



August 18, 2023

BY ELECTRONIC FILING

Mr. Christopher J. Kirkpatrick
Office of the Secretariat
Commodity Futures Trading Commission
1155 21st Street, NW
Washington, DC 20581

Re: Self Certification of Changes to Rulebook

Dear Mr. Kirkpatrick:

Cboe Clear Digital, LLC (“Cboe Clear Digital”) hereby submits for self-certification to the Commodity Futures Trading Commission (“the “Commission”), under Commission regulation 40.6(a), amendments to its Rulebook, in light of the Commission’s June 5, 2023 approval of an amended order of registration for Cboe Clear Digital to clear additional products. The amendments to the Rulebook accommodate for Cboe Clear Digital’s provision of clearing services for digital asset futures on a margined basis (“Products”) for futures commission merchants (“FCMs”) Clearing Members of Cboe Clear Digital. The rule changes included in the amended Rulebook are reflected in **Appendix A**. The amendments to the Rulebook will become effective on September 1, 2023 (“Effective Date”). Cboe Clear Digital intends to begin clearing the Products on a date after the Effective Date to be announced by Cboe Clear Digital through the issuance of a notice.

The Cboe Clear Digital Rulebook governs, among other things, the eligibility and responsibilities of its Clearing Members, and the clearing, settlement, and delivery of products. Cboe Clear Digital’s amended order of registration expands the products permitted to be cleared by Cboe Clear Digital to margined futures, which necessitates certain clarifications, revisions, and changes to its Rulebook. Additionally, as Cboe Clear Digital’s original order of registration permits it to clear fully collateralized swaps (as well as futures), Cboe Clear Digital makes certain clarifying amendments to its Rulebook in connection with the clearing of swaps.¹ A concise explanation and analysis of the changes and amendments, and their compliance with applicable provisions of the Commodity Exchange Act (the “CEA”), including the derivatives clearing organization (“DCO”) Core Principles and the Commission’s Regulations, are as follows:

As indicated above, margin-based contracts may only be cleared through a Cboe Clear Digital clearing member that is an FCM (“FCM Clearing Member”). A majority of the amendments to the Rulebook are intended to explicitly provide for or otherwise clarify certain FCM Clearing Member requirements as well as provide certain clarifying edits to account for Cboe Clear Digital’s capacity to clear fully collateralized swaps, and include the following updates: addition of a definition of

¹ Cboe Clear Digital does not currently clear any fully collateralized swaps contracts.

and references to swaps where appropriate; addition of a definition of Eligible Delivery Member (“EDM”)² for the physical delivery process (as further described below); non-substantive updates to various definitions to promote clarity within the Rules; addition of explicit statutory disqualification disclosure requirements for FCM Clearing Member applicants; definition of the Customers³ that may participate in physical delivery process or make or take delivery of digital assets futures products; provision of additional reporting requirements applicable to FCM Clearing Members in accordance with the CEA and CFTC Rules, including equity systems reporting, daily account and position reporting (including Customers), large trader position reporting, ownership reporting (CFTC Form 102), and open position reporting; provision of explicit anti-money laundering compliance program standards for FCM Clearing Members; provisions obligating FCM Clearing Members to assume responsibility and comply with physical delivery requirements; clarification with respect to segregated futures Customer and swaps Customer funds on Cboe Clear Digital; clarification of the requirement for FCM Clearing Member separation of member property and Customer accounts for Customers trading swaps, as well as separate Cboe Digital accounts for Customer swaps positions; addition of clarifying language regarding extinguishing and replacing swap contracts in connection with the clearance and substitution for swaps; clarification regarding requirements for approved depository institutions; and clarification that restrictions or termination of Clearing Member clearing privileges may occur following a Rule 601 suspension.

The amendments also revise and supplement the rule governing delivery for physically-settled contracts. Specifically, updated Rule 410 requires that delivery occur through an EDM; provides for the timing and requirements for liquidation, reporting, and deposits in connection with the delivery process, and that Cboe Clear Digital will publish a timeline of the physical delivery process. Rule 410, as amended, also accounts for delivery failures, governing the process in which a buyer fails to make a delivery payment or a seller fails to meet delivery obligations.

Pursuant to Rule 410, as amended, at least 10 business days prior to contract expiry, an FCM Clearing Member or its Customer that wishes to participate as an EDM must have an approved spot membership application and deposit requisite funds into an authorized, proprietary spot account to receive final EDM status authorization. Only accounts associated with an EDM may maintain open positions to make or take delivery. An FCM Clearing Member carrying open positions in an account not associated with an EDM must liquidate open positions by the close of trading three days prior to the last trading day, and an FCM Clearing Member must fulfill specific reporting obligations—pertaining to positions and position updates—two days prior to the last day of trading, and later, covering expiring contracts. An EDM must deposit all underlying assets required to make or take delivery by certain prescribed times,⁴ and final delivery is performed by Cboe Clear Digital on its books and records. If an EDM buyer fails to make full payment to take delivery, then Cboe Clear Digital will debit the account of the FCM Clearing Member an amount sufficient to fulfill the delivery obligation. If an EDM seller fails to make delivery, then Cboe Clear Digital will implement Alternative Delivery Process (“ADP”) measures, where Cboe Clear Digital

² An EDM is an FCM Clearing Member that has an FCM proprietary spot account with Cboe Clear Digital that has been authorized in writing by Cboe Clear Digital, or an FCM Customer with a proprietary spot account with Cboe Clear Digital that has been authorized in writing by the FCM Clearing Member and by Cboe Clear Digital, to participate in the physical delivery process to make or take delivery of digital assets futures products.

³ Customer has the meaning set forth in CFTC Regulation 1.3.

⁴ An EDM must deposit all underlying assets required to make delivery immediately upon expiration, and all funds required to take delivery no later than one hour following expiration.

will communicate with an approved set of non-failing EDMs to obtain a price at which the failed delivery position may be liquidated⁵ or transferred⁶ to a non-failing EDM. In the event that ADP is unsuccessful, the rules set forth a clear process for Cboe Clear Digital to provide and distribute the amount of financial performance⁷ proceeds on a pro-rata basis to any affected EDMs intended to take the failed delivery. Revised Rule 410 additionally makes it clear that FCM Clearing Members are financially liable for delivery failures of their accounts, including their Customer accounts.

Core Principle Compliance

Cboe Clear Digital believes that the amendments to the Rulebook are consistent with the DCO Core Principles as set forth in the CEA and has identified the following DCO Core Principles as potentially being relevant to the above amendments:

- DCO Core Principle C – *Participant and Product Eligibility*: The addition of Rule 101(aa) defining “Eligible Delivery Member”, the addition of Rule 301(f)(iv) necessitating statutory disqualification disclosure from FCM Clearing Members, the revisions to Rule 405 covering approved depository institutions, the clarification in Rule 606 that restrictions on or termination of Clearing Member membership may occur following a Rule 601 suspension, and the additions of certain duties and responsibilities specific to FCM Clearing members to Rule 303 advance appropriate admission and continuing eligibility standards for participants.
- DCO Core Principle D – *Risk Management*: By imposing certain duties and responsibilities specific to FCM Clearing Members and in accordance with the CEA and CFTC Rules via Rule 303, Cboe Clear Digital ensures that it possesses the ability to manage the risk associated with discharging its responsibilities.
- DCO Core Principle E – *Settlement Procedures*: The additions to Rule 410 ensure that the physically delivery process and each obligation of the DCO with respect to physical deliveries is clearly stated in the rules, including Cboe Clear Digital’s obligations in connection with any losses incurred by non-failing EDMs in a failed delivery process.
- DCO Core Principle F – *Treatment of Funds*: The additions to Rule 309 regarding segregation of Customer funds and the addition of Rule 316 regarding swaps collateral and positions clearly delineate in the rules standards and procedures designed to protect and ensure the safety of member and participant funds and assets, and also ensure that funds are held in a manner by which to minimize the risk of loss or delay in the access by the DCO.
- DCO Core Principle L – *Public Information*: The amendments to the Rulebook assist that Cboe Clear Digital in providing market participants with clear and comprehensive rules

⁵ Pursuant to Rule 410(d)(i)(A), if a position is liquidated, then Cboe Clear Digital will register a trade between the failing EDM (seller) and the EDM to take delivery (buyer) at the price obtained from the non-failing EDMs, such that the short position of the failing EDM (seller) and the long position of the EDM (buyer) are offset.

⁶ Pursuant to Rule 410(d)(i)(B)m if a position is transferred then Cboe Clear Digital will register a trade between the failing EDM (seller) and a non-failing EDM (seller) at the price obtained from the non-failing EDMs, such that the short position of the failing EDM (seller) is transferred to the non-failing EDM (seller), and the new non-failing EDM (seller) must deposit the required underlying assets within one hour of the transfer.

⁷ Pursuant to Rule 410(d)(iv), “financial performance” means payment of commercially reasonable costs in U.S. dollars to replace the failed delivery, but does not include physical performance or legal fees. Commercially reasonable cost will be determined using the settlement price of the underlying asset market on expiration day.

and the amended Rulebook will be posted to the Cboe Digital website in satisfaction of this Core Principle.

Public Information

A notice and copy of this submission has been concurrently posted on Cboe Digital's website at <https://www.cboedigital.com/regulation/exchange-notices/> under "CFTC Submissions."

Opposing Views

There were no opposing views expressed regarding these amended rules.

Certification

Cboe Clear Digital hereby certifies to the Commodity Futures Trading Commission, pursuant to the procedures set forth in Commission regulation §40.6, that this submission complies with the Commodity Exchange Act, as amended, and the regulations promulgated thereunder.

Please contact me if you have any questions or wish to discuss this matter further.

Sincerely,

/s/ Katherine Kirkpatrick

Katherine Kirkpatrick
Chief Legal Officer, Cboe Digital
kkirkpatrick@cboe.com

Appendix A

Amendments to the Cboe Clear Digital Rulebook

(All deletions are struck-through and all additions are underlined)

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GENERAL

101. Definitions.

Unless the context clearly requires otherwise, the following terms shall have the following meanings when used in these Rules:

- (a) “**Account**” means a Customer Account or a Member Property Account, as context requires, used in conjunction with the trading or delivery of commodity products.
- (b) “**Account Balance**” means total equity held with the Clearinghouse that is calculated as deposits minus withdrawals plus realized and unrealized profit and loss.
- (c) “**Appeal Panel**” means a panel comprised of individuals appointed by the Board or the Chief Compliance Officer to consider appeals under Rule 602.
- (d) “**Applicable Law**” means any statute, law, regulation, rule or ordinance of any governmental authority, including the CEA, CFTC Regulations, State Regulations, and the rules or regulations of any relevant Self-Regulatory Organization.
- (e) “**Approved Depository Institution**” means a bank, trust company or other depository that has been approved by Cboe Clear Digital as an acceptable location for depositing Clearing Member funds or Collateral, as applicable.
- (f) “**Authorized Representative**” means an individual designated by a Clearing Member and listed with Cboe Clear Digital as having authority to act on behalf of the Clearing Member.
- (g) “**Board**” means the board of directors of Cboe Clear Digital, as set forth in the LLC Agreement.
- (h) “**Business Day**” means any day on which the Clearinghouse is open for clearing. References in these Rules to a “day” or “Business Day” shall, unless the context otherwise requires, mean the “Business Day” corresponding to the trading day of the Exchange.
- (i) “**Cboe Clear Digital**” means Cboe Clear Digital, LLC, a Delaware limited liability company.
- (j) “**Cboe Digital**” means Cboe Clear Digital and the Exchange collectively.
- (k) “**CEA**” means the Commodity Exchange Act, as it may be amended from time to time.

- (l) “**CFTC**” means the U.S. Commodity Futures Trading Commission.
- (m) “**CFTC Regulations**” means the rules, regulations and interpretations promulgated by the CFTC pursuant to the CEA, as in effect from time to time.
- (n) “**Clearinghouse**” means Cboe Clear Digital, LLC.
- (o) “**Clearing Member**” means an FCM Clearing Member or Direct Clearing Member who has executed a Clearing Member Agreement, and to whom the Clearinghouse has granted the right to clear contracts on the Clearinghouse.
- (p) “**Clearing Member Agreement**” means the agreement for clearing privileges between Cboe Clear Digital and a Clearing Member.
- (q) “**Collateral**” means U.S. dollars, U.S. Treasuries, other assets, including Virtual Currencies, that are allowed by the CEA, CFTC Regulations and Cboe Clear Digital to be accepted for deposit into clearing accounts and to meet Guaranty Fund Deposit requirements.
- (r) “**Committee**” means a committee established by the Board or otherwise, pursuant to the Rules.
- (s) “**Contract**” means, as context requires, any futures contract, options contract, swap contract, or spot contract, agreement, or transaction on a commodity (as such term is defined in the CEA or CFTC Regulations), which has been approved for clearing by Cboe Clear Digital pursuant to these Rules.
- (t) “**Customer**” shall have the meaning set forth in CFTC Regulation 1.3.
- (u) “**Customer Account**” means an account established by an FCM Clearing Member with Cboe Clear Digital in which the FCM Clearing Member maintains trades, positions and Margin solely for Customers.
- (v) “**Default**” shall have the meaning set forth in Rule 502 (a).
- (w) “**Default Loss**” means any loss to Cboe Clear Digital or Exchange associated with the Default of a Clearing Member resulting in any deficit balance in the Clearing Member account; resulting from costs associated with the Clearing Member’s liquidation, transfer, offset, settlement, delivery; Clearing Member’s collateral losses due to the failure or insolvency of a Clearing Member’s depository or settlement bank; and any other costs related to managing the Default of a Clearing Member.
- (x) “**Direct Clearing Member**” means a Person that submits fully funded trades for clearing at Cboe Clear Digital on behalf of its own account(s), has completed a Clearing Member Agreement and has been granted clearing privileges by the Clearinghouse excluding trading on margin.
- (y) “**Directors**” means members of the Board.

(z) **“Disciplinary Panel”** means a panel comprised of individuals appointed by the Board at the recommendation of the Chief Compliance Officer to act in an adjudicative role and fulfill various adjudicative responsibilities and duties described in Chapter 6.

~~(z)~~(aa) **“Eligible Delivery Member”** or **“EDM”** means (a) an FCM Clearing Member that has an FCM proprietary spot account with Cboe Clear Digital that has been authorized in writing by Cboe Clear Digital to participate in the physical delivery process to make or take delivery of digital assets futures products; or (b) an FCM Customer with a proprietary spot account with Cboe Clear Digital that has been authorized in writing by the FCM Clearing Member and by Cboe Clear Digital to participate in the physical delivery process to make or take delivery of digital assets futures products.

~~(aa)~~(bb) **“Emergency”** shall have the meaning set forth in Rule 207.

~~(bb)~~(cc) **“Exchange”** means Cboe Digital Exchange, LLC and its respective successors.

~~(ee)~~(dd) **“Exchange Committee”** includes the Regulatory Oversight, Exchange Member, or Exchange Practices Committees of the Exchange, and any other future or successor committee of the Exchange.

~~(dd)~~(ee) **“FCM Clearing Member”** means a Person that is registered with the CFTC as a Futures Commission Merchant, has completed a Clearing Member Agreement and has been granted clearing privileges by the Clearinghouse, including clearing contracts that are not fully collateralized or fully funded.

~~(ee)~~(ff) **“FCM Customer”** means a Customer of an FCM.

~~(ff)~~(gg) **“Fully Collateralized or Fully Funded”** contract means a contract cleared by Cboe Clear Digital that requires~~if~~ Cboe Clear Digital to holds, at all times, funds in the form of the required payment sufficient to cover the maximum possible loss that a party or counterparty could incur upon liquidation or expiration of the contract,~~in the form of the required payment.~~

~~(gg)~~(hh) **“Futures Commission Merchant”** or **“FCM”** shall have the meaning set forth in CFTC Regulation 1.3.

~~(hh)~~(ii) **“Guaranty Fund Deposit”** means the amount required to be deposited with Cboe Clear Digital by the FCM Clearing Member as a guaranty of its obligations to Cboe Clear Digital.

~~(ii)~~(jj) **“Government Agency”** means the CFTC and/or any other governmental agency or department, including state agencies or departments for purposes of spot contracts, regulating the activities of a Clearing Member.

~~(jj)~~(kk) **“Initial Margin”** means generally, a factored amount over the Maintenance Margin requirement calculated by Cboe Clear Digital.

~~(kk)~~(ll) **“Insolvent”** and **“Insolvency”** means the Clearing Member has become the subject of a bankruptcy petition, receivership proceeding, or an equivalent proceeding.

~~(h)~~(mm) _____ “**LLC Agreement**” means the Limited Liability Company Agreement of Cboe Clear Digital, as amended or restated from time to time.

~~(mm)~~(nn) _____ “**Margin**” means funds or the applicable amount of Collateral required to collateralize Contracts as set forth in Rule 403.

~~(nn)~~(oo) _____ “**Maintenance Margin**” means the minimum amount of Margin equity calculated by Cboe Clear Digital required to be maintained in an account.

~~(oo)~~(pp) _____ “**Member Property Account**” means an account established by a Clearing Member with Cboe Clear Digital in which the Clearing Member maintains trades, positions and Margin solely on its own behalf.

~~(pp)~~(qq) _____ “**Obligations**” means all financial obligations of a Clearing Member, however arising, whether absolute or contingent, direct or indirect, due or to become due, arising under these Rules or such Clearing Member’s agreements with Cboe Clear Digital.

~~(qq)~~(rr) “**Officer**” has the meaning set forth in Rule 204.

~~(rr)~~(ss) “**Person**” means an individual, sole proprietorship, partnership, limited liability company, association, firm, trust, corporation or other entity, as the context may require.

~~(ss)~~(tt) “**Regulations**” means rules, regulations, guidance, or advisories promulgated by the CFTC or any applicable state or federal agency.

~~(tt)~~(uu) “**Removal Event**” means (a) the termination of the Clearing Member Agreement; (b) a materially false or misleading representation or warranty made by the Clearing Member to Cboe Clear Digital under or in connection with any agreement between Cboe Clear Digital and the Clearing Member; (c) the breach by the Clearing Member of the Rules or any of the terms or provisions of any agreement between Cboe Clear Digital and the Clearing Member which is not remedied promptly after notice from Cboe Clear Digital; (d) a material violation of the rules of the Exchange, or (e) a Default by the Clearing Member.

~~(uu)~~(vv) _____ “**Rule**” means a Rule of Cboe Clear Digital either contained in this Rulebook or in guidance or notices from Cboe Clear Digital.

~~(vv)~~(ww) _____ “**Self-Regulatory Organization**” shall mean any futures or securities exchange, derivatives clearing organization, securities clearing agency, or National Futures Association.

~~(ww)~~(xx) _____ “**Settlement Price**” has the meaning set forth in Rule 409.

(yy) _____ “**State Regulation**” means, with respect to states in which Cboe Clear Digital is licensed to operate as a money transmitter or otherwise permitted to engage in a virtual currency business, any regulation related thereto.

~~(xx)~~(zz) _____ “**Swap**” has the meaning set forth in CFTC Regulation 1.3.

~~(yy)~~(aaa) _____ “**Transfer Trade**” has the meaning set forth in Rule 408.

~~(zz)~~(bbb) _____ “**UCC**” means the Uniform Commercial Code as in effect in the State of Illinois.

~~(aaa)~~(ccc) **”Virtual Currency”** means any digital representation of value that functions as a medium of exchange, and any other digital unit of account that is used as a form of a currency (i.e., transferred from one party to another as a medium of exchange); may be manifested through units, tokens, or coins, among other things; and may be distributed by way of digital “smart contracts,” among other structures.

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3. CLEARING MEMBERS

301. General Eligibility Requirements of Clearing Members.

- (a) The Clearinghouse imposes eligibility requirements for Clearing Members, and may modify these requirements in order to maintain an orderly clearing process and mitigate risk to the Clearinghouse and other Clearing Members.
- (b) All Clearing Members and prospective Clearing Members who wish to enter into a Clearing Member Agreement will be subject to Clearinghouse Anti-Money Laundering policies and procedures, designed to achieve and monitor compliance with the requirements of the Bank Secrecy Act and the regulations promulgated thereunder, or otherwise, by the Department of the Treasury or other federal agencies and bureaus.
- (c) All Clearing Members are subject to Rules, as well as all rules of the Exchange, whether contained in the Exchange Rulebook, or in Exchange guidance or notices.
- (d) All Clearing Members adhere to Applicable Law and supervises persons associated with the Clearing Member as to assure compliance therewith.
- (e) Each applicant for qualification as a Clearing Member must satisfy the following requirements at the time of application, and at all times as a Clearing Member:
 - (i) Applicant must not be subject to any economic or trade sanctions programs administered by OFAC or other relevant U.S. or non-U.S. authority and must not be listed on OFAC’s List of Specially-Designated Nationals and Blocked Persons;
 - (ii) It shall enter into a Clearing Member Agreement with Cboe Clear Digital, pursuant to which it shall agree, among other things, to: (1) abide by all All Applicable Law, Cboe Clear Digital Rules and to cooperate in their enforcement; (2) be responsible, even after it has withdrawn as a Clearing Member, for any violations of Applicable Law, Cboe Clear Digital Rules committed by it while it was a Clearing Member; and (3) continue to meet all requirements applicable to Clearing Members, including all financial requirements provided by these Rules;
 - (iii) It shall have received all necessary approvals and consents from all applicable regulatory authorities and Government Agencies to permit it to conduct the business of a Clearing Member;
 - (iv) Applicant must have one or more accounts that has been approved by Cboe Clear Digital for purposes of depositing and withdrawing funds or Collateral at Cboe Clear Digital;

- (v) It shall be engaged in or demonstrate immediate capacity to engage in the conduct of the business of a Clearing Member;
 - (vi) Applicant must not be prohibited from using the services of the Exchange for any reason whatsoever;
 - (vii) It shall continuously satisfy any minimum commercial, integrity, financial, credit, operational capability and competence standards, as may be established by Cboe Clear Digital from time to time;
 - (viii) Applicant must maintain adequate financial resources and credit as may be determined by the Clearinghouse from time to time and published on the Cboe Clear Digital website; and
 - (ix) Applicant must not have filed for bankruptcy, and not be subject to a current bankruptcy proceeding.
- (f) In addition to the requirements set forth in paragraph (e), each applicant for qualification as an FCM Clearing Member must satisfy the following requirements at the time of application, and at all times as an FCM Clearing Member:
- (i) It shall be a corporation, limited liability company, partnership or other entity approved by Cboe Clear Digital, duly organized and in good standing in its state of organization;
 - (ii) It shall maintain back-office facilities staffed with experienced and competent personnel or have entered into a facilities management agreement in form and substance acceptable to Cboe Clear Digital; ~~and~~
 - (iii) It shall maintain minimum regulatory capital in excess of the greater of (1) \$5,000,000 and (2) any applicable capital requirements imposed on applicant by the CFTC, another Government Agency or Self- Regulatory Organization; ~~and~~
 - (iv) It shall disclose whether the FCM Clearing Member applicant: (i) is subject to a statutory disqualification under Section 8a(2) of the CEA; (ii) has an affiliate subject to a statutory disqualification under Section 8a(2) of the CEA; or (iii) has a principal, or an affiliate with a principal, subject to a statutory disqualification under Section 8a(2) of the CEA. The Clearinghouse shall not admit as an FCM Clearing Member any applicant that discloses a disqualification in (i)-(iii) of this subparagraph (f)(iv).
- (g) In addition to the requirements set forth in paragraph (e), each applicant for qualification as a Direct Clearing Member must satisfy the following requirements at the time of application, and at all times as a Direct Clearing Member:
- (i) Have the ability to make and take delivery of any Contract in which it trades;
 - (ii) Have banking relationships sufficient to deposit U.S. dollars with the Clearinghouse settlement bank;

- (iii) On a daily basis reconcile its records against those of the Clearinghouse;
 - (iv) Provide updated positions each business day by the time established by the Clearinghouse;
 - (v) Identify an Authorized Representative to be contacted in the event of any issues related to clearing.
- (h) The Board may, in its sole discretion, grant exemptions or guidance to the requirements set forth in this Rule 301 for Clearing Members if it determines that such an exemption will not jeopardize the financial integrity of Cboe Clear Digital. Additionally, the Board or Risk Committee may require applicants meet additional requirements, provide additional information for evaluation, or refuse to admit any Person as a Clearing Member if, at their sole and absolute discretion, they determine that admission of such Person would undermine the financial integrity or reputation of the Clearinghouse.

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303. Duties and Responsibilities of Clearing Members.

- (a) Any Person initiating or executing a transaction in Contracts to be cleared by Cboe Clear Digital, and any Person for whose benefit such a transaction has been initiated or executed, expressly consents to the jurisdiction of the Clearinghouse and agrees to be bound by and comply with the Rules of the Cboe Clear Digital in relation to such transactions and Contracts, including, but not limited to, rules requiring cooperation and participation in investigatory and disciplinary processes. Each Clearing Member shall:
- (i) Comply with and act in a manner consistent with, and cause its Authorized Representatives and employees to comply with an act in a manner consistent with, the Rules;
 - (ii) Guarantee and assume responsibility for all Contracts submitted by it or for which it authorizes another Person to submit in its name for clearing;
 - (iii) Keep the passwords assigned by Cboe Clear Digital confidential;
 - (iv) At all times maintain one or more accounts that has been approved by Cboe Clear Digital for purposes of depositing and withdrawing funds or Collateral at Cboe Clear Digital, and promptly inform Cboe Clear Digital of any changes to any of the foregoing account(s)
 - (v) Promptly review and, if necessary, respond to all communications sent by Cboe Clear Digital;
 - (vi) Be responsible for violations of the Rules committed by it, its Authorized Representative or employees;
 - (vii) Not knowingly mislead or conceal any material fact or matter in any dealings or filings with Cboe Clear Digital or in response to any proceeding;

- (viii) Cooperate with Cboe Clear Digital and any Government Agency in any inquiry, investigation, audit, examination or proceeding;
 - (ix) Observe high standards of integrity, commercial honor, fair dealing, and just and equitable principles of trade in relation to any aspect of its business connected with or concerning Cboe Clear Digital.
- (b) In addition to the requirements in subparagraph 303(a), each FCM Clearing Member shall also:
- (i) Provide appropriate staff to be available during specified hours, on Business Days and otherwise, when such is deemed necessary by Cboe Clear Digital to ensure the integrity of its systems or as otherwise deemed necessary for the protection of the Cboe Clear Digital;
 - (ii) Have written risk management policies and procedures in place to ensure it is able to perform certain basic risk and operational functions at all times and to make information regarding its risk management policies, procedures and practices available to Cboe Clear Digital or the CFTC upon request. At a minimum, the following areas must be addressed in the Clearing Member's policies and procedures, taking into account the Clearing Member's business and products offered for clearing:
 - 1) Monitoring the credit risks of accepting trades, including give-up trades, of its Customers;
 - 2) Monitoring the risks associated with proprietary trading;
 - 3) Limiting the impact of significant market moves through the use of tools such as stress testing or position limits;
 - 4) Maintaining the ability to monitor account activity on an intraday and overnight basis;
 - 5) Ensuring order entry systems, including third party systems connected to any exchange, include the ability to set automated credit controls or position limits or requiring a firm employee to enter orders; and
 - 6) Defining sources of liquidity for increased settlement obligations.
 - (iii) Develop and implement a written anti-money laundering compliance program approved in writing by senior management reasonably designed to achieve and monitor the Clearing Member's compliance with all applicable requirements of the Bank Secrecy Act (31 U.S.C. § 5311 et seq.), the International Emergency Economic Powers Act (50 U.S.C. § 1701 et seq.) ("IEEPA"), the Trading with the Enemy Act (50 U.S.C. App. § 1 et seq.) ("TWEA"), and the Executive Orders and regulations issued pursuant thereto, including the regulations issued by the U.S. Department of the Treasury and, as applicable, the Commodity Futures Trading Commission.

- (iv) File any information requested by the Clearinghouse within the time period specified in the request.
- (v) Maintain at all times the ability to provide to the Clearinghouse in an acceptable form a complete set of equity systems reports (including, at a minimum, the equity run, open position listing, day trade listing, cash adjustments listing and performance bond call and debit equity listing). Such reports shall be available to the Clearinghouse no later than 8:00 a.m. CT on the business day following the report date.
- (vi) Submit to the Clearinghouse on each business day, at or prior to the time and in the form and manner specified by the Clearinghouse, daily reports that include all information required by the Clearinghouse, including end-of-day gross positions by each house origin, by each customer origin and by each individual customer-level account within each customer origin. Daily reporting of individual customer-level account information pursuant to this paragraph does not oblige an FCM Clearing Member to look through an omnibus account that it clears for a carrying broker to the underlying customer account.
- (vii) Accurately report large trader positions and, where applicable, long positions eligible for delivery consistent with required submission deadlines.
- ~~(iv)~~(viii) Submit to the Clearinghouse, at or prior to the time and in the form and manner specified by the Clearinghouse, CFTC Form 102 identifying the owner, any controlling parties and any additional required information for each reportable account.
- (ix) By the close of trading three Business Days pPrior to the last day of trading in any contract that is physically delivered, assess the ability of any owner of an account on its books with open positions in the expiring contract to make or take delivery. Absent evidence of receiving satisfactory information from the account owner or controller, the FCM Clearing Member is responsible for ensuring that the open positions are liquidated in an orderly manner prior to the expiration of trading.
- (x) Report to the Clearinghouse each business day a complete and accurate inventory of all open positions carried by the FCM Clearing Member in a manner and time as determined by the Clearinghouse.
- (c) In addition to the requirements in subparagraph (a) and (b) above, an FCM Clearing Member carrying an account that is required to make or take delivery shall:
 - (i) Guarantee and assume full responsibility for the performance of all delivery requirements set forth in the Rules, including the delivery obligations of any Customers authorized as EDMs (i.e., EDM Customers).
 - (ii) Ensure that its EDM Customers comply with all delivery obligations set forth in the Rules, including but not limited to, ensuring that at all times its EDM Customers that may ultimately make or take delivery in an expiring contract have the operational capability to fully satisfy their delivery obligations.

(iii) Satisfy all delivery requirements set forth in Rule 410.

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308. Financial Requirements of FCM Clearing Members.

- (a) FCM Clearing Members must at all times maintain minimum regulatory capital in excess of the greater of (i) \$5,000,000, and (ii) the capital requirements imposed by any Government Agency, Self-Regulatory Organization or other examining authority or regulator to which it is subject by statute, regulation or agreement. Cboe Clear Digital may prescribe additional capital requirements with respect to any FCM Clearing Member.
- (b) FCM Clearing Members shall:
 - (i) Submit a monthly Form 1-FR-FCM or a FOCUS Report and supplementary information schedule, in the form prescribed by the CFTC, including an unaudited monthly Form 1-FR-FCM or FOCUS Report as of the FCM Clearing Member's fiscal year-end, within the time set forth in CFTC Regulation 1.10. An FCM Clearing Member must include with its Form 1-FR-FCM or FOCUS Report a Statement of Income (Loss) for the period between the date of the most recent 1-FR-FCM or FOCUS or, at the option of the FCM Clearing Member, the most recent certified 1-FR- FCM or FOCUS filed with Cboe Clear Digital and the date for which the report is made;
 - (ii) Submit a certified Form 1-FR-FCM or FOCUS Report as of the Clearing Member's fiscal year-end within the time requirements set forth in CFTC Regulation 1.10. An FCM Clearing Member must include with its certified Form 1-FR-FCM or FOCUS Report, a reconciliation from the certified Form 1-FR-FCM or FOCUS Report to the monthly Form 1-FR-FCM or FOCUS Report as of the same date or a statement that no material differences were noted.
- (c) Cboe Clear Digital may prescribe additional accounting, reporting, and other financial and/or operational requirements, and FCM Clearing Members must comply with such requirements.
- (d) Financial statement filing requirements under this Rule must be met through Cboe Clear Digital-approved electronic transmission, except for certified Form 1-FR-FCMs or FOCUS Reports, which shall be submitted in physical form. FCM Clearing Members must provide any reports or information pertaining to their financial resources to the CFTC upon request.
- (e) Exceptions to the financial and reporting requirements of this Rule 308 may be granted by the Board, in consultation with the Chief Compliance Officer, for good cause if it is determined that such exceptions will not jeopardize the financial integrity of Cboe Clear Digital.

309. Customer Accounts and Member Property Accounts.

- (a) All Customer Ffunds deposited by an FCM Clearing Member with Cboe Clear Digital on behalf of futures Customers are protected by CFTC Regulation 1.20 and shall be held in

accordance with the CEA and CFTC Regulation 1.20 in an account identified as “Customer Segregated.” Such Customer funds shall be segregated from all other funds held by Cboe Clear Digital and treated as belonging to ~~such~~the Customers of the FCM Clearing Member. Pursuant to this Rule, a Clearing Member shall satisfy the segregation acknowledgment letter requirements of the CEA and CFTC Regulation 1.20 for Customer deposits held at Cboe Clear Digital.

~~(b)~~ Customer Ffunds deposited by FCM Clearing Member with Cboe Clear Digital on behalf of— swaps Customers are protected by CFTC Regulation 22.2 and shall be held in accordance with the CEA -and CFTC Regulation 22.3 in an account identified as “Cleared Swaps Customer Account.” Such Customer Ffunds shall be segregated from all other funds held by Cboe Clear Digital and -treated as belonging to such Customers of the FCM Clearing Member. Pursuant to this Rule, a Clearing Member shall satisfy the segregation acknowledgment letter requirements -of the CEA and CFTC Regulation 22.5 for Customer deposits held at Cboe Clear Digital.

~~(a)(c)~~ All funds deposited by a Clearing Member with Cboe Clear Digital on behalf of the Clearing Member’s own account shall be held in a Member Property Account or with regard to funds deposited for purposes of trading in a Cleared Swaps Member Property Account. Such Clearing Member funds shall be segregated from all other funds held by Cboe Clear Digital and treated as belonging to Clearing Members.

~~(b)(d)~~ Cboe Clear Digital will, upon request by a Customer, promptly transfer, from the Customer Account of one FCM Clearing Member to the Customer Account of another FCM Clearing Member, all or a portion of such Customer’s Contracts, in accordance with Rule 408(a)(i).

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313. Segregation of Customer Funds and Assets for FCM Clearing Members.

(a) Each FCM Clearing Member must comply with the requirements of the CEA and CFTC Regulations regarding segregation of Customer Ffunds from the FCM Clearing Member’s own funds or assets, including, but not limited to, CFTC Regulations 1.20 through 1.30, 1.32, and 30.7.

(b) Cboe Clear Digital shall comply with the applicable segregation requirements of Section 4d of the CEA and CFTC Regulations with respect to Customer Ffunds held by Cboe Clear Digital.

(c) As used in this Chapter 3 of this Rulebook~~Rule 313~~, “Customer Ffunds” has the same meaning as in CFTC Regulation 1.3.

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316. Swaps Collateral and Positions

Each FCM Clearing Member shall maintain a separate Cboe Digital Account(s) for the funds, assets and -positions of each of its Customers trading Swaps. When depositing funds or assets with

or withdrawing funds or assets from the Clearinghouse or submitting any order to the Exchange, related to customer swaps activity, FCM Clearing Members must identify the Customer Account for which such deposit, withdrawal, or order is being made, as well as any other information required by Cboe Digital.

4. CLEARING, SETTLEMENT, AND DELIVERY OF CONTRACTS

401. Submission of Trades.

- (a) Upon matching of a trade effected on or pursuant to the rules of the Exchange, the Exchange shall promptly submit to Cboe Clear Digital a trade report generated by the electronic trading system of the Exchange. The report shall show for each trade (i) the identity of each Clearing Member, (ii) whether bought or sold, (iii) quantity, (iv) delivery month, (v) the price, (vi) whether for house, Customer, or non-Customer account, and (vii) such other information as may be required by Cboe Clear Digital.
- (b) If Cboe Clear Digital determines that any trade report submitted pursuant to this Rule 401 contains a material error, does not conform to the Contract specifications contained in the Exchange rulebook, or is otherwise not eligible for clearing by Cboe Clear Digital, Cboe Clear Digital may reject such trade and notify the Exchange of such rejection, setting forth the basis of such objection.

402. Clearance and Substitution.

- (a) The submission of a Contract to Cboe Clear Digital by or on behalf of the buying and selling Clearing Members shall constitute a request, by such Clearing Members, for the clearing of such Contract by Cboe Clear Digital. Upon the acceptance thereof by Cboe Clear Digital, which ordinarily shall be deemed to occur upon the receipt of matched trade data from the Exchange:
 - (i) the Contract, if a futures or option on a future, shall be novated and Cboe Clear Digital shall be substituted as, and assume the position of, seller to the Clearing Member buying such Contract and buyer from the Clearing Member selling such Contract. Upon such substitution, such buying and selling Clearing Members shall be released from their obligations to each other, and Cboe Clear Digital shall be deemed to have succeeded to all the rights, and to have assumed all the Obligations, of the Clearing Members that were party to such Contract, in each case as provided in the Rules; or-
 - (ii) the Contract, if a swap, shall be extinguished, and replaced with equal and opposite swap between Cboe Clear Digital and each Clearing Member. Upon -extinguishing and replacing the original Contract, the Clearing Members shall be -released from their obligations to each other, and, along with Cboe Clear Digital, shall have all rights and Obligations under the Contract that replaced the extinguished Contract, in each case as provided in the Rules.

~~(a)~~(b) Where an FCM Clearing Member acts to clear a Contract made for the account of a Customer, the FCM Clearing Member becomes obligated to Cboe Clear Digital, and Cboe Clear Digital becomes obligated to the FCM Clearing Member, with respect to such Contract in the same manner and to the same extent as if the Contract were for the account of the FCM Clearing Member.

~~(b)~~(c) Notwithstanding the provisions of paragraph (a), a trade shall not be accepted for clearing, and Cboe Clear Digital shall not be substituted for a given Contract, unless the Margin for such Contract is made available to Cboe Clear Digital, by or for both Clearing Members, pursuant to Rule 403.

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404. Offset and Settlement.

(a) Where, as the result of novation of a Contract or if the Contract has been extinguished and replaced under Rule 402, a Clearing Member has bought and sold a Contract on or subject to the Rules of the Exchange with the same expiration, or otherwise deemed economically equivalent by the Clearinghouse, the purchase and sale will be offset by Cboe Clear Digital through the timely submission of instructions by the Clearing Member containing such information as Cboe Clear Digital may require in accordance with its procedures. A Clearing Member shall be required to pay the loss or entitled to collect the profit, as the case may be, upon such offsetting transactions, and shall have no further rights or be under any further obligation with respect thereto. For purposes of this Rule 404, the first Contracts made shall be deemed the first Contracts offset.

(b) Contracts made and designated by the Clearing Member as for the Clearing Member's Customer Account shall not be offset under this Rule ~~405~~ against Contracts designated by the Clearing Member as for the Clearing Member's own Member Property Account.

405. Approved Depository Institutions.

A bank, trust company or other depository that meets such financial and other requirements of Cboe Clear Digital may be designated by Cboe Clear Digital as an Approved Depository Institution. For purposes of holding funds deposited for swaps, no depository shall be designated by Cboe Clear Digital as an Approved Depository Institution unless it meets the requirements set forth in CFTC Regulation 22.4.

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410. Delivery.

(a) For a Contract that is physically settled, delivery shall occur through an EDM subject to the requirements and pursuant to the processes set forth in this subparagraph (a) and as may be determined by the Clearinghouse ~~the Clearing Member obligated to make delivery must deposit the full amount of underlying in the Clearing Member Account. The Clearing Member taking delivery must deposit the amount required to pay for the underlying they will receive. The Clearinghouse shall transfer the underlying to the Account of the Clearing~~

~~Member that is required to accept delivery, from the Account of the Clearing Member obligated to make delivery. At the same time, the Clearinghouse will transfer the payment for the underlying being delivered to the Clearing Member making delivery. Deliveries will occur on the Clearinghouse's books and records unless otherwise specified in the Exchange contract specifications. The Clearinghouse will publish a timeline of the physical delivery process set forth in this Rule 410, including times that may be determined by the Clearinghouse pursuant to this Rule 410, on the Cboe Digital website at www.cboedigital.com/product.~~

- ~~(i) At least 10 Business Days prior to the contract expiry in which an FCM Clearing Member or FCM Customer wishes to participate as an EDM, such FCM Clearing Member or FCM Customer must: a) have a Spot Membership application approved by Cboe Digital; b) deposit requisite funds into a proprietary spot account that has been duly authorized by Cboe Clear Digital to participate in the physical delivery process; and c) receive final EDM status authorization.~~
- ~~(ii) Only accounts associated with an EDM shall be allowed to maintain open positions to make or take delivery in an expiring physically-settled Contract during the three Business Days prior to the last day of trading. Trading an expiring physically-settled Contract in an account not associated with an EDM is prohibited beginning the three Business Days prior to the last trading day through expiration.~~
- ~~(iii) An FCM Clearing Member carrying open positions in an account not associated with an EDM must liquidate open positions by the close of trading three Business Days prior to the last trading day.~~
- ~~(iv) An FCM Clearing Member must report to the Clearinghouse all positions that will be carried to expiry two Business Days prior to the last day of trading at a time determined by the Clearinghouse. If any updates are made to positions that will be carried to expiry following this reporting period and prior to the last day of trading, an FCM Clearing Member must report to the Clearinghouse any such updates on the Business Day prior to the last day of trading at a time determined by the Clearinghouse. Any updates made on the last day of trading must be reported pursuant to subparagraph (vi) below.~~
- ~~(v) An EDM must deposit all underlying assets required to make delivery immediately upon expiration. An EDM must deposit all funds required to take delivery no later than one hour following expiration.~~

(vi) An FCM Clearing Member must submit to the Clearinghouse, at a time following expiration and in the form and manner specified by the Clearinghouse, reports for all expiring contracts that include all information required by the Clearinghouse pursuant to Rule 303(b)(vi).

(vii) Final delivery is performed by the Clearinghouse on the books and records of the Clearinghouse at a time determined by the Clearinghouse.

(b) In the event an FCM Clearing Member or its EDM Customer(s) fail to fulfill any and all delivery obligations, the Clearinghouse may deem such failure to be a delivery failure of the FCM Clearing Member and may deem such failure as a default pursuant to the Rules.

(c) Where an EDM (buyer) has failed to make full payment due in order to take delivery, the Clearinghouse shall debit the account of the FCM Clearing Member an amount sufficient to fulfill the delivery obligation.

(d) Where an EDM (seller) has failed to meet its delivery obligations, the Clearinghouse shall make every attempt to remediate the failure by implementing the following Alternative Delivery Process (ADP) measures:

(i) The Clearinghouse, on behalf of the EDM (seller) that has failed to deliver, shall communicate with an approved set of non-failing EDMs to obtain a price at which the failed delivery position may be liquidated or transferred to a non-failing EDM.

(A) In the case a position is liquidated then the Clearinghouse shall register a trade between the failing EDM (seller) and the EDM to take delivery (buyer) at the price obtained pursuant to subparagraph (d)(i) above, such that the short position of the failing EDM (seller) and the long position of the EDM (buyer) are offset.

(B) In the case a position is transferred then the Clearinghouse shall register a trade between the failing EDM (seller) and a non-failing EDM (seller) at the price obtained pursuant to subparagraph (d)(i) above, such that the short position of the failing EDM (seller) is transferred to the non-failing EDM (seller). The new non-failing EDM (seller) must deposit the required underlying assets within one hour of the transfer.

(ii) The Clearinghouse will include, in the settlement cycle following the final delivery process, any gain or loss resulting from a registered ADP trade in the accounts of

the non-failing EDM (buyer or seller, as applicable) or failing EDM (seller), respectively.

- (iv) In the event ADP is unsuccessful, financial performance will be granted to any affected EDMs intended to take delivery and whose actions or omissions did not cause or contribute to the delivery failure. Upon determination by the Clearinghouse that ADP cannot satisfy either the liquidation or transfer of the position held by the failing EDM (seller), the Clearinghouse shall debit the account of the FCM Clearing Member that is financially liable for a delivery failure the amount of financial performance required to fulfill the delivery obligation. The Clearinghouse shall then distribute through the final delivery process the financial performance proceeds on a pro-rata basis to the affected EDMs based upon the delivery failure position relevant to the total short position at the time of delivery. For the purposes of this subparagraph (d)(iv), “financial performance” means payment of commercially reasonable costs in U.S. dollars to replace the failed delivery, but does not include physical performance or legal fees. Commercially reasonable cost will be determined using the settlement price of the underlying asset market on expiration day.
- (v) FCM Clearing Members are financially liable for delivery failures of their accounts, including Customer accounts, and must pay financial performance upon delivery failure. FCM Clearing Members are prohibited from paying any financial performance in connection with delivery failure of their accounts, including Customer accounts, with funds from non-failing Customer accounts.
- (e) Should the Clearinghouse suffer a Default Loss as a result of a delivery failure, such Default Loss shall be handled in accordance with the procedures set forth in the Default Management Plan.

~~If, due to any party's error, omission or outtrade discovered on or after the last day of trading, a Clearing Member carries a position in a physically delivered contract that has expired, the Clearing Member may, with the consent of the account owners or the persons authorized to control trading in the relevant account(s), transfer such position to an account with different beneficial ownership; provided, however, that the parties to an error or outtrade must exercise the utmost diligence to resolve the error or outtrade. Notice of delivery obligation transfers must be made to the Clearinghouse the same day. Such transfers require that the Clearinghouse receive acceptance from an account(s) with different beneficial ownership and confirmation of the agreed upon transfer by the initiating party. Such confirmation must be submitted in writing on the form specified by the Clearing House. All positions transferred pursuant to this Rule shall take place at the original trade price of the contract; however this requirement does not prohibit cash adjustments between the~~

~~parties to the transfer. In the event a delivery obligation transfer notification does not result in a trade transfer, delivery shall take place as required by the Exchange and the Clearinghouse Rules. This Rule does not relieve an FCM Clearing Member of its obligations regarding open positions in an expiring contract month as set forth in Rule 303(b)(ix).~~

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502. FCM Clearing Member Default.

- (a) If an FCM Clearing Member (a) fails to satisfy any of its Obligations, (b) fails to deliver funds within the time established by Cboe Clear Digital, (c) is expelled or suspended from the Exchange, Cboe Clear Digital, or any Self-Regulatory Organization, (d) fails to meet the minimum capital and other financial requirements of Cboe Clear Digital, or (e) is Insolvent, the Clearinghouse may declare such Clearing Member to be in Default.
- (b) If an FCM Clearing Member is in Default, Margin held with respect to such Clearing Member's Member Property Accounts, and any other of such Clearing Member's assets held by, pledged to or otherwise available to Cboe Clear Digital, may be applied by Cboe Clear Digital to discharge the Obligations of such Clearing Member to Cboe Clear Digital (including any costs and expenses associated with the liquidation, transfer or management of Contracts held in or for the Member Property Accounts of such Clearing Member, and any fees, assessments or fines imposed by Cboe Clear Digital on such Clearing Member), and Cboe Clear Digital may cause all Contracts of such Clearing Member (whether or not carried in a Customer Account) to be closed or offset, transferred to any other Clearing Member, or otherwise resolved as provided in these Rules.
- (c) If the Margin held with respect to such FCM Clearing Member's Member Property Accounts, and other of such Clearing Member's assets held by, pledged to or otherwise available to Cboe Clear Digital, including any guarantee issued pursuant to these Rules, are insufficient to satisfy the defaulting Clearing Member's Obligations to Cboe Clear Digital after giving effect to the application of such amounts pursuant to paragraph (b), such defaulting FCM Clearing Member shall continue to be liable therefor.
- (d) In closing, offsetting, transferring or otherwise resolving the Contracts of a Clearing Member as provided herein and in Rule 601, Cboe Clear Digital shall have the right:
 - (i) With respect to Contracts in a Customer Account of such FCM Clearing Member, to set off (x) any proceeds received by Cboe Clear Digital from the disposition of such Contracts and any property or proceeds thereof deposited with or held by Cboe Clear Digital as Margin for such account against (y) any amounts paid by Cboe Clear Digital in the disposition of such Contracts, including any commissions or other losses or expenses incurred in connection therewith or in connection with the liquidation of Margin deposits in such Customer Account and any other amounts owed to Cboe Clear Digital as a result of transactions in the Customer Account or otherwise lawfully chargeable against such Customer Account;

- (ii) With respect to the Contracts in any Member Property Accounts of such Clearing Member, to set off (x) any proceeds received by Cboe Clear Digital from the disposition of such Contracts, any property or proceeds thereof deposited with or held by Cboe Clear Digital as Margin for such Member Property Accounts and any other property of the Clearing Member within the possession or control of Cboe Clear Digital other than property that has been identified by such Clearing Member as required to be segregated pursuant to the CEA and CFTC Regulations, against (y) any amounts paid by Cboe Clear Digital in the disposition of such Contracts, including any commissions or other losses or expenses incurred in connection therewith or in connection with the liquidation of Margin deposits in such Member Property Accounts, and any other Obligations of the Clearing Member to Cboe Clear Digital, including Obligations of the Clearing Member to Cboe Clear Digital remaining after the setoffs referred to in paragraph (i) above, and any Obligations arising from any other Member Property Accounts maintained by the Clearing Member with Cboe Clear Digital; and
- (iii) To defer closing or otherwise settling such trades and Contracts if, in its discretion, it determines that the closing out of some or all of the suspended Clearing Member's trades or Contracts would not be in the best interests of Cboe Clear Digital or other Clearing Members, taking into account the size and nature of the positions in question, market conditions prevailing at the time, the potential market effects of such liquidating transactions as might be directed by Cboe Clear Digital, and such other circumstances as it deems relevant; or
- (iv) take any action the Clearinghouse deems proper or in the best interest of the Clearinghouse or its Clearing Members.
- (e) For purposes of this Rule, each Default by a Clearing Member will be considered a separate Default.
- (f) A Clearing Member shall take no action, including but not limited to attempting to obtain a court order, that would interfere with the ability of Cboe Clear Digital to exercise its rights under the Rules and its agreements with such Clearing Member.

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6. SUSPENSION; DISCIPLINARY PROCEEDINGS

601. Suspension.

- (a) General. The Board, Risk Management Committee, or any Exchange Committee may summarily suspend any Clearing Member (i) if the Clearing Member is in Default, (ii) upon the discovery of a materially false or misleading representation or warranty made by the Clearing Member to Cboe Clear Digital under or in connection with any agreement between Cboe Clear Digital and the Clearing Member, (iii) if a breach by the Clearing Member of the Rules or any of the terms or provisions of any agreement between Cboe Clear Digital and the Clearing Member is not remedied promptly after notice from Cboe Clear Digital, (iv) in the event of a material violation of the Rules of the Exchange or of the Clearinghouse, or (v) if the Board or the Risk Management Committee determines that

suspension is necessary for the protection of Cboe Clear Digital, other Clearing Members, or the general public (whether or not such Clearing Member continues to meet the required minimum financial requirements pursuant to the Rules).

- (b) Notice of Suspension to Clearing Members. Upon the suspension of an FCM Clearing Member, based on the Rule 601 (a), Cboe Clear Digital shall as soon as possible notify all Clearing Members of the suspension. Such notice shall state to the extent practicable in general terms how pending transactions, open positions and other pending matters will be affected and what steps are to be taken in connection therewith.
- (c) Pending Transactions. Notwithstanding any other provision of the Rules, Cboe Clear Digital shall have no obligation to accept any transaction of a suspended Clearing Member that was effected after the time at which the Clearing Member was suspended. In the event a transaction of a suspended Clearing Member is rejected by Cboe Clear Digital, Cboe Clear Digital shall provide notice of such rejection to the other party thereto and such transaction shall be closed by the other party thereto in accordance with the rules of the Exchange.
- (d) Open Positions. Cboe Clear Digital shall have the right to cause open positions in Contracts in any of the accounts of a suspended Clearing Member:
 - (i) To be closed in such manner as deemed practicable by Cboe Clear Digital, in its sole discretion;
 - (ii) To be transferred to the account of one or more other Clearing Members;
 - (iii) To be offset against each other and, to the extent of any remaining imbalance, against the Contracts of other Clearing Members; or
 - (iv) To be settled at the Settlement Price for such Contracts, or at such other price or prices as Cboe Clear Digital may deem fair and reasonable under the circumstances, in which event Cboe Clear Digital may cause Contracts in the accounts of other Clearing Members to be settled at such price or prices; or
 - (v) Take any other action with respect to open positions it deems in the best interest of the Clearinghouse or Clearing Members.
 - (vi) In connection with any action undertaken by Cboe Clear Digital pursuant to subparagraphs (i) through (v) above, Cboe Clear Digital shall have the right to apply the Margin of the applicable Clearing Member and any other assets of such Clearing Member held by, pledged to or otherwise available to Cboe Clear Digital, including any guarantee issued pursuant to these Rules, to discharge the Obligations of such Clearing Member to Cboe Clear Digital (including any costs and expenses associated with the liquidation, transfer or management of Contracts held in or for the accounts of such Clearing Member, and any fees, assessments or fines imposed by Cboe Clear Digital on such Clearing Member).
- (e) Cboe Clear Digital may delegate to specified Officers or agents of Cboe Clear Digital the authority to determine, within such guidelines, if any, as Cboe Clear Digital shall prescribe,

the nature and timing of transactions of the type described in subparagraph (d). If Cboe Clear Digital shall determine, taking into account the size and nature of a suspended Clearing Member's positions, market conditions prevailing at the time, the potential market effects of liquidating transactions that might be directed by Cboe Clear Digital, and such other circumstances as Cboe Clear Digital deems relevant, that the closing out of some or all of the suspended Clearing Member's positions would not be in the best interests of Cboe Clear Digital, other Clearing Members, or the general public, such positions need not be closed out.

- (f) **Protective Action.** If Cboe Clear Digital (i) is unable, for any reason, to close out in a prompt and orderly manner any positions or to convert to cash any Margin deposits of a suspended Clearing Member, or (ii) elects pursuant to paragraph (d) of this Rule not to close out any such positions, Cboe Clear Digital may authorize the execution of hedging transactions from time to time for the account of Cboe Clear Digital, solely for the purpose of reducing the risk to Cboe Clear Digital resulting from the continued maintenance of such positions or the continued holding of such Margin deposits. Cboe Clear Digital may delegate to specified Officers or agents of Cboe Clear Digital the authority to determine, within such guidelines, if any, as Cboe Clear Digital shall prescribe, the nature and timing of such hedging transactions.
- (g) **Reimbursement of Costs and Expenses.** Any costs or expenses, including losses, sustained by Cboe Clear Digital in connection with transactions effected for its account pursuant to this Rule shall be charged to the suspended Clearing Member, and any gains realized on such transactions shall be credited to such Clearing Member; provided, however, that costs, expenses, and gains allocable to the hedging of positions in a Customer Account shall be charged or credited, as the case may be, to the Customer Account, and only the excess, if any, of such costs and expenses over the funds available in that account shall be charged to the Clearing Member. Reasonable allocations of costs, expenses, and gains among accounts made by Cboe Clear Digital for the purpose of implementing the proviso to the preceding sentence shall be binding on the Clearing Member and any persons claiming through the Clearing Member and their respective successors and assigns.

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606. Restriction on or Termination of Clearing Privileges.

- (a) If (x) a Removal Event or Rule 601 Suspension occurs with respect to a Clearing Member, or (y) Cboe Clear Digital determines that the financial or operational condition of a Clearing Member or one of its affiliates is such that to allow the Clearing Member to continue its operation as a Clearing Member could adversely affect Cboe Clear Digital or cleared markets (whether or not such Clearing Member continues to meet the required minimum financial requirements, if applicable), Cboe Clear Digital may take one or more of the following actions:
 - (i) Allow such Clearing Member (in the case of an FCM Clearing Member handling Customer Accounts) to submit Contracts for clearing solely for its Member Property Account;

- (ii) Limit or restrict the type of Contracts that may be cleared by such Clearing Member in any of its Accounts with Cboe Clear Digital;
 - (iii) Limit or restrict the number of Contracts that are permitted to be maintained by such Clearing Member in any of its Accounts with Cboe Clear Digital;
 - (iv) Decline to accept new trades or positions in Contracts for the Accounts of the Clearing Member;
 - (v) Increase such Clearing Member's Margin requirements and/or require such Clearing Member to deposit the same in cash or Eligible Securities in proportions different than those that are applicable to Clearing Members generally;
 - (vi) Allow such Clearing Member to submit Contracts for liquidation only;
 - (vii) Prohibit such Clearing Member from withdrawing excess Margin;
 - (viii) Cause open Contracts in the Member Property Account or Customer Account of the Clearing Member to be transferred to another Clearing Member;
 - (ix) Cause open Contracts to be settled in cash or liquidated;
 - (x) Impose such additional capital, Margin, financial reporting or other requirements as Cboe Clear Digital shall deem appropriate for the protection of Cboe Clear Digital and its Clearing Members;
 - (xi) ~~Suspend the Clearing Member's membership in Cboe Clear Digital;~~
 - (xii) Terminate the Clearing Member's membership in Cboe Clear Digital; or
 - (xiii) Take any other actions it deems proper or in the best interest of the Clearinghouse or its Clearing Members.
- (b) Cboe Clear Digital has no obligation to clear trades made on the Exchange or any other trading facility where such Clearing Member does not have trading privileges or is not approved for the clearing privileges by the relevant facility.
 - (c) A Person once qualified as a Clearing Member may voluntarily withdraw from Clearing Member status and terminate its clearing privileges upon the approval of Cboe Clear Digital, which approval shall be granted not later than 30 days following (i) the liquidation or, with the approval of Cboe Clear Digital, transfer to another Clearing Member of all open positions in the Clearing Member's Accounts at Cboe Clear Digital, and (ii) the satisfaction of all Obligations of the withdrawing Clearing Member; provided, however that such Person shall remain subject to, and responsible for any violation of, the Rules, interpretations and policies of Cboe Clear Digital committed by such Person while a Clearing Member, notwithstanding any termination of clearing privileges and Clearing Member status.
 - (d) When a Clearing Member voluntarily withdraws from membership or its membership is terminated, all Obligations of the Clearing Member to Cboe Clear Digital, of whatever

nature or kind, shall be accelerated and become due and payable upon the effective date of such withdrawal or termination. The Clearing Member's funds, Collateral and other deposits will not be released until Cboe Clear Digital determines that all such Clearing Member's Obligations have been settled and all sums owing to Cboe Clear Digital have been paid.

- (e) Any disputes which arise while a Clearing Member which relate to or arise out of any transaction with Cboe Clear Digital or status of a Clearing Member in Cboe Clear Digital shall be resolved in accordance with the Rules.

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