action under **Rules 1.11, 1.12 and 1.13** or to request and collect any information regarding that Participant's related cash and Exchange Futures and Options Contracts positions.

- (i) Position Limit. Subject to the exemptions and conditional limit contained in this Rulebook, the maximum net long or net short position which any one (1) Person may own or control in the Henry Hub LD1 Natural Gas Contract is four thousand (4,000) contracts for the last three days before expiration.
- (j) Conditional Limit. A person may own or control in the Henry Hub LD1 Natural Gas Contract up to twenty thousand (20,000) contracts for the last three days before expiration provided that the trader agrees (1) not to hold a position in the CME/NYMEX Natural Gas Futures Contract during the last three days of trading and (2) to provide the Exchange with information on the complete book of all positions related to the Henry Hub.