6.4 Disciplinary Procedures; Termination of Connection

6.4.1 All access denials, suspensions, expulsions and other restrictions imposed upon a Participant, Authorized Broker or any of their Authorized Users by the Exchange pursuant to a Disciplinary Action shall restrict with equal force and effect, access to, and use of, the Exchange.

6.4.2 The Exchange, at its sole discretion, shall have the right to summarily terminate the connection of any Participant, Authorized Broker or the access of any ITM or User ID to the Exchange. Additionally, the Exchange, at its sole discretion, shall have the right to direct a Participant or Authorized Broker to immediately terminate access to the Exchange any of such Participant's or Authorized Brokers's Authorized Users, respectively.

6.5 Position Limits

The position limits for Nodal Contracts shall not apply to (i) bona fide hedging positions as defined in CFTC Regulation 150.1 ~~Section 1.3(z)(1) of the CFTC Regulations or non-enumerated hedging positions which are otherwise determined by the Exchange to be consistent with the purposes of hedging~~, which are approved in accordance with this Rule; (ii) risk management positions; (iii) conditional limits granted by the Exchange in the Nodal Henry Hub Monthly Natural Gas Contract; and (iv) spread ~~or arbitrage~~ positions.

6.5.1 **Bona Fide Hedges**. The Exchange may adopt position limits for Nodal Contracts, and grant exemptions from position limits for bona fide hedging transactions and positions, in accordance with CFTC Regulations. Bona fide hedging transactions typically represent a substitute for transactions to be made, or positions to be taken, at a later time in a physical marketing channel that are economically appropriate to the reduction of risks in the conduct and management of a commercial enterprise and arise from a change in the value of the hedger's current or anticipated assets or liabilities.

6.5.2 **Risk Management Exemptions**. The Exchange may adopt limits for Nodal Contracts, and grant exemptions from position limits for risk management positions for Nodal Contracts not subject to federal limits, in accordance with CFTC Regulations. Risk management transactions typically represent futures or options positions which are held by or on behalf of a Participant or an Affiliate of a Participant which typically buys, sells or holds positions in the underlying cash market, a related cash market, or a related over-the-counter market and for which the underlying market has a high degree of demonstrated liquidity relative to the size of the positions and where there exist opportunities for arbitrage which provide a close linkage between the futures or options market and the underlying market in question. Exemptions related to indexed positions in the over-the-counter market may include corresponding commodity index-based futures and options and/or individual commodity futures and options used as components in replicating an index.

6.5.3 **Exemption Requests.** A Participant seeking a position limit exemption for bona fide hedging must apply to the Compliance Department demonstrating that the purpose of the positions or transactions is to offset price risks incidental to commercial cash or spot operations and such positions are established and liquidated in an orderly manner in accordance with sound commercial practices. A Participant seeking a position limit exemption for risk management must apply to the Compliance Department providing an explanation of the positions in the underlying cash market, related cash market, or related over-the-counter market where there exists a close linkage between the Nodal Contract and the underlying market in question, or, where applicable, an explanation of the corresponding index being replicated.

6.5.4 In order to obtain an exemption from position limits for bona fide hedging or risk management, a Participant must submit an application with the following information:

(a) Participant's name ~~, ITM accounts,~~ and contact information;

(b) Name of the Clearing Member maintaining Participant's account;

(c) A description of the exemption sought, identifying the Nodal Contract(s) for the intended transaction or position seeking exemption;

(d) A complete and accurate explanation of the Participant's underlying exposure related to the exemption request;~~;~~

(e) If the exemption request is for an enumerated bona fide hedge, identify the specific enumerated hedge described in CFTC Regulations, Part 150, Appendix A. ~~Designated ITM account(s) to be used solely for hedge transactions that will qualify for hedge exemption treatment;~~

(f) Agree to promptly provide, upon request by the Compliance Department, information or documentation regarding the Participant's financial condition;

(g) Agree to comply with all terms, conditions or limitations imposed by the Compliance Department with respect to the exemption;

(h) Agree that the Compliance Department may modify or revoke the exemption at any time;

(i) Agree to promptly submit a supplemental statement to the Compliance Department whenever there is a material change to the information provided in the most recent application; and

(j) Participant's authorized representative must certify that the intended transaction or position is economically appropriate to reduce the Participant's commercial risks and complies with all Exchange and CFTC requirements for bona fide hedging.

6.5.5 Within five (5) Business Days of the submission of the required information and certifications, the Exchange ~~shall~~ will endeavor to respond to the request indicating whether the exemption has been granted and the limitations placed thereon. An exemption will remain in full force and effect until (1) the exemption's expiration date provided by the Exchange; (2) a request for withdrawal is received by the Exchange; or (~~2~~3) the Exchange revokes, modifies or places further limitations thereon.

6.5.6 Written requests for exemptions to the position limits for bona fide hedging and risk management positions ~~must~~should be received by the Exchange no later than five (5) Business Days prior to the first (1st) day such position limits are in effect. Failure to file a position limit exemption request on a timely basis ~~shall~~may subject the Participant seeking an exemption to disciplinary action pursuant to the Rules.

6.5.7 **Conditional Limit in the Nodal Henry Hub Monthly Natural Gas Contract.** The Exchange may grant a conditional limit in the Henry Hub Monthly Natural Gas Contract up to five (5) times the spot month position limit for the period that spot month position limits are in effect ("**Conditional Limit**"). To be eligible for a Conditional Limit under this Rule, a Participant must submit an application, in the form specified by the Exchange, in which the Participant agrees:

(a) Not to establish, hold or control a position in the corresponding NYMEX Henry Hub (NG) contract during the last three days of trading of a contract month;

(b) Upon request of the Exchange, to provide information on all positions related to Henry Hub Contracts, and such other information as the Exchange may request; and

(c) To report to the Exchange any position established, whether by trading or otherwise, in the spot month NYMEX Henry Hub (NG) contract during the last three days of trading of a contract month.

An application for a Conditional Limit shall be effective upon receipt by the Exchange. A Conditional Limit will be effective each spot month until the expiration date specified in the application for such limit, which shall be no later than one year following the submission date. Nothing in this

Rule shall in any way limit the Exchange from altering or revoking a Conditional Limit.

6.5.8 The CFTC may also from time to time establish position limits for Nodal Contracts traded pursuant to these Rules. For any such Nodal Contract subject to a position limit set by the CFTC, the Exchange shall not set its position limit at a level higher than the CFTC's limit.

6.5.9 A Participant who exceeds a position limit as a result of maintaining positions at more than one Clearing Member shall be deemed to have waived confidentiality regarding its positions and the identity of the Clearing Members at which those positions are maintained.

6.5.10 A Participant intending to exceed position limits, including limits established pursuant to a previously approved exemption, must file the required application and receive approval from the Compliance Department prior to exceeding such limits.

6.5.11 In the event the positions in excess of the limits are not deemed to be exemption-eligible, the Participant will be in violation of position limits for the period of time in which the excess positions remained open.

6.5.12 The Compliance Department shall, on the basis of the application and any requested supplemental information, determine whether an exemption from position limits shall be granted. The Compliance Department may approve, deny, condition or limit any exemption request based on factors deemed by the Compliance Department to be relevant, including, but not limited to, the applicant's business needs and financial status, as well as whether the positions can be established and liquidated in an orderly manner. Hedge exemptions ~~shall be approved at the ITM account level and~~ must be renewed on an annual basis.

6.5.13 **Spread ~~or Arbitrage~~ Positions**. A spread~~ or arbitrage~~ transaction involves the simultaneous purchase and sale of identical or equivalent commodity futures contracts across two or more markets, such as location or delivery month, in order to hold a position on the discrepancy in their price relationship. For contracts subject to CFTC established position limits, spread positions ~~or arbitrage positions~~ between single months of a futures contract outside of the spot month, in the same year, may exceed the position limits; provided however, that such spread ~~or arbitrage~~ positions, when combined with any other net positions in the single month, do not exceed the all-months limit established by the CFTC. In order to exceed position limits without violating the Rules, a Participant must apply for a spread exemption and comply with the following procedures for identifying spread~~s or arbitrage~~ positions subject to this Rule:

(a) Participant must apply for and the Exchange must grant a spread exemption from position limits. The Exchange may grant exemptions for strategies consistent with the definition of spread transaction in CFTC Regulation 150.1 and/or, for those commodities subject to federal position limits under CFTC Regulation 150.2, for spread transactions and strategies consistent with CFTC Regulation 150.3(a)(2).

~~(a)~~(b) Submit the spread transaction~~or arbitrage positions~~ under a single order ID number. If a spread exemption has been approved by the Exchange, p~~P~~ositions resulting from spread orders submitted under a single order ID number or block trades submitted under a single trade group ID number shall be deemed spread positions for position limit purposes;

~~(b)~~(c) In the event the qualifying spread ~~or arbitrage~~ position cannot be submitted under a single order ID number, such as when a spread ~~or arbitrage~~ position is executed amongst three or more Participants, the Participant must submit a written notice to the Exchange in the form provided by the Exchange that shall include (i) a description of the spread ~~or arbitrage~~ position; (ii) a statement that the position is a spread ~~or arbitrage~~ position; and (iii) a statement that the Participant is complying with all other Rules and requirements of the Exchange;

~~(c)~~(d) If neither (~~a~~b) or (~~b~~c) apply, the Participant must submit a written request to the Exchange in the form provided by the Exchange. The request must be received by the Exchange no later than five (5) Business Days before the position limits are in effect for the proposed spread ~~or arbitrage~~ position and shall include (i) a description of the size and nature of the proposed spread ~~or arbitrage~~ position; (ii) an explanation that neither (~~a~~b) or (~~b~~c) above applies to the proposed spread ~~or arbitrage~~ position; (iii) a statement that the intended position will be a spread ~~or arbitrage~~ position; and (iv) a statement that the Participant is complying with all other Exchange Rules and requirements;

~~(d)~~(e) Participant may not enter into any subsequent transaction to alter the spread ~~or arbitrage~~ position causing the Participant to exceed the position limits. In the event this occurs, the Participant may be in violation of position limits for the period of time in which the excess positions remained open; and

~~(e)~~(f) Participant agrees to immediately submit a supplemental statement explaining any change in circumstances affecting the spread ~~or arbitrage~~ position.

The Compliance Department may deny or limit any Order intended as a spread~~ or arbitrage~~ position based on factors deemed by the Compliance Department to be relevant, such as whether the positions can be liquidated in an orderly manner.

6.5.14 The position limit levels for those Nodal Contracts with position limits are set forth in Appendix C to these Rules.

~~6.5.14~~6.5.15 In the event any Participant exceeds its position limit due to (i) demonstrated sudden unforeseen increases in its bona fide hedging needs, and/or (ii) for those commodities not subject to position limits under CFTC Regulation 150.2, bona fide hedging, risk management or spread position needs, such Participant shall not be considered in violation of the Rules provided that such Participant requests an exemption to carry such increased position within one (1) Business Day but no later than five (5) Business Days after the established position has exceeded the position limits, and provided further that such exemption is granted by the Exchange.

6.6 Position Accountability

6.6.1 A Participant who holds or controls aggregate positions in a Nodal Contract in excess of the position accountability levels relating to that Nodal Contract set out in Appendix C shall be subject to the following provisions:

(a) Such Participant shall provide, in a timely manner upon request by the Compliance Department, information regarding the nature of the position, trading strategy, and hedging information if applicable.

(b) Such Participant shall, if so ordered by the Compliance Department, acting in its discretion, liquidate or not increase further the positions that exceed such levels.

(c) Such positions must be initiated and liquidated in an orderly manner.

(d) This Rule shall not limit the jurisdiction of the Exchange to take action that it determines necessary or appropriate in respect of any positions on the Exchange.

6.7 Reports of Large Positions

Upon request, Participants must provide the Compliance Department with information, in a form and manner acceptable to the Compliance Department, identifying the owner, any controlling parties and any additional required information for each reportable account.

6.8 Aggregation of Positions