



BULLISH CLEARING & SETTLEMENT LLC

RULEBOOK

MAY 2026

BY ACCESSING THE CLEARING SYSTEM, AND WITHOUT ANY NEED FOR ANY FURTHER ACTION, UNDERTAKING OR AGREEMENT, A CLEARING MEMBER AND ITS AUTHORIZED USERS AGREE (I) TO BE BOUND BY, AND COMPLY WITH, THESE RULES OF THE CLEARINGHOUSE, ANY APPLICABLE CONTRACT RULES AND APPLICABLE LAW, IN EACH CASE TO THE EXTENT APPLICABLE TO IT OR THEM, AND (II) TO BECOME SUBJECT TO THE JURISDICTION OF THE CLEARINGHOUSE WITH RESPECT TO ANY AND ALL MATTERS ARISING FROM, RELATED TO, OR IN CONNECTION WITH, THE STATUS, ACTIONS OR OMISSIONS OF SUCH CLEARING MEMBER AND/OR ITS AUTHORIZED USERS.

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CHAPTER 1 – DEFINITIONS

1.1 Defined Terms

Unless otherwise specifically provided in the Rules or the context otherwise requires, the terms defined in this Rule 1.1 shall for all purposes of the Rules have the meanings specified herein.

“Account” means a Customer Account and/or a House Account, as context requires, used in conjunction with the activities contemplated hereunder, and as described in Rule 3.3.

“Advisory Working Group” shall have the meaning ascribed to it in Rule 2.11.

“Affiliate” means, with respect to any Person, any other Person who, directly or indirectly, controls, is controlled by, or is under common control with, such Person.

“Aggregate Default Fund Deficiency” shall have the meaning ascribed to it in Rule 4.16(b).

“Appeals Panel” means a panel comprised of three (3) individuals appointed by the Board with one individual acting as chairperson, which will consider appeals in accordance with Rule 6.12.

“Applicable Law” means, with respect to any Person, any statute, law, regulation, rule or ordinance of any governmental or self-regulatory authority applicable to such Person, including without limitation, the CEA, CFTC Regulations, and the NFA rules.

“Assessment Amount” shall have the meaning ascribed to it in Rule 4.16(b).

“Assessments” shall have the meaning ascribed to it in Rule 4.16(b).

“Auction Procedures” means the procedures and parameters established by the Clearinghouse from time to time governing the conduct of Default Management Auctions.

“Authorized User(s)” means any natural person who is appointed by a Clearing Member in accordance with Rule 3.4 and permitted by the Clearinghouse to act as an Authorized User.

“Bankruptcy Code” means those provisions of title 11 of the United States Code relating to ordinary bankruptcies (chapters 1 through 5) and liquidations (chapter 7 with the exception of subchapters III and V), together with the Federal Rules of Bankruptcy Procedure relating thereto.

“Bankruptcy Event” shall have the meaning ascribed to it in Rule 4.20(a)(ii).

“Base Margin Amount” shall have the meaning ascribed to it in Rule 4.15(a)(ii).

“Base Uncovered Stress Loss Amount” shall have the meaning ascribed to it in Rule 4.15(a)(iii).

“Base Volume Amount” shall have the meaning ascribed to it in Rule 4.15(a)(iv).

“Board” or “Board of Directors” means the Clearinghouse Board of Directors.

“Board Committees” shall have the meaning ascribed to it in Rule 2.2(a).

“Business Day(s)” means any day other than a Saturday, Sunday or any other day on which banking institutions in New York are authorized or required by law, regulation or executive order to be closed.

“Carrying Clearing Member” shall have the meaning ascribed to it in Rule 4.5(a).

“CEA” means the Commodity Exchange Act, as may be amended from time to time.

“CFTC” or “Commission” means the Commodity Futures Trading Commission, and includes any successor agency or authority.

“CFTC Regulation(s)” means any rule, regulation, order or directive and any interpretation thereof or guidance thereon issued from time to time by the CFTC.

“Chief Compliance Officer” means the individual appointed by the Board of Directors from time to time to serve as chief compliance officer of the Clearinghouse. For the avoidance of doubt, this individual shall serve as and have the responsibilities of a chief compliance officer under Part 39 of the CFTC Regulations.

“Chief Executive Officer” means the individual appointed by the Board of Directors from time to time to serve as chief executive officer of the Clearinghouse.

“Chief Risk Officer” means the individual appointed by the Board from time to time to serve as the chief risk officer of the Clearinghouse. This individual will also fulfill the role of Enterprise Risk Officer.

“Clearing Member” means an FCM Clearing Member or Entity Clearing Member who has executed a Clearing Member Agreement, and to whom the Clearinghouse has granted the right to clear contracts on the Clearinghouse.

“Clearing Member Agreement” shall have the meaning ascribed to it in Rule 3.2(a).

“Clearing Privileges” means the ability of the Clearing Member to clear transactions through the Clearinghouse.

“Clearing Services” means the provision by the Clearinghouse to a registered designated contract market or swap execution facility of clearing, settlement and ancillary services in a nondiscriminatory manner, subject to these Rules and the rules of the registered designated contract market or swap execution facility.

“Clearing System” means any software, hardware, interfaces, components, applications or systems used by or on behalf of the Clearinghouse to provide Clearing Services.

“Clearinghouse” means Bullish Clearing & Settlement LLC.

“Clearinghouse Contribution” shall have the meaning ascribed to it in Rule 4.16(b).

“Clearinghouse Official” means any Director or Officer of the Clearinghouse and any employee or other individual expressly delegated authority by the Clearinghouse to act or make determinations under these Rules, including in connection with emergency actions or settlement, disciplinary, or operational matters.

“Clearinghouse Personnel” means Directors, Officers and employees of the Clearinghouse, and its contractors, consultants, secondees, agents, temporary employees, interns, and technology service providers.

“Close-Out Amount” shall have the meaning ascribed to it in Rule 4.20(e).

“Collateral” means, at any time, such property as may be delivered by a Clearing Member to the Clearinghouse as collateral for the obligations of such Clearing Member to the Clearinghouse, and all proceeds of any of the foregoing, held in or for the accounts of a Clearing Member in connection with the financial obligations of such Clearing Member, however created, arising or evidenced, whether direct or indirect, absolute or contingent, existing, due or to become due.

“Compliance Department” means the Officers and employees of the Clearinghouse who are responsible for maintaining the compliance integrity of the Clearinghouse.

“Confidential Information” shall have the meaning ascribed to it in Rule 8.11.

“Contract Rules” means the rules of a Contract as published in the rules of and posted by an Exchange.

“Contracts” means any contracts or transactions for which the Clearinghouse provides Clearing Services subject to these Rules.

“Cooling-off Period” shall have the meaning ascribed to it in Rule 4.17(a)(i).

“Cooling-off Period Trigger Event” shall have the meaning ascribed to it in Rule 4.17(a)(ii).

“Covered Persons” shall have the meaning ascribed to it in Rule 2.9.

“Customer” shall have the meaning set forth in CFTC Regulation 1.3.

“Customer Account” means an account established by an FCM Clearing Member with the Clearinghouse in which the FCM Clearing Member maintains trades, positions, Collateral and Margin solely for Customers.

“Customer Account Variation Margin Gain” shall have the meaning ascribed to it in Rule 4.21(b)(i).

“Customer Account Variation Margin Loss” shall have the meaning ascribed to it in Rule 4.21(b)(i).

“Default” shall have the meaning ascribed to it in Rule 4.11(a).

“Default Fund” means the prefunded, mutualized pool of financial resources maintained

by the Clearinghouse, composed of Clearing Members' Default Fund deposits and any other amounts the Clearinghouse designates for that purpose, held in one or more accounts separate from other assets, that may be applied after the defaulting Clearing Member's Margin and other available collateral (and any applicable Clearinghouse contribution) to cover losses and liquidity needs arising from a Clearing Member's Default, and that must be replenished or restored in accordance with these Rules.

"Default Fund Deposit Requirement" shall have the meaning ascribed to it in Rule 4.15(b)(i).

"Default Fund Deposit Surcharge" shall have the meaning ascribed to it in Rule 4.15(a)(v).

"Default Management Auction" means a competitive auction conducted by the Clearinghouse to hedge, liquidate, transfer, or otherwise dispose of a Defaulting Clearing Member's positions or Accounts, including any related hedging or risk-reduction transactions, in accordance with Rule 4.13 and the applicable Auction Procedures.

"Default Management Group" shall mean the group of individuals appointed by the Risk Management Committee in accordance with Rule 4.11(b).

"Defaulted Obligation" shall have the meaning ascribed to it in Rule 4.16.

"Defaulting Clearing Member" shall have the meaning ascribed to it in Rule 4.16.

"Defaulting Clearing Member Claims" shall have the meaning ascribed to it in Rule 4.16(j).

"Digital Asset Margin" shall have the meaning ascribed to it in Rule 4.8(d).

"Director" means a member of the Board.

"Disciplinary Action" shall have the meaning ascribed to it in Rule 6.2(a).

"Disciplinary Panel" shall have the meaning ascribed to it in Rule 6.6(a).

"Eligible Collateral" means CFTC-approved collateral as set forth in CFTC Regulation 39.13(g)(10) and as published by the Clearinghouse as eligible.

"Emergency" means any occurrence or circumstance which, in the opinion of the Board, Chief Executive Officer, or Chief Risk Officer, requires immediate action, and that threatens, or may threaten, the fair and orderly settlement or integrity of any Contract, including:

- (a) any circumstance that may materially affect the performance of a Contract;
- (b) any action taken by a Governmental Authority, Self-Regulatory Organization, state or local governmental body, or foreign or domestic exchange or market that may have an adverse effect on the clearing of Contracts through the Clearinghouse or the settlement, legality or enforceability of any Contract;

- (c) any actual, attempted or threatened corner, squeeze, congestion, manipulative activity or undue concentration of positions in a Contract;
- (d) any other circumstance that may have a severe, adverse effect upon the functions and facilities of the Clearinghouse, including, but not limited to, acts of God, pandemics, fire or other natural disasters, bomb threats, acts of terrorism or war, severely inclement weather, failure or malfunction of all or a portion of the Clearing System, or other system breakdowns or interruptions such as power, computer, communication or transportation systems or the Internet;
- (e) the Insolvency of any Clearing Member or the imposition of any injunction or other restraint by any Governmental Authority, court or arbitrator upon a Clearing Member which may affect the ability of a Clearing Member to satisfy its obligations;
- (f) any circumstance in which it appears to the Board that a Clearing Member:
 - i. has failed to perform on a Contract;
 - ii. is Insolvent;
 - iii. is otherwise in Default; or
 - iv. is in such financial or operational condition or is conducting business such that the Clearing Member cannot be permitted to continue in business without jeopardizing the safety of funds of Customers, Clearing Members or the Clearinghouse; or
- (g) any other unusual, unforeseeable or adverse circumstance as determined by the Board or the Chief Executive Officer (or, as applicable, the Chief Risk Officer).

“Emergency Rules” shall have the meaning ascribed to it in Rule 2.7(a).

“Entity Clearing Member” means any association, partnership, limited liability company, joint venture, trust or corporation that has been granted, and continues to have, Clearing Privileges, or otherwise remains subject to the jurisdiction of the Clearinghouse under these Rules, but which is not an FCM Clearing Member and which submits proprietary trades only.

“Exchange” means Bullish Markets LLC or a board of trade designated by the CFTC as a contract market under Section 5 of the CEA and in accordance with the provisions of Part 38 of CFTC Regulations, which has contracted with the Clearinghouse to provide Clearing Services.

“Exchange Rules” means the rules governing the operation of an Exchange, as may be amended and published from time to time.

“Exchange Services” means any services ordinarily offered by an Exchange.

“Expiry” means, in the case of a Contract, the date established by an Exchange as the time of expiration, or termination, of such Contract.

“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, or otherwise remains subject to the jurisdiction of the Clearinghouse under these Rules.

“FDICIA” shall have the meaning ascribed to it in Rule 4.20(f).

“FOCUS Report” or **“Form 1-FR-FCM”** shall have the meaning set forth in CFTC Regulation 1.10.

“Futures Commission Merchant” shall have the meaning set forth in CFTC Regulation 1.3.

“Full Tear-Up” shall have the meaning ascribed to it in Rule 4.22.

“Governmental Authority” means any domestic or foreign government (or political subdivision), governmental or regulatory authority, agency, court, commission or other governmental or regulatory entity.

“House Account” shall have the meaning set forth in CFTC Regulation 39.2, being an Account in which a Clearing Member maintains trades, positions, Collateral and Margin solely on their own behalf.

“House Account Variation Margin Gain” shall have the meaning ascribed to it in Rule 4.21(b)(i).

“House Account Variation Margin Loss” shall have the meaning ascribed to it in Rule 4.21(b)(i).

“Indemnified Parties” shall have the meaning ascribed to it in Rule 8.8.

“Initial Margin” means the initial amount of Collateral that must be deposited with or paid to the Clearinghouse by Clearing Members in accordance with these Rules.

“Insolvency” and **“Insolvent”** mean the occurrence of any of the following events with respect to a Clearing Member:

- a) the Clearing Member is determined to be insolvent by a Governmental Authority or Self-Regulatory Organization;
- b) if the Clearing Member is a member of the Securities Investor Protection Corporation, a court of competent jurisdiction finds that the Clearing Member meets any one of the conditions set forth in clauses (A), (B), (C) or (D) of Section 5(b)(1) of the Securities Investor Protection Act of 1970;
- c) the entry or the making of a decree or order by a court, Governmental Authority or other supervisory authority of competent jurisdiction: (i) adjudging the Clearing Member as bankrupt or insolvent; (ii) approving as properly filed a petition seeking reorganization, arrangement, liquidation, dissolution, adjustment or composition of or in respect of the Clearing Member under the Bankruptcy Code or any other applicable federal, state or other U.S. or non-U.S. law, including any bankruptcy,

insolvency, reorganization, liquidation, dissolution or similar law; (iii) appointing a custodian, liquidator, provisional liquidator, administrator, provisional administrator, assignee, trustee, sequestrator or other similar official for the Clearing Member or for any substantial part of its property; (iv) ordering the winding-up or liquidation of the Clearing Member's affairs; or (v) consenting to the institution by the Clearing Member of proceedings to be adjudicated as a bankrupt or insolvent;

- d) the filing by the Clearing Member of a petition, or any case or proceeding, seeking reorganization or relief under the Bankruptcy Code or any other applicable federal, state or other U.S. or non-U.S. law, including any bankruptcy, insolvency, reorganization, liquidation, dissolution or similar law, or the consent by the Clearing Member to the filing of any such petition, case or proceeding or to the appointment of a custodian, liquidator, provisional liquidator, administrator, provisional administrator, assignee, trustee, sequestrator or other similar official for the Clearing Member or for any substantial part of its property, or the making by the Clearing Member of an assignment for the benefit of its creditors, or the admission by the Clearing Member in writing of its inability to pay its debts generally as they become due, or the taking of corporate or similar action by the Clearing Member in furtherance of the foregoing;
- e) notwithstanding the above, the appointment of the Federal Deposit Insurance Corporation pursuant to Title II of the Dodd-Frank Act, or the appointment of a foreign Governmental Authority as receiver for purposes of resolution under an analogous resolution regime, is excluded from the definition of Insolvency and Insolvent.

"Intra-day Margin Exchange" shall have the meaning ascribed to it in Rule 4.8.

"Investigation Report" shall have the meaning ascribed to it in Rule 6.3(d).

"Liquidity Event" shall have the meaning ascribed to it in Rule 4.18(a).

"Margin" means Initial Margin and Variation Margin or either of them.

"Margin Account(s)" shall have the meaning ascribed to it in Rule 4.8.

"Maximum Aggregate Cooling-off Period Contribution" shall have the meaning ascribed to it in Rule 4.17(c)(ii).

"Member Property Account" means an Account established by an Entity Clearing Member with the Clearinghouse in which the Clearing Member maintains trades, positions, collateral and margin solely on its own behalf.

"Monetary Default" shall have the meaning ascribed to it in Rule 4.16.

"NFA" means the National Futures Association, and includes any successor organization.

"Nominating Committee" shall have the meaning ascribed to it in Rules 2.2(a) and 2.3.

"Novation" means the process by which a party to a transaction transfers all of its rights,

liabilities, duties and obligations under the transaction to a new legal party other than the counterparty to the transaction. The transferee accepts all of the transferor's rights, liabilities, duties and obligations under the transaction. A Novation is valid as long as the transferor and the remaining party to the transaction are given notice, and the transferor, transferee and remaining party to the transaction consent to the transfer.

"Officer" shall have the meaning ascribed to it in Rule 2.5(a).

"Open Contract Positions" shall mean any Contract submitted by a Clearing Member to the Clearinghouse, and accepted by the Clearinghouse, for clearing, including (i) any long or short position in such Contract without a matching position that such first position can be offset against, (ii) any long or short position in such Contract with a matching position that such first position can be offset against but that is held open by such Clearing Member under an approved hedge program and (iii) any long or short position in such Contract with a matching position that such first position can be offset against but that is held open under the applicable Contract Rules which defer offset until Expiry or another specified date.

"Open Defaulter Positions" shall have the meaning ascribed to it in Rule 4.22.

"Outstanding Exposure" means any payment obligation, other than Margin, due in respect of a Contract, as applicable (including, but not limited to, any cash adjustment or option premium).

"Party" and **"Parties"** shall have the meanings ascribed to them in Rule 8.11.

"Partial Tear-Up" shall have the meaning ascribed to it in Rule 4.22.

"Person" means any natural person, association, partnership, limited liability company, joint venture, trust or corporation.

"Proprietary Information" shall have the meaning ascribed to it in Rule 8.2.

"Public Director" means a Director that is not an executive, Officer, or employee of the Clearinghouse or an Affiliate thereof.

"Purchaser" means the Clearing Member that is the purchaser under a Contract. The Purchaser is the holder of a long position in such Contract.

"Receiving Clearing Member" shall have the meaning ascribed to it in Rule 4.5(a).

"Replenishment" shall have the meaning ascribed to it in Rule 4.15(f)(ii).

"Representatives" shall have the meaning ascribed to it in Rule 8.11.

"Responsible Agent" shall have the meaning ascribed to it in Rule 3.12(a).

"Risk Management Committee" or **"RMC"** shall have the meaning ascribed to it in Rules 2.2(a) and 2.4.

"Routine Request" is a request, inquiry, or order of (i) the CFTC that is not pursuant to Part 11 of the CFTC Regulations or (ii) the SEC, a securities Self-Regulatory Organization,

or a futures Self-Regulatory Organization that does not trigger a notice requirement under CFTC Regulation 1.12(m).

“Rulebook” means this Clearinghouse Rulebook.

“Rules” means these Clearinghouse rules, as outlined in this Rulebook and as may be amended from time to time.

“SEC” means the United States Securities and Exchange Commission.

“Self-Regulatory Organization” means a contract market, derivatives transaction execution facility, swap execution facility, registered futures association, or derivatives clearing organization, each as defined under the CEA and CFTC Regulations.

“Seller” means the Clearing Member that is the seller under a Contract. The Seller is the holder of a short position in such Contract.

“Sequential Default Fund Depletion” shall have the meaning ascribed to it in Rule 4.17(a)(iii).

“Settlement Institution” means an institution approved by the Clearinghouse as an acceptable location for depositing and holding Clearing Member funds and assets. This shall include any custodian of digital assets in respect of transfers of Collateral in the form of Digital Asset Margin.

“Settlement Price” means the settlement price for each Contract, as determined by an Exchange in accordance with its respective Exchange Rules, except in the case of manifest error or where the Clearinghouse believes that such settlement price does not reasonably reflect the value or price of the Contract, in which case the Clearinghouse, using its best efforts to consult with an Exchange, shall determine the official settlement price; provided that the Clearinghouse shall in such circumstances promptly notify the Exchange and Clearing Members, and the reasons for that determination and the basis for the settlement price determined by the Clearinghouse shall be published in a notice to the Exchange and Clearing Members.

“System Safeguards Program” shall have the meaning ascribed to it in Rule 2.12.

“Tear-Up Price” shall have the meaning ascribed to it in Rule 4.22.

“Trading Day” means any day on which an Exchange is open and available for the trading of Contracts and the Clearinghouse is open and available for the clearing of Contracts.

“USD” means United States dollar.

“USDC” means the digital asset stablecoin issued by Circle Internet Financial that is designed to be pegged one-to-one to USD.

“User ID” shall have the meaning ascribed to it in Rule 3.14(a).

“Variation Margin” means (i) on the Business Day that a Contract has been accepted for clearing by the Clearinghouse, the difference between the price at which such Contract

was bought or sold and the Settlement Price for such Contract; and (ii) thereafter, the difference, as applicable, between (x) the Settlement Price on a given Business Day and the preceding Settlement Price for such Contract, or (y) the price at which such Contract was closed on the books of the Clearinghouse and the preceding Settlement Price for such Contract, in each case to be denominated in the settlement currency as is acceptable to the Clearinghouse from time to time. The requirement to transfer Variation Margin may be conditional on the amount calculated being above \$1,000, or as otherwise determined by the Clearinghouse from time to time.

“Variation Margin Gain” shall have the meaning ascribed to it in Rule 4.21(b)(i).

“Variation Margin Gains Haircut” shall have the meaning ascribed to it in Rule 4.21(b)(v)(2)(a).

“Variation Margin Loss” shall have the meaning ascribed to it in Rule 4.21(b)(i).

“Withdrawal Close-Out Deadline Date” shall have the meaning ascribed to it in Rule 4.19(a)(i).

“Withdrawal Date” shall have the meaning ascribed to it in Rule 4.19(a)(ii).

“Withdrawal Deposit” shall have the meaning ascribed to it in Rule 4.19(g).

“Withdrawal Notice” shall have the meaning ascribed to it in Rule 4.19(a)(iv).

“Withdrawal Notice Date” shall have the meaning ascribed to it in Rule 4.19(a)(iii).

1.2 Rules of Interpretation

For all purposes of these Rules, except as otherwise expressly provided herein or unless the context otherwise requires:

- a) the terms defined in these Rules include the plural as well as the singular and vice versa;
- b) words importing gender include all genders;
- c) any reference to a Chapter or Rule refers to a Chapter or Rule of these Rules;
- d) any reference to these Rules refers to these Rules, including any Appendices hereto, and the words herein, hereof, thereto, hereto and hereunder and words of similar import refer to these Rules and their appendices as a whole and not to any particular Chapter, Rule or any other subdivision;
- e) references to days, months and years refer to calendar days, months and years, respectively;
- f) all references herein to “including” shall be deemed to be followed by the words “without limitation”;
- g) any term used herein that is defined in the CEA or CFTC Regulations shall have

the meaning assigned to it therein, unless otherwise defined in this Rulebook; and
h) references to a time of day refer to local time in New York City.

1.3 Effect of Titles

The titles of these Rules have been inserted for convenience of reference only and shall not affect the meaning of these Rules.

1.4 Amendment of Rules

New Rules may be adopted, and existing Rules may be amended or repealed, by the Board of Directors. All such new Rules, amendments or repeals shall become effective on such date (after any required filing with, or approval thereof by, the CFTC) as may be determined by the Clearinghouse.

CHAPTER 2 – GOVERNANCE

The Clearinghouse is a Delaware limited liability company. The management and operation of the Clearinghouse is governed by the Board of Directors of the Clearinghouse. All of the equity interests of the Clearinghouse are owned by Bullish US Holdings LLC, a Delaware limited liability company.

2.1 Authority of the Board

- a) The Board has the authority to take actions on behalf of the Clearinghouse.
- b) The Board has the power and authority to manage and direct the business and activities of the Clearinghouse.
- c) The Board will approve Rules, provided that the Board may delegate the authority to approve such Rules to a Board Committee or one or more Officers of the Clearinghouse; provided further that certifications or applications with respect to any such Rules will be submitted to the CFTC as required by Applicable Law.
- d) The Board has the power and authority to call for review, and to affirm, modify, suspend or overrule, any and all decisions and actions of Board Committees and Officers.
- e) To serve as a Director, an individual must possess the ability to contribute to the effective oversight and management of the Clearinghouse, taking into account the needs of the Clearinghouse and such factors as the individual's experience, perspective, skills and knowledge of the industry in which the Clearinghouse operates. This shall include sufficient expertise, where applicable, in financial services, risk management and clearing services. The Board shall review its performance and that of its individual Directors at least annually and shall consider periodically using external facilitators for such review.
- f) The Board shall at all times include Public Directors and market participants in accordance with CFTC Regulation 39.26.
- g) The Board shall have procedures, as may be further set forth in policies that the Clearinghouse may adopt, to remove a member from the Board where the conduct of such member is likely to be prejudicial to the sound and prudent management of the Clearinghouse.

2.2 Committees

- a) The Board shall have at least the following standing committees: the “**Nominating Committee**” and the “**Risk Management Committee**” (or “**RMC**”) (the Nominating Committee, Risk Management Committee and any other standing committee(s) of the Board collectively, the “**Board Committees**”). The Board may create such additional Board Committees

as it may from time to time deem necessary or advisable in its sole discretion. Each Board Committee shall assist in the supervision, management and control of the affairs of the Clearinghouse within its particular area of responsibility and shall have the scope and authority granted to it by the Board.

- b) Except as otherwise specifically provided in these Rules, the members of Board Committees shall be appointed in accordance with policies and procedures adopted by the Board.
- c) Subject to the authority of the Board, each Board Committee shall determine the manner and form in which its proceedings shall be conducted, and may act at a meeting or without a meeting. Except as otherwise specifically provided in these Rules or the Board Committee's internal policies, the decision of a majority of those present at a meeting at which a quorum is present shall be the decision of the standing committee.
- d) In addition to the Board Committees, the Board shall have the power and authority to create and terminate special committees of the Board and designate their composition, responsibilities and powers.

2.3 Nominating Committee

The Nominating Committee is a standing committee of the Board established pursuant to Rule 2.2 and reports to the Board. The Nominating Committee shall be responsible for: (i) identifying individuals qualified to serve on the Board, consistent with criteria that the Board may require and any composition requirements of Applicable Law and (ii) administering a process for the nomination of Board candidates.

2.4 Risk Management Committee

The Risk Management Committee is a standing committee of the Board established pursuant to Rule 2.2 and reports to the Board. The Risk Management Committee shall oversee the Clearinghouse's risk management program on behalf of the Board, in accordance with policies and procedures adopted by the Board. The Risk Management Committee will supervise the Chief Risk Officer, who will report to the Risk Management Committee in addition to the Chief Executive Officer. The composition, authority, responsibilities, and procedures of the Risk Management Committee shall be as set forth in the policies and procedures adopted by the Board, which policies and procedures shall meet the requirements set forth in CFTC Regulation 39.24(b)(11).

2.5 Officers

- a) The Clearinghouse shall appoint from time to time one or more individuals with appropriate experience, skills and integrity to serve as the Chair of the Board, Chief Executive Officer, Chief Risk Officer, and Chief Compliance Officer, and may further appoint such other officers of the Clearinghouse or any subsidiary of the

Clearinghouse (each, an “**Officer**”) as deemed necessary or appropriate, with such titles, duties, and authority as the Clearinghouse shall approve, to carry out the business of the Clearinghouse or any subsidiary of the Clearinghouse, and upon such terms and conditions as the Board shall determine.

- b) Except as otherwise provided in Rule 2.5(a), any Officer may also be a director, officer, partner, or employee of the Clearinghouse or any of its Affiliates.
- c) The Chief Compliance Officer, in consultation with the Chief Risk Officer, Risk Management Committee, and the Board, shall be responsible for developing and enforcing appropriate compliance policies and procedures, to fulfill the duties and obligations of the Clearinghouse set forth in the CEA and CFTC Regulations.
- d) The Chief Risk Officer shall be responsible for implementing the risk management policies, procedures and controls of the Clearinghouse and for making recommendations regarding risk management functions to the Risk Management Committee and the Board.
- e) The Officers shall have such other powers and duties in the management of the Clearinghouse as the Board may prescribe from time to time.

2.6 Eligibility

- a) An individual may not serve as a Board member, serve on a committee established by the Board, serve as the Chief Compliance Officer, or hold a ten percent (10%) or greater ownership interest in the Clearinghouse, if the individual:
 - i) within the prior three (3) years has been found, by a final decision in any action or proceeding brought in a court of competent jurisdiction, or by any Governmental Authority or Self-Regulatory Organization to have committed a disciplinary offense;
 - ii) within the prior three (3) years has entered into a settlement agreement in which any of the findings or, in the absence of such findings, any of the acts charged, included a disciplinary offense;
 - iii) is currently suspended from trading on any contract market or from membership in a Self-Regulatory Organization, is serving any sentence or probation, or owes any portion of a fine or penalty related to either: (A) a finding of a disciplinary offense by a final decision in any action or proceeding brought in a court of competent jurisdiction, Governmental Authority or Self-Regulatory Organization or (B) a settlement agreement in which any of the findings or, in the absence of such findings, any of the acts charged included a disciplinary offense;
 - iv) is currently subject to an agreement with a Governmental Authority or Self-Regulatory Organization not to apply for registration with such Governmental Authority or for membership in such Self-Regulatory Organization;

- v) is currently, or within the past three (3) years has been, subject to a revocation or suspension of registration by a Governmental Authority or Self-Regulatory Organization;
- vi) is currently subject to a denial, suspension or disqualification from serving on a disciplinary committee, arbitration panel or governing board of any Self-Regulatory Organization; or
- vii) is subject to a statutory disqualification pursuant to Section 8a(2) of the CEA.

For purposes of this Rule 2.6, the terms “disciplinary offense,” “final decision” and “settlement agreement” have the meanings given those terms in CFTC Regulation 1.63(a). Prior to appointment to the Board or to a committee established by the Board, each individual shall certify that he or she is not disqualified pursuant to this Rule 2.6. In addition, each Director will certify on at least an annual basis regarding his or her continued compliance with this Rule 2.6.

2.7 Emergency Rules

- a) During an Emergency, the Board may implement temporary emergency procedures and rules (“**Emergency Rules**”), subject to applicable provisions of the CEA and CFTC Regulations. If the Chief Executive Officer (or, in the event that the Chief Executive Officer is unavailable, the Chief Risk Officer) determines that Emergency Rules must be implemented with respect to an Emergency before a meeting of the Board can reasonably be convened, then the Chief Executive Officer (or, if applicable, the Chief Risk Officer) shall have the authority, without Board action, to implement such Emergency Rules with respect to such Emergency that he or she deems necessary or appropriate to respond to such Emergency.
- b) Pursuant to this Rule 2.7, Emergency Rules may require or authorize the Clearinghouse, the Board, any Board Committee, the Chief Executive Officer (or, if the Chief Executive Officer is unavailable, the Chief Risk Officer) or any other Officer of the Clearinghouse to take actions necessary or appropriate to respond to the Emergency, including (i) suspending or modifying clearing operations; (ii) adjusting margin requirements; (iii) liquidating positions; (iv) providing alternative settlement mechanisms; (v) temporarily modifying or suspending any provision of the Rules; and (vi) imposing or modifying limits on the size of positions that may be carried by Clearing Members.
- c) Whenever the Clearinghouse takes action to respond to an Emergency (including the actions set forth in Rule 2.7(b)), it will, where possible, ensure that timely notice is given to Clearing Members.
- d) The Clearinghouse will use reasonable efforts to notify the CFTC prior to implementing, modifying or terminating an Emergency Rule. If such prior notification is not possible or practicable, the Clearinghouse will notify the CFTC as soon as reasonably practicable, but in all circumstances within twenty-four (24) hours of the implementation, modification or termination of such Emergency Rule.

- e) Upon taking any action in response to an Emergency, the Clearinghouse will document the decisions and deliberations related to such action for review by the Board as soon as practicable. Such documentation will be kept for at least five (5) years following the date on which the Emergency ceases to exist or to affect the Clearinghouse, and all such documentation will be provided to the CFTC upon request.

2.8 Restrictions on Certain Persons Who Possess Material, Non-Public Information

- a) No Clearinghouse Personnel and no member of any Board Committee shall use or disclose any material, non-public information obtained in connection with the performance of his or her official duties, for any purpose other than the performance of his or her official duties, or as required by law or regulation or the authorized request of any regulatory authority of competent jurisdiction.
- b) No Clearinghouse Personnel and no member of any Board Committee shall disclose to any other Person, including to any Affiliate that is a Clearing Member of the Clearinghouse, material, non-public information, however obtained (including material non-public information obtained by Clearinghouse Personnel in connection with such Clearinghouse Personnel's employment or agency, as the case may be), if such Person could reasonably expect that such information might assist another Person in trading any Contract or related contract or financial instrument.
- c) For the purposes of this Rule 2.8, the terms "material information," "non-public information" and "commodity interest" shall have the meanings ascribed to them in CFTC Regulation 1.59.

2.9 Conflicts of Interest

The Clearinghouse is committed to identifying, disclosing, managing, and minimizing conflicts of interest across its governance, clearing, risk management, margin governance, default management, and operational functions. The provisions of this Rule 2.9 apply to: (i) members of the Board of Directors; (ii) members of any Board Committee, disciplinary committee, arbitration panel, or subcommittee; (iii) Officers of the Clearinghouse; (iv) employees of the Clearinghouse; and (v) any individual acting under delegated authority of the Clearinghouse in connection with its functions as a derivatives clearing organization (collectively, "**Covered Persons**"). The Clearinghouse prohibits Covered Persons from taking part in any deliberations, decision-making, or voting on any matter in which they have an interest or have a relationship with a named party in interest, as further described in this Rule 2.9.

a) Named Party in Interest Conflict

- i) No member of the Board, a Board Committee, or Disciplinary Panel shall participate in such body's deliberations or voting in any matter involving a named party in interest where such member: is the named party in interest

in the matter; is an employer, employee or fellow employee of a named party in interest; is associated with a named party in interest through a “broker association” as defined in CFTC Regulation 156.1; has any other significant, ongoing business relationship with a named party in interest, excluding relationships limited to Contracts; or has a family relationship (i.e., the member’s spouse, parents, children, and siblings, in each case, whether by blood, marriage, or adoption, or any person residing in the home of the member or that of his or her immediate family) with a named party in interest.

- ii) Prior to consideration of any matter involving a named party in interest, each member of the deliberating body shall disclose to the Chief Compliance Officer whether such member has one of the relationships listed in paragraph 2.9(a)(i) above with a named party in interest.
- iii) The Chief Compliance Officer shall determine whether any member of the relevant deliberating body is subject to a conflicts restriction under this Rule 2.9(a). Such determination shall be based upon a review of the following information: (a) information provided by such member pursuant to Rule 2.9(a)(ii) above and (b) any other source of information that is held by and reasonably available to the Clearinghouse.
- iv) In the event of a conflict involving the Chief Compliance Officer as a member of the deliberating body, the other members of the deliberating body shall determine whether any member of the relevant deliberating body is subject to a conflicts restriction under this Rule 2.9(a).

b) Financial Interest in a Significant Action Conflict

- i) No member of the Board, a Board Committee or Disciplinary Panel shall participate in the body’s deliberations or voting on any significant action if such member knowingly has a direct and substantial financial interest in the result of the vote, based upon either the Clearinghouse or non-Clearinghouse positions that could reasonably be expected to be affected by the action.
- ii) Prior to consideration of any significant action, each member of the deliberating body who does not choose to abstain from deliberations and voting shall disclose to the Chief Compliance Officer any information that may be relevant to a determination of whether such member has a direct and substantial financial interest in the result of the vote.
- iii) The Chief Compliance Officer shall determine whether any member of the relevant deliberating body who does not choose to abstain from deliberations and voting is subject to a conflicts restriction under this Rule 2.9(b), based on a review of the totality of the circumstances.
- iv) Any member who would otherwise be required to abstain from deliberations and voting pursuant to this Rule 2.9(b) above may participate in deliberations, but not in voting, if the deliberating body, after considering the

factors specified below, determines that such participation would be consistent with the public interest (e.g., if the member has significant expertise and background that provide useful context); provided, however, that before reaching any such determination, the deliberating body will fully consider the information specified in Rule 2.9(b)(ii) above, which is the basis for such member's direct and substantial financial interest in the significant action that is being contemplated. In making its determination, the deliberating body shall consider:

- 1) whether such member's participation could unduly influence the outcome of the deliberations;
 - 2) whether such member's participation in the deliberations is necessary to achieve a quorum; and
 - 3) whether such member has unique or special expertise, knowledge or experience in the matter being considered.
- v) In the event of a conflict involving the Chief Compliance Officer as a member of the deliberating body, the other members of the deliberating body shall determine whether any member of the relevant deliberating body is subject to a conflicts restriction under this Rule 2.9(b).
- c) The minutes of any meeting to which the conflicts determination procedures set forth in this Rule 2.9 apply shall reflect the following information:
- i) the names of all members who participated in such meeting;
 - ii) the name of any member who voluntarily recused himself or herself or was required to abstain from deliberations or voting on a matter and the reason for the recusal or abstention, if stated;
 - iii) the information that was reviewed for each member of the relevant deliberating body; and
 - iv) any determination made in accordance with Rule 2.9(a) or Rule 2.9(b) above.

2.10 Regulatory Cooperation

The Clearinghouse may enter into any arrangement with any Person or body (including any Governmental Authority or Self-Regulatory Organization) if the Clearinghouse considers such arrangement to be in furtherance of the Clearinghouse's purpose or duties under the Rules or Applicable Law. Information shared thereunder will be subject to confidentiality provisions to the extent permitted by Applicable Law.

2.11 Market Participant Risk Advisory Working Groups

- a) The Clearinghouse shall establish one (1) or more Market Participant Risk Advisory

Working Group (each, an “**Advisory Working Group**”) consistent with CFTC Regulation 39.24(b)(12). Each Advisory Working Group shall serve as a forum through which the Clearinghouse may obtain risk-related input from a broad cross-section of Clearing Members, customers of Clearing Members, and other market participants.

- b) Each Advisory Working Group shall include representatives of Clearing Members and, where applicable, customers of Clearing Members. The Clearinghouse shall maintain written policies and procedures governing the formation, composition, and operation of each Advisory Working Group.
- c) Each Advisory Working Group shall convene at least twice per calendar year. Meetings may be conducted in person or by electronic means permitted under Applicable Law.
- d) Advisory Working Groups may provide input on risk management matters, margin methodology, default procedures, financial safeguards, and other matters relevant to the Clearinghouse’s risk profile as a derivatives clearing organization. Summaries of matters discussed in Advisory Working Groups may be provided to the RMC for consideration as part of the RMC’s oversight of the Clearinghouse’s risk profile.
- e) The Clearinghouse shall maintain records of Advisory Working Group meetings, including summaries of matters discussed, consistent with applicable regulatory recordkeeping requirements.

2.12 System Safeguards Program

The Clearinghouse maintains a documented “**System Safeguards Program**” that complies with CFTC Regulation 39.18, including information security, business continuity and disaster recovery, capacity planning, and periodic testing, as set forth in written policies and procedures incorporated by reference into these Rules. Management reports at least annually to the Board and the Risk Management Committee on the System Safeguards Program’s design, material changes, and testing results.

2.13 Maintenance of Books and Records by the Clearinghouse

The Clearinghouse shall keep, or cause to be kept, complete and accurate books and records of accounts of the Clearinghouse, including all books and records required to be maintained pursuant to the CEA and CFTC Regulations. The Clearinghouse shall retain all such books and records for at least five (5) years in accordance with CFTC Regulations. All paper records shall be readily accessible for inspection by the CFTC and the U.S. Department of Justice during the first two (2) years of such five-year period. All electronic records shall be readily accessible for the duration of the five-year period.

CHAPTER 3 – CLEARING MEMBERS

3.1 Clearing Member Eligibility

- a) There shall be two categories of Clearing Members: (i) Entity Clearing Members; and (ii) FCM Clearing Members. The participation requirements set forth in this Rule 3.1 are objective, publicly disclosed, and risk-based, and are designed to permit fair and open access to the Clearinghouse consistent with CFTC Regulation 39.12.
- b) To be eligible to clear transactions through the Clearinghouse, Clearing Members must: (i) satisfy all requirements generally applicable to Clearing Members under these Rules; (ii) satisfy such financial criteria as may be prescribed by the Clearinghouse from time to time; (iii) have adequate operational capacity to meet obligations arising from participation in the Clearinghouse, including the ability to process expected volumes and values of transactions within required time frames, fulfill Collateral payment and delivery obligations, and participate in default management activities; (iv) satisfy any particular requirements applicable to their specific category of Clearing Member; and (v) satisfy such other requirements or criteria as may from time to time be adopted by the Clearinghouse. The Clearinghouse shall not adopt participation requirements that are more restrictive than necessary to manage the risks to the Clearinghouse arising from participation, and shall allow all market participants who satisfy these requirements to become Clearing Members.
- c) An applicant to be an Entity Clearing Member must satisfy the following criteria, and must represent to the Clearinghouse that it does so:
 - i) it is duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is organized and has all licenses necessary to carry on its business as now being conducted;
 - ii) it has the legal authority and is duly authorized and empowered to become an Entity Clearing Member and to effect transactions in Contracts on an Exchange, or to effect transactions in any other relevant contracts, agreements or transactions, cleared through the Clearinghouse;
 - iii) it is not subject to a statutory disqualification under sections 8a(2) or 8a(3) of the CEA;
 - iv) it shall demonstrate financial capitalization commensurate with Clearinghouse requirements as set by the Risk Management Committee from time to time; provided that capital requirements shall be based on objective, transparent, and commonly accepted standards that appropriately match capital to risk, and shall be scalable to the risks posed by Clearing Members;
 - v) it has a mechanism that is acceptable for transferring funds to and receiving funds from the Entity Clearing Member's Account;

- vi) it has appointed one or more Authorized User(s) pursuant to Rule 3.4; and
 - vii) it satisfies such other requirements or criteria as may from time to time be adopted by the Clearinghouse.
- d) An applicant to be an FCM Clearing Member must satisfy the following criteria and represent that it:
- i) is a corporation, limited liability company, partnership or other entity approved by the Clearinghouse, duly organized and in good standing in its state of organization;
 - ii) is registered with the CFTC as a Futures Commission Merchant;
 - iii) maintains back-office facilities staffed with experienced and competent personnel or has entered into a facilities management agreement in form and substance acceptable to the Clearinghouse; and
 - iv) maintains minimum regulatory capital in excess of the greater of (1) \$1,000,000 and (2) any applicable capital requirements imposed on an applicant by the CFTC, another Governmental Authority or Self-Regulatory Organization; provided that the Clearinghouse shall not set a minimum capital requirement of more than \$50,000,000 for any person that seeks to become a Clearing Member in order to clear swaps, and capital requirements shall be based on objective, transparent, and commonly accepted standards that appropriately match capital to risk and shall be scalable to the risks posed by Clearing Members.
- e) Notwithstanding anything to the contrary in this Rule 3.1, in considering any applicant, the Clearinghouse may request additional information, or employ such other means that it deems desirable or appropriate, including utilizing third party vendors and receiving information from Settlement Institutions, to ascertain relevant facts bearing on the applicant's qualifications;
- f) The Clearinghouse in its sole discretion may deny (or may condition) the grant of Clearing Privileges if an applicant or Clearing Member is unable satisfactorily to demonstrate a capacity to adhere to all applicable Rules and CFTC Regulations, or for such other causes as the Clearinghouse may determine from time to time. The Risk Management Committee may prescribe additional capital requirements with respect to any Clearing Member.
- g) The Clearinghouse in its sole discretion may condition or revoke an applicant or Clearing Member's Clearing Privileges if any of the circumstances exist or such Clearing Member:
- i) fails to meet any of the qualification requirements;
 - ii) fails to meet any condition placed on it by the Clearinghouse;

- iii) is obligated to submit a notice to the Clearinghouse under Rule 3.7;
 - iv) has their trading privileges revoked on any Exchange; or
 - v) violates any agreement with the Clearinghouse, any Rule or any provision of Applicable Law.
- h) Affiliates of the Clearinghouse are permitted to become Clearing Members on the same terms and conditions as other Clearing Members, and to clear through the Clearinghouse, pursuant to an action of the Board of Directors, subject to the following conditions, which shall be applicable and enforced at the time of approval and on an ongoing basis thereafter:
- i) such Affiliate has access to the Clearinghouse on terms and conditions that are not materially preferential relative to other Clearing Members, including compliance with all Rules in this Rulebook;
 - ii) the Clearinghouse has established controls and procedures so that such Affiliate has no access to any Clearinghouse material non-public information, including but not limited to information regarding order flow, trading, settlement, and compliance;
 - iii) the Clearinghouse has established and maintains physical operations that are separate from those of such Affiliate;
 - iv) such Affiliate has not received capital from the Clearinghouse;
 - v) the Clearinghouse has ensured such Affiliate does not have access to the Clearinghouse operations, including servers, databases, accounts, or source code, except to the extent that other Clearing Members have such access and, in that event, only on the same terms and conditions applicable to other Clearing Members;
 - vi) such Affiliate has represented that it does not access or utilize systems or features in clearing through the Clearinghouse that are not available to other Clearing Members;
 - vii) such Affiliate has represented that it will maintain market integrity on the Clearinghouse, and will act in a fair and responsible manner in all of its activities on the Clearinghouse, including, when applicable, the disclosure to the Clearinghouse of any actual or potential conflicts of interest in its operations, algorithms, or systems; and
 - viii) prior to an Affiliate clearing transactions through the Clearinghouse, and upon any material change to the trading or clearing activities of the Affiliate, the Clearinghouse shall put in place any further necessary controls to ensure compliance with this Rule 3.1(h).

3.2 Applications

- a) Any applicant desiring to become a Clearing Member shall execute a Clearing Member agreement (“**Clearing Member Agreement**”) and submit an application in such form as shall be prescribed by the Clearinghouse, which shall include a certification that the applicant has received, reviewed and agrees to abide by the Rules and perform the duties and responsibilities of a Clearing Member. Only applicants found to meet the qualifications set forth in Rule 3.1 will be permitted to be Clearing Members. For the purpose of determining whether any applicant or Clearing Member is so qualified, the Clearinghouse may examine the books and records of any applicant or Clearing Member and may take such other steps as it may deem necessary to assess the qualifications of an applicant or Clearing Member. An applicant for Clearing Member status shall be conclusively deemed to have agreed to have no recourse against the Clearinghouse in the event that its application to become a Clearing Member is rejected.
- b) If the Clearinghouse denies an applicant’s Clearing Member application, the applicant may appeal the decision by filing with the Compliance Department a petition for review of such application denial or trading limitation. The petition should describe in detail the reasons why the application should be granted. The petition must be filed within seven (7) Business Days from the date upon which notice of the denial of the applicant’s Clearing Member application was provided by the Clearinghouse. The Compliance Department may approve the applicant if it determines that the decision to deny the application was in error.
- c) The Board may grant exemptions to the qualifications for membership in Rule 3.1 if it is determined that such an exemption would not jeopardize the financial or operational integrity of the Clearinghouse.

3.3 Accounts

- a) Entity Clearing Members
 - i) The Clearinghouse will establish an Account on its books and records in the name and on behalf of Entity Clearing Members. The Entity Clearing Member will be responsible for all clearing activity, transactions and other activity in or through its Account and for all amounts due with respect to any such clearing activity, transactions or other activity, including but not limited to required amounts of margin and premiums. Each Entity Clearing Member and its Authorized Users shall have the right to access the Clearing System.
 - ii) The Clearinghouse has the authority to establish more than one Account per Entity Clearing Member, if the Clearinghouse deems it to be appropriate.
 - iii) All funds deposited by an Entity Clearing Member with the Clearinghouse on behalf of the Entity Clearing Member’s own account shall be held in a Member Property Account. Such funds from Entity Clearing Members shall be segregated by the Clearinghouse and treated as belonging to Entity

Clearing Members.

b) FCM Clearing Members

- i) All customer funds deposited by an FCM Clearing Member with the Clearinghouse on behalf of Customers protected by CFTC Regulation 1.20 shall be held in accordance with the CEA and CFTC Regulation 1.20 in a Customer Account identified as "Customer Segregated." Such customer funds shall be segregated by the Clearinghouse and treated as belonging to the Customers of the FCM Clearing Member. As used in this Rule 3.3, "customer funds" has the same meaning as in CFTC Regulation 1.3 and the term "customer" shall be interpreted accordingly.
- ii) All funds deposited by an FCM Clearing Member with the Clearinghouse on behalf of the FCM Clearing Member's own account shall be held in a House Account. House Account assets shall not be commingled with Customer Account assets or with the Clearinghouse's own assets in any circumstances.

3.4 Authorized Users

- a) Each Clearing Member shall designate one or more Authorized Users who will be responsible for all clearing activity conducted on behalf of the Clearing Member. Each Clearing Member must provide the Clearinghouse with current contact information and any other requested information for each of its Authorized Users.
- b) To designate an Authorized User, a Clearing Member must follow the procedures established by the Clearinghouse. By agreeing to become an Authorized User, an individual agrees to be bound by the Rules and Applicable Law and to be subject to the jurisdiction of the Clearinghouse. Each Clearing Member shall ensure on an ongoing basis that its Authorized Users are not subject to a disqualification under Applicable Law, are technically proficient, and conduct business in accordance with the Rules.
- c) The Clearinghouse may withdraw, suspend, or decline to approve the designation of any Authorized User if the Clearinghouse determines that:
 - i) the Authorized User has failed, or has caused the Clearing Member to fail, to comply with the Rules;
 - ii) the Authorized User's trading or clearing privileges on any Exchange or clearing organization have been revoked or suspended; or
 - iii) it is necessary to protect the Clearinghouse or is in the best interests of maintaining a fair and orderly market.
- d) If a Clearing Member or the Clearinghouse withdraws or suspends the designation of any Authorized User, the Clearing Member must ensure that such Authorized User ceases all access to the Clearing System.

- e) To request termination of an Authorized User's designation as such, the Clearing Member or Authorized User must notify the Clearinghouse following procedures established by the Clearinghouse. The Clearinghouse may postpone the effective date of termination if it considers it necessary for the protection of Clearing Members or the Clearinghouse. After termination or suspension, the Authorized User remains subject to the Rules and the jurisdiction of the Clearinghouse for acts and omissions made while acting as an Authorized User.

3.5 Amounts Payable by Clearing Members

- a) The Clearinghouse shall have the authority to establish fees payable by Clearing Members and the timing of payment. The Clearinghouse may impose minimum withdrawal amounts, inactivity fees, or other fees as it deems appropriate. The current fee schedule shall be posted on the Clearinghouse website, and Clearing Members are deemed to have notice of any changes posted thereto.
- b) The Clearinghouse shall have the right to instruct each Settlement Institution to debit the Account maintained by each Clearing Member for any payment of fees, charges, fines, penalties, or other amounts due to the Clearinghouse. Each Clearing Member authorizes the Clearinghouse to withdraw from its Account:
 - i) any fees or charges associated with transactions cleared on behalf of the Clearing Member;
 - ii) any costs or expenses incurred by the Clearinghouse in connection with the Clearing Member's clearing activity, including charges imposed by the Clearinghouse's Settlement Institutions; and
 - iii) any other amounts due to the Clearinghouse, including fines, penalties, or assessments.
- c) If a Clearing Member fails to pay any amount due to the Clearinghouse and such payment obligation remains unsatisfied for thirty (30) Business Days after its due date, the Clearinghouse may suspend, revoke, limit, or restrict the Clearing Privileges of such Clearing Member and its Authorized Users, and may pursue collection through any lawful means. Any decision not to pursue collection shall not constitute a waiver of the Clearinghouse's rights.

3.6 General Obligations for all Clearing Members

- a) By accessing the Clearing System or entering any transaction for clearing, a Clearing Member and its Authorized Users agree to be bound by the Rules and Applicable Law and to submit to the jurisdiction of the Clearinghouse. A Clearing Member whose Clearing Privileges are revoked or terminated remains bound by the Rules and subject to the jurisdiction of the Clearinghouse with respect to prior acts and omissions.
- b) Each Clearing Member shall be required to satisfy such minimum financial and

nonfinancial requirements as may be established from time to time by the Clearinghouse.

- c) All communications with the Clearinghouse may be recorded without further notice and may be used as evidence in any dispute or provided to regulatory authorities. Such recordings are the property of the Clearinghouse and will, in the absence of manifest error, be accepted by the Clearing Member as evidence of the communications so recorded.
- d) Each Clearing Member must cooperate promptly and fully with the Clearinghouse, the CFTC, or other regulatory authority in any investigation, inquiry, audit, examination, or proceeding, including by providing access to information on its activities in related markets.
- e) Each Clearing Member consents to the Clearinghouse providing information in its possession regarding the Clearing Member to the CFTC, other regulatory agencies, law enforcement authorities, or judicial tribunals, including foreign authorities pursuant to information sharing agreements.
- f) The Rules, amendments, notices, and Contract specifications are publicly available on the Clearinghouse website. Each Clearing Member and Authorized User is automatically bound by any Rule changes or notices posted on the website and must review the website to remain aware of material changes.
- g) Each Clearing Member must diligently supervise all activities of its officers, employees, agents, and Authorized Users. Any violation of these Rules by such Persons may constitute a violation by the Clearing Member.
- h) Each Clearing Member must maintain audit trail information and books and records as required by the CEA and CFTC Regulations, including §§ 1.31 and 1.35 if applicable, and make them available promptly upon request to the Clearinghouse, CFTC, NFA, SEC, or U.S. Department of Justice.
- i) Each FCM Clearing Member must also:
 - i) have written risk management policies and procedures addressing the risks it may pose to the Clearinghouse, including credit risk monitoring of itself and its Customers, proprietary trading risk, position limits or stress testing, business continuity and disaster recovery, intraday monitoring capability, and order entry controls, with such policies required to be provided to the Clearinghouse or CFTC upon request;
 - ii) maintain an adequate accounting system and internal controls for safeguarding Customer and proprietary assets, including accurate reconciliations, timely resolution of reconciling items, and prevention of material inadequacies as defined in CFTC Regulation 1.16(d)(2);
 - iii) file information requested by the Clearinghouse within the time period specified and have the ability to provide back-office system reports (including equity run, open position listing, day trade listing, and cash adjustments)

promptly upon request;

- iv) maintain the operational, legal, and risk management capability to participate in Default Management Auctions and default management drills, and shall participate in any Default Management Auction applicable to the products or Accounts it clears by submitting bids in accordance with the Auction Procedures. Failure to do so constitutes a violation of these Rules; and
 - v) obtain and maintain in its records a written agreement from each of its Customers whereby such Customer agrees to submit to the jurisdiction of the Clearinghouse and to be bound by and comply with the Rules, to the extent applicable to Customers.
- j) Unless waived by the Clearinghouse, each Clearing Member must provide and maintain with the Clearinghouse a correct roster of every Person (including natural persons) that directly or indirectly is the beneficial owner (determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended) of 5% or more of any class of equity security of the Clearing Member. For purposes of this rule, the term “equity security” includes any stock, partnership interest, membership interest or similar security, or any security convertible into such a security, or carrying any option, warrant or right to subscribe to or purchase such a security, or any other instrument or right that the Clearinghouse deems to be of similar nature and considers necessary or appropriate to treat as an equity security. If such Person owns its interest in the Clearing Member indirectly through one or more intermediaries, all such intermediaries must be disclosed, including:
- i) if a corporation, all shareholders who own 5% or more of any class of equity security of the Clearing Member;
 - ii) if a partnership, all general and any limited or other partners who have contributed 5% or more of the capital of such Clearing Member; or
 - iii) if a limited liability company, owners of membership interests of 5% or more of such Clearing Member.
- k) At the discretion of the Clearinghouse, a Clearing Member may be required to provide the Clearinghouse with a written guarantee, in a form reasonably satisfactory to the Clearinghouse, from any Person owning, directly or indirectly, 5% or more of any class of the equity securities of the Clearing Member pursuant to which such Person shall guarantee all obligations arising out of (i) accounts cleared by the Clearing Member that are non-Customer accounts, including proprietary accounts of the Clearing Member, and (ii) accounts carried by another Clearing Member if such accounts would be considered non-Customer Accounts, including proprietary accounts of the Clearing Member, if carried directly by the Clearing Member. Notwithstanding anything herein to the contrary, the guarantee required by this Rule 3.6(k) shall not apply to any obligation of the Clearing Member to pay an Assessment to the Clearinghouse pursuant to Rule 4.16.
- l) A Clearing Member must provide a written guaranty of its obligations to the

Clearinghouse when a Clearing Member reorganizes into a different form of legal entity (other than a reorganization arising from an Insolvency proceeding). The guaranty must be in a form reasonably satisfactory to the Clearinghouse and must run from the new Clearing Member to the existing Clearing Member with respect to all obligations of the existing Clearing Member to the Clearinghouse and all agreements entered into by the existing Clearing Member with the Clearinghouse.

3.7 Notices Required of Clearing Members

- a) Each Clearing Member must immediately notify the Clearinghouse orally and in writing upon becoming aware:
 - i) that the Clearing Member or any of its officers, employees, agents, or Authorized Users has had access, trading, or clearing privileges suspended, revoked, or denied by any Exchange, clearing organization, or Self-Regulatory Organization;
 - ii) that the Clearing Member or any of its officers, employees, agents, or Authorized Users has been convicted of, pled guilty or no contest to, or entered a plea agreement to, any felony;
 - iii) that the Clearing Member or any of its officers, employees, agents, or Authorized Users has been convicted of, pled guilty or no contest to, or entered a plea agreement to, a misdemeanor involving:
 - 1) embezzlement, theft, extortion, fraud, fraudulent conversion, forgery, tax evasion, counterfeiting, false pretenses, bribery, gambling, racketeering, or misappropriation of funds, securities or properties; or
 - 2) any transaction in or advice concerning swaps, futures, options on futures, leveraged transactions or securities;
 - iv) that the Clearing Member or any of its officers, employees, agents, or Authorized Users has been subject to, or is associated with a firm that was subject to, regulatory proceedings before any governmental or regulatory agency;
 - v) that the Clearing Member or any of its officers, employees, agents, or Authorized Users is currently a party to any investigation or proceeding, the resolution of which could result in an event described in Rule 3.7(a)(i)-(iv);
 - vi) of any other material change in any information contained in the Clearing Member's application to become a Clearing Member of the Clearinghouse;
 - vii) of becoming subject to early warning reporting under CFTC Regulation 1.12;

- viii) that the Clearing Member or any guarantor of the Clearing Member is about to be or becomes the subject of a bankruptcy petition, receivership proceeding, or the equivalent, or becomes Insolvent; or
- ix) of information that concerns any financial or business developments that may materially affect the Clearing Member's ability to continue to comply with participation requirements and these Rules; or
- x) that the Clearing Member fails to satisfy any of the qualifications for membership set forth in Rule 3.1.

Upon receipt of such notice, the Clearinghouse may take any action it determines to be appropriate, in its sole discretion with respect to such Clearing Member, including but not limited to revoking such Clearing Member's Clearing Privileges or otherwise limiting the manner in which the Clearing Member is able to deal with the Clearinghouse.

- b) An FCM Clearing Member must immediately notify the Clearinghouse orally and in writing of:
 - i) any reduction in adjusted net capital as reported on its Form 1-FR-FCM or net capital as reported on its FOCUS Report from the most recent filing;
 - ii) any financial or business development that could materially impact the ability of the Clearing Member to comply with its obligations under these Rules as an FCM Clearing Member.
 - iii) any failure to remain in compliance with the minimum capital or early warning requirements of any Governmental Authority or Self-Regulatory Organization, or the Clearing Member having knowledge of or reason to believe its adjusted net capital has fallen below the Clearinghouse's minimum capital requirements;
 - iv) any material damage to, or failure or inadequacy of, the systems, facilities, or equipment used to perform obligations under or in connection with Contracts or Customer Accounts that is not promptly remedied;
 - v) any failure to comply with additional accounting, reporting, financial, or operational requirements prescribed by the Clearinghouse;
 - vi) any failure to maintain funds in any Customer Account sufficient to comply with applicable CFTC Regulations;
 - vii) any planned material reduction in equity capital (and, in all cases, any planned reduction in equity capital that would cause a reduction in excess adjusted net capital, excess net capital or excess liquid capital of 30% or more), including the incurrence of a contingent liability which would materially affect the Clearing Member's capital or other

representations contained in the latest financial statement submitted to the Clearinghouse should such liability become fixed; provided that no such notice shall be required in the case of a reduction in capital resulting from (1) the repayment or prepayment of subordinated liabilities for which notice has been given pursuant to applicable CFTC or SEC requirements, or (2) any futures or securities transaction in the ordinary course of business between a Clearing Member and any Affiliate, where the Clearing Member makes payment to or on behalf of such Affiliate for such transaction and then receives payment from such Affiliate for such transaction within two (2) Business Days from the date of the transaction;

- viii) any change in the FCM Clearing Member's fiscal year or its public accountants;
- ix) any Person who directly or indirectly becomes a 5% direct owner of the FCM Clearing Member;
- x) any failure by the FCM Clearing Member, or any guarantor or commonly owned or controlled Clearing Member, to perform on any material contract, obligation, or agreement;
- xi) any determination that it, or any guarantor, will be unable to perform on any of its material contracts, guarantees, obligations or agreements;
- xii) the Insolvency of such FCM Clearing Member or of any guarantor;
- xiii) any refusal of admission to, withdrawal of any application for membership in, or any suspension, expulsion, bar, material fine, censure, denial of membership, registration or license, withdrawal of any application for registration, cease and desist order, temporary or permanent injunction, denial of trading privileges, or any other material sanction or discipline through an adverse determination, voluntary settlement or otherwise, by any Governmental Authority, Self-Regulatory Organization, or other business or professional association;
- xiv) the imposition of any restriction or limitation on the business conducted by the FCM Clearing Member on or with any Self-Regulatory Organization other than restrictions or limitations imposed generally on all members of or participants in such Self-Regulatory Organization;
- xv) the receipt by the FCM Clearing Member, or the filing by such Clearing Member with a Self-Regulatory Organization, of a notice of material inadequacy;
- xvi) any changes in its name, business address, telephone or facsimile

- number, electronic mail address, or any number or access code for any electronic communication device used by it to communicate with the Clearinghouse; or
- xvii) the receipt of qualified external audit findings or opinions (including reviews by the FCM Clearing Member's designated Self-Regulatory Organization).
- c) An FCM Clearing Member must provide at least thirty (30) Business Days' prior written notice to the Clearinghouse, unless impractical, of:
- i) any proposed change in the organizational or ownership structure or management of the FCM Clearing Member, including any merger, combination or consolidation between the FCM Clearing Member and another Person;
 - ii) the assumption or guaranty by the FCM Clearing Member of all or substantially all of the liabilities of another Person in connection with a direct or indirect acquisition of all or substantially all of that Person's assets;
 - iii) the sale of all or a significant portion of the FCM Clearing Member's business or assets to another Person;
 - iv) a change in the direct or indirect beneficial ownership of 20% or more of the FCM Clearing Member;
 - v) a change in any of its relevant key personnel;
 - vi) any change in the FCM Clearing Member's systems provider or facilities manager used by the FCM Clearing Member to process transactions in Contracts; or
 - vii) any planned changes to risk management processes or systems.
- d) Upon the receipt of a notice of the type set forth in this Rule 3.7, the Clearinghouse shall review the continuing eligibility of the Clearing Member for clearing eligibility and take any or all of the actions as permitted by these Rules.
- e) If the Clearinghouse has reason to believe that a Clearing Member may fail to comply with any of the Rules, it may require the Clearing Member to provide it, within such timeframe, in such detail, and in such manner as the Clearinghouse shall determine, with adequate assurances that the Clearing Member will continue to comply with the Rules.

3.8 Omnibus and Carrying Broker Accounts

- a) Each FCM Clearing Member shall maintain a complete list of all omnibus and carrying broker accounts maintained on its books. Such list shall be promptly provided to the Clearinghouse upon request. Information for each such account must include account name, number and address, and classification of the account

as either Customer Account or House Account.

- b) Each FCM Clearing Member carrying an omnibus account shall at all times reflect in its records the gross long and short positions held in such omnibus account.
- c) Each FCM Clearing Member that maintains an omnibus account with another FCM Clearing Member shall also bear financial responsibility to the Clearinghouse for that omnibus account.

3.9 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 Governmental Authority, Self-Regulatory Organization, or other examining authority to which it is subject (including the net capital requirements of CFTC Regulation 1.17, as applicable). The Clearinghouse 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 FOCUS Report and supplementary information schedule, in the form prescribed by the CFTC, within the time set forth in CFTC Regulation 1.10. The report must include an unaudited Form 1-FR-FCM or FOCUS Report as of the FCM Clearing Member's fiscal year-end and a Statement of Income (Loss) for the period since the most recent certified report filed with the Clearinghouse;
 - ii) submit a certified Form 1-FR-FCM or FOCUS Report as of the FCM Clearing Member's fiscal year-end within the time requirements set forth in CFTC Regulation 1.10, together with a reconciliation to the monthly report as of the same date or a statement that no material differences were noted; and
 - iii) promptly submit such other documentation in relation to the financial or regulatory affairs of the FCM Clearing Member as the Clearinghouse may reasonably request.
- c) The Clearinghouse may prescribe additional accounting, reporting, and other financial and/or operational requirements, and FCM Clearing Members must comply with such requirements in order to maintain Clearing Privileges.
- d) Financial statement filing requirements under this Rule must be met through Clearinghouse-approved electronic transmission. 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 3.9 may be granted by the Board, in consultation with the Chief Compliance Officer and the Chief Risk Officer, for good cause if it is determined that such exceptions will not jeopardize the financial integrity of the Clearinghouse or otherwise cause it to be in

breach of any rules or regulation to which it or its Affiliates are subject.

3.10 Disaster Recovery and Business Continuity for Clearing Members

- a) Each Clearing Member shall maintain written disaster recovery and business continuity policies and procedures, consistent with the Clearinghouse's System Safeguards Program and CFTC Regulation 39.18, reasonably designed to enable it to perform basic operational functions during a significant disruption. At a minimum, the policies and procedures must address:
 - i) continuity of operations during periods of stress with minimal disruption to the Clearinghouse or Customers, including periodic testing of disaster recovery and business continuity plans (including with the Clearinghouse when requested), duplication of critical systems at backup sites, and periodic backup of critical information; and
 - ii) maintenance of accurate and complete key personnel information, to be provided to the Clearinghouse upon request, with timely notice of any changes.
- b) The Clearinghouse may prescribe additional and/or alternative requirements for Clearing Members' compliance with this Rule 3.10.
- c) Clearing Members must participate in coordinated testing of their disaster recovery and business continuity policies and procedures at least annually. A Clearing Member can fulfill this requirement by participating in an industry-wide testing event in which the Clearinghouse or an Exchange also participates.

3.11 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 funds 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) In accordance with Section 4d of the CEA, CFTC Regulation 39.15, and CFTC Regulation 1.20, the Clearinghouse shall, with respect to all customer funds received from FCM Clearing Members into a Customer Account:
 - i) treat and deal with all such customer funds as belonging to the customers of FCM Clearing Members, and keep such funds separately accounted for and segregated at all times from the Clearinghouse's own funds, assets, and property and from any assets in a House Account;
 - ii) hold customer funds only in accounts whose titles clearly identify the funds as customer funds segregated pursuant to Sections 4d(a) and 4d(b) of the CEA;

- iii) deposit customer funds only at depositories that satisfy the requirements of CFTC Regulations 1.20 and 1.49;
 - iv) obtain from each depository holding customer funds a written acknowledgment that the depository was informed that the funds deposited belong to customers and are being held in accordance with the CEA and CFTC Regulations, and that the depository may not use such funds for any purpose other than to credit and benefit the customers to whom they belong;
 - v) use customer funds only for the purpose of purchasing, margining, guaranteeing, securing, transferring, or settling the trades, contracts, or commodity options of the FCM Clearing Members' customers, or otherwise as expressly permitted by the CEA and CFTC Regulations;
 - vi) invest customer funds only in instruments that satisfy the requirements of CFTC Regulation 1.25, subject to the applicable liquidity standards, concentration limits, and maturity restrictions therein;
 - vii) not commingle customer funds with the Clearinghouse's own assets, and not use customer funds to secure or guarantee the obligations of any person other than the customers to whom they belong; and
 - viii) perform a daily calculation and reconciliation to confirm that the total amount of customer funds held by the Clearinghouse is not less than the total amount owed to and deposited by customers of FCM Clearing Members, and maintain records of such calculations as required by CFTC Regulations 1.20 and 39.15.
- c) This Rule 3.11 satisfies the requirement in CFTC Regulation 1.20(d)(1) that a Clearing Member must obtain a written acknowledgement from the Clearinghouse that such customer funds are being held in accordance with such provisions.
- d) As used in this Rule 3.11, "customer funds" has the same meaning as in CFTC Regulation 1.3 and the term "customer" shall be interpreted accordingly.

3.12 Responsible Agents

- a) Each Clearing Member shall designate at least one employee or agent as its administrator (each, a "**Responsible Agent**") with respect to the clearing of Contracts. The Clearinghouse may prescribe qualification standards for Responsible Agents. Each Responsible Agent shall have full control over the Clearing Member's access to the Clearing System (including its Authorized Users) and shall be solely responsible for all communications between the Clearinghouse and such Clearing Member. All notices sent to a Responsible Agent shall be binding on the Clearing Member. Each Clearing Member shall promptly notify the Clearinghouse of any change to its Responsible Agents.
- b) Each Clearing Member shall: (i) be solely responsible for controlling and monitoring all User IDs and passwords issued to its Authorized Users and Responsible Agents;

- (ii) provide such credentials only to Authorized Users and Responsible Agents; and
 - (iii) promptly notify the Clearinghouse of any unauthorized disclosure, use, or other reason for deactivating credentials. Each Clearing Member shall be bound by all actions taken through use of its User IDs and passwords (other than actions resulting from the Clearinghouse's fault or gross negligence), whether or not authorized.
- c) Notwithstanding anything to the contrary in Rule 3.12(b), each Authorized User shall have his or her own unique User IDs and passwords that may be used only by such Authorized User and solely for the purpose of submitting transactions for clearing in respect of the Account for which the Authorized User has Clearing Privileges.

3.13 Limitation of Liability

EXCEPT AS OTHERWISE PROVIDED IN THESE RULES, AND EXCEPT IN INSTANCES WHERE THERE HAS BEEN A FINDING OF WILLFUL MISCONDUCT OR GROSS NEGLIGENCE, IN WHICH CASE THE PARTY FOUND TO HAVE ENGAGED IN SUCH CONDUCT CANNOT AVAIL ITSELF OF THE PROTECTIONS IN THIS RULE 3.13, NEITHER THE CLEARINGHOUSE (INCLUDING ITS AFFILIATES AND ANY CONTRACTORS AND SUBCONTRACTORS PROVIDING SERVICES TO THE CLEARINGHOUSE) NOR ANY CLEARINGHOUSE PERSONNEL SHALL BE LIABLE TO ANY OTHER PERSON, INCLUDING ANY CLEARING MEMBER OR PERSON ASSOCIATED WITH A CLEARING MEMBER, FOR ANY LOSSES, DAMAGES, COSTS OR EXPENSES (INCLUDING LOSS OF PROFITS, LOSS OF USE, DIRECT, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES), ARISING FROM (I) ANY FAILURE OR MALFUNCTION OF THE CLEARING SYSTEM OR ANY EXCHANGE SERVICES OR CLEARING SERVICES OR FACILITIES USED TO SUPPORT THE CLEARING SYSTEM, (II) ANY FAILURES OR MALFUNCTIONS BY A CLEARING MEMBER'S OWN SECURITY OR THE INTEGRITY OF A CLEARING MEMBER'S TECHNOLOGY, TECHNOLOGY SYSTEMS, OR BY ANY BLOCKCHAIN OR DIGITAL ASSET PROTOCOL OR NETWORK, OR (III) ANY FAULT IN DELIVERY, DELAY, OMISSION, SUSPENSION, INACCURACY OR TERMINATION, OR ANY OTHER CAUSE, IN CONNECTION WITH THE FURNISHING, PERFORMANCE, MAINTENANCE, USE OF OR INABILITY TO USE ALL OR ANY PART OF THE CLEARING SYSTEM OR ANY EXCHANGE SERVICES OR CLEARING SERVICES OR FACILITIES USED TO SUPPORT THE CLEARING SYSTEM. THE FOREGOING SHALL APPLY REGARDLESS OF WHETHER A CLAIM ARISES IN CONTRACT, TORT, NEGLIGENCE, STRICT LIABILITY, OR OTHERWISE. FURTHERMORE, THERE SHALL BE NO LIABILITY BASED UPON, OR IN CONNECTION WITH, ANY QUOTE OR OTHER INFORMATION IF NO CORRELATIVE PURCHASE OR SALE OF A CONTRACT IS MADE, AND IF A CORRELATIVE PURCHASE OR SALE OF A CONTRACT IS MADE, ANY LIABILITY SHALL BE LIMITED IN AMOUNT TO THE AGGREGATE PRICE OF THE CONTRACTS PURCHASED OR SOLD.

THERE ARE NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS PROVIDED BY THE CLEARINGHOUSE (INCLUDING ITS AFFILIATES AND ANY

CONTRACTORS AND SUBCONTRACTORS PROVIDING SERVICES TO THE CLEARINGHOUSE), RELATING TO THE CLEARING SYSTEM OR ANY EXCHANGE SERVICES OR CLEARING SERVICES OR FACILITIES USED TO SUPPORT THE CLEARING SYSTEM, INCLUDING WARRANTIES OF MERCHANTABILITY AND WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE OR USE. THE SERVICES OF THE CLEARINGHOUSE ARE PROVIDED ON AN "AS IS" BASIS AT THE SOLE RISK OF THE CLEARING MEMBER AND ANY PERSON ASSOCIATED WITH THE CLEARING MEMBER. NEITHER THE CLEARINGHOUSE (INCLUDING ITS AFFILIATES AND ANY CONTRACTORS AND SUBCONTRACTORS PROVIDING SERVICES TO THE CLEARINGHOUSE) NOR ANY CLEARINGHOUSE PERSONNEL MAKE ANY WARRANTY WITH RESPECT TO, AND NO SUCH PARTY SHALL HAVE ANY LIABILITY TO, ANY CLEARING MEMBER OR ANY PERSON ASSOCIATED WITH A CLEARING MEMBER FOR, THE ACCURACY, TIMELINESS, COMPLETENESS, RELIABILITY, PERFORMANCE OR CONTINUED AVAILABILITY OF THE CLEARING SYSTEM OR THE CLEARINGHOUSE, DELAYS, OMISSIONS OR INTERRUPTIONS IN CLEARING SERVICES OR THE CREDITWORTHINESS OF ANY OTHER CLEARING MEMBER OR ANY PERSON ASSOCIATED WITH A CLEARING MEMBER. THE CLEARINGHOUSE SHALL HAVE NO DUTY OR OBLIGATION TO VERIFY ANY INFORMATION DISPLAYED ON THE CLEARING SYSTEM. EACH CLEARING MEMBER AND EACH PERSON ASSOCIATED WITH A CLEARING MEMBER ACKNOWLEDGES AND AGREES THAT THE CLEARINGHOUSE (INCLUDING ITS AFFILIATES AND ANY CONTRACTORS AND SUBCONTRACTORS PROVIDING SERVICES TO THE CLEARINGHOUSE) DOES NOT AND SHALL NOT SERVE AS THE PRIMARY BASIS FOR ANY DECISIONS MADE BY SUCH CLEARING MEMBER OR PERSON ASSOCIATED WITH A CLEARING MEMBER, AS THE CASE MAY BE, AND IS NOT AN ADVISOR OR FIDUCIARY OF SUCH CLEARING MEMBER OR PERSON ASSOCIATED WITH A CLEARING MEMBER, AS THE CASE MAY BE.

EXCEPT AS OTHERWISE PROVIDED IN THESE RULES, ANY LIABILITY OF THE CLEARINGHOUSE (OTHER THAN A LIABILITY THAT IS EXCLUDED PURSUANT TO THE PRECEDING TWO PARAGRAPHS OF THIS RULE 3.13) WILL BE LIMITED TO DIRECT, OUT-OF-POCKET LOSSES DIRECTLY CAUSED BY THE ACTS OR OMISSIONS OF THE CLEARINGHOUSE OR CLEARINGHOUSE PERSONNEL; PROVIDED THAT THE TOTAL COMBINED AGGREGATE LIABILITY OF THE CLEARINGHOUSE AND CLEARINGHOUSE PERSONNEL TO ANY ONE CLEARING MEMBER SHALL NOT EXCEED \$2,500 FOR ALL LOSSES FROM ALL CAUSES SUFFERED ON A SINGLE CALENDAR DAY; \$5,000 FOR ALL LOSSES SUFFERED FROM ALL CAUSES IN A SINGLE CALENDAR MONTH; AND \$50,000 FOR ALL LOSSES SUFFERED FROM ALL CAUSES IN A SINGLE CALENDAR YEAR. THE LIABILITY LIMITATIONS IN THIS RULE 3.13 SHALL NOT APPLY TO ANY LIABILITY ARISING FROM THE CLEARINGHOUSE'S FAILURE TO COMPLY WITH ITS MANDATORY OBLIGATIONS UNDER CFTC REGULATION 39.13 (RISK MANAGEMENT), 39.15 (TREATMENT OF FUNDS), 39.18 (SYSTEM SAFEGUARDS), OR ANY OTHER PROVISION OF THE CEA OR CFTC REGULATIONS PART 39 FOR WHICH LIABILITY CANNOT BE EXCLUDED.

ANY CLEARING MEMBER OR PERSON ASSOCIATED WITH A CLEARING MEMBER

WHO FAILS TO PREVAIL IN A LAWSUIT OR OTHER LEGAL PROCEEDING INSTITUTED BY SUCH PERSON AGAINST THE CLEARINGHOUSE OR CLEARINGHOUSE PERSONNEL, AND RELATED TO THE BUSINESS OF THE CLEARINGHOUSE, WILL PAY TO THE CLEARINGHOUSE ALL REASONABLE EXPENSES, INCLUDING ATTORNEYS' FEES, INCURRED BY THE CLEARINGHOUSE IN THE DEFENSE OF SUCH PROCEEDING TO THE EXTENT THAT SUCH EXPENSES EXCEED \$50,000. THIS PROVISION WILL NOT APPLY TO DISCIPLINARY ACTIONS BY THE CLEARINGHOUSE, ADMINISTRATIVE APPEALS OF THE CLEARINGHOUSE'S ACTIONS OR IN ANY SPECIFIC INSTANCE WHERE THE BOARD OF DIRECTORS HAS GRANTED A WAIVER OF THIS PROVISION.

3.14 Clearing Members and Authorized User Access

- a) During the application process, each applicant shall register a user identification ("**User ID**") and password.
- b) Each Clearing Member must enter its User ID and password to access the Clearing System. By logging onto the Clearing System, a Clearing Member affirms that it understands and agrees to be bound by these Rules and other Clearinghouse policies and procedures, as amended.
- c) Each Authorized User shall maintain a unique User ID and password, distinct from but linked to the Clearing Member with which the Authorized User is associated. Clearing Members shall provide User IDs only to officers, employees, or agents designated as Authorized Users. The Clearinghouse may revoke or modify any User ID at any time without prior notice.
- d) Each Clearing Member is responsible for protecting its User IDs and passwords, and those of its Authorized Users, from improper disclosure. A Clearing Member may not knowingly or negligently permit any unauthorized Person to use its credentials to access the Clearing System.
- e) The Clearinghouse may rely upon any instruction received through a Clearing Member's User IDs without further inquiry and shall not be liable for actions taken based on such instructions, even if unauthorized. Each Clearing Member shall be liable for all costs, expenses, losses, or other amounts resulting from actions taken using its credentials or those of its Authorized Users, whether or not authorized. The Clearinghouse is not responsible for unauthorized transactions.
- f) Each Clearing Member is responsible for its internet connectivity, including maintaining a backup service provider if reasonably necessary and adequate connection speed. The Clearinghouse is not responsible for transactions delayed due to a Clearing Member's internet service provider or connection issues. No communication shall be deemed received by the Clearinghouse until logged by the Clearinghouse server.

CHAPTER 4 – CLEARING

4.1 Submission and Acceptance of Trades for Clearing

- a) The Clearinghouse will accept Contracts submitted for clearing provided that the submitting Clearing Member has clearing arrangements in place with the Clearinghouse in accordance with these Rules, has satisfied any applicable risk limits imposed by the Clearinghouse pursuant to Rule 4.6, and has satisfied any applicable risk filters established by the Clearinghouse pursuant to Rule 4.1(c).
- b) [RESERVED]
- c) For trades executed competitively on or subject to the rules of an Exchange:
 - i) The Clearinghouse will coordinate with all Exchanges to establish automated systems that accept or reject Contracts for clearing.
 - ii) The Clearinghouse will accept for clearing all Contracts that satisfy the following conditions:
 - 1) the Contract is executed on an Exchange;
 - 2) the Contract was certified by an Exchange under Part 40 of the CFTC Regulations, and the CFTC has not exercised its right to stay or block under CFTC Regulation 40.11; and
 - 3) the Contract satisfies the criteria of the Clearinghouse, including, but not limited to, applicable risk filters, which shall be nondiscriminatory across Exchanges.
 - iii) The Clearinghouse will coordinate with all Exchanges to integrate and apply such criteria in a fully automated system, and if that is impracticable, will apply the criteria as quickly as would be technologically practicable if fully automated systems were used.
- d) Upon acceptance of Contracts for clearing, the Clearinghouse shall immediately, through the process of Novation, be substituted as and assume the position of Seller and Purchaser. Upon such substitution, (i) the original Seller and Purchaser shall have no obligations to each other; (ii) each Clearing Member shall be deemed to have bought or sold the Contract from or to the Clearinghouse; and (iii) the Clearinghouse shall have all the rights and be subject to all the liabilities of each Clearing Member with respect to such transactions. Where an FCM Clearing Member clears a Contract for a Customer, the FCM Clearing Member becomes obligated to the Clearinghouse, and the Clearinghouse becomes obligated to the FCM Clearing Member, as if the Contract were for the FCM Clearing Member's own account. The Clearing Members consent to Novation by submitting orders on an Exchange, and the Clearinghouse consents by accepting the Contracts for clearing. Such substitution shall be effective in law for all purposes.

- e) Contracts with the same terms and conditions submitted to the Clearinghouse for clearing are economically equivalent within the Clearinghouse and may be offset with each other within the Clearinghouse.
- f) Upon acceptance of a Contract by the Clearinghouse for clearing:
 - i) the original transaction is extinguished;
 - ii) the original Contract is replaced by an equal and opposite Contract between the Clearinghouse and each Clearing Member; and
 - iii) all terms of a cleared Contract must conform to the applicable Contract Rules. In the event of any conflict between these Rules and the Contract Rules applicable to a particular Contract, the Contract Rules shall govern.
- g) All payments to and collections from Clearing Members in connection with the clearing and settlement of Contracts are irrevocable. All amounts paid to the Clearinghouse in satisfaction of Clearing Member obligations are unconditionally deposited with and exclusively within the control of the Clearinghouse.
- h) If a Contract is rejected for clearing by the Clearinghouse for any reason, such Contract is void ab initio.
- i) Where, as a result of novation under this Rule 4.1, a Clearing Member has bought and sold for the same Account (i) a Contract with the same expiry, or (ii) a put or call option on the same Contract with the same strike price and expiry, such purchase and sale shall be automatically offset by the Clearinghouse. Notwithstanding the foregoing, the Clearinghouse shall calculate Initial Margin for Customer Accounts on a gross basis in accordance with CFTC Regulation 39.13(g)(8), without netting positions of different customers against one another. For purposes of calculating the gross initial margin requirement for each Clearing Member's Customer Account(s), each Clearing Member shall provide to the Clearinghouse reports each day setting forth end-of-day gross positions of each individual customer account within each customer origin of such Clearing Member.

4.2 Procedures for Deposits and Withdrawals from Accounts

- a) Procedures for Deposits.
 - i) Where the Clearinghouse initiates a transfer of funds from a Clearing Member's Margin Account pursuant to Rule 4.10, the Clearing Member shall ensure that sufficient funds are available in its Margin Account at its Settlement Institution to satisfy the transfer when called. No deposit notification shall be required from the Clearing Member in connection with such Clearinghouse-initiated transfers.
 - ii) Where a Clearing Member seeks to make a voluntary deposit of funds to the Clearinghouse outside of the settlement process described in Rule 4.10 (including, without limitation, pre-funding, excess Collateral deposits, or

Default Fund contributions), the Clearing Member shall submit a deposit notification to the Clearinghouse before depositing such funds and must have sufficient funds at its Settlement Institution before submitting such notification. Funds deposited pursuant to this subsection (ii) will become available for use after the Clearinghouse confirms receipt and processes the deposit notification.

- iii) Each Clearing Member is responsible for all transfers of funds to its Accounts. Any reversal of such transfer constitutes a violation of these Rules unless remediated in a manner acceptable to the Clearinghouse.

b) Withdrawals from Accounts.

- i) A Clearing Member may only withdraw amounts in excess of required Margin.
 - ii) Only a Clearing Member or its Authorized User(s) may submit a withdrawal notification. Upon receipt of a withdrawal notification, the Clearinghouse will immediately reduce the Clearing Member's Account balance by the withdrawal amount.
 - iii) Each Clearing Member is responsible for providing accurate account numbers for transfers. Withdrawal notifications to account numbers different from the originating account number are not permitted except as provided by the Clearinghouse.
 - iv) The Clearinghouse will notify its settlement bank at such time as the Clearinghouse shall specify from time to time after a Clearing Member submits a withdrawal notification.
 - v) If a Clearing Member fails to adhere to the withdrawal procedures, the Clearinghouse will take reasonable measures to effect the withdrawal. If the Clearinghouse is unable to do so, the Clearing Member's Collateral may become the property of the Clearinghouse to the extent permitted by Applicable Law, and the Clearinghouse may apply such Collateral against the Clearing Member's obligations.
 - vi) Notwithstanding the foregoing, the Clearinghouse may decline any withdrawal request if it deems such action necessary for the protection of the Clearinghouse.
- c) For withdrawals, Clearing Members are responsible for: (i) paying all bank or service provider fees; (ii) paying all transfer processing costs; (iii) ensuring accuracy of all transfer information; and (iv) compliance with Settlement Institution, bank or service provider requirements and Applicable Law.
- d) The Clearinghouse may deduct applicable fees from withdrawal amounts. The Clearinghouse may reject a withdrawal instruction if the Clearing Member has failed to comply with these Rules. Withdrawals may be delayed or unavailable due to: (i) technical issues (including system outages or errors outside the Clearinghouse's

control); (ii) Applicable Law or regulatory or law enforcement requests; or (iii) fraud or unlawful activity investigations. The Clearinghouse makes no guarantee regarding withdrawal timing.

4.3 Finality of Settlement

Payments or transfers of funds to and from the Clearinghouse, including but not limited to Margin payments and Default Fund deposits, are irrevocable and unconditional when, as the case may be, they are debited from or credited to an account of the Clearinghouse, provided that adjustments may be made after such time for the correction of errors. Settlement shall be final and irrevocable in accordance with CFTC Regulation 39.14. The Clearinghouse is not obligated to credit any deposit of digital assets to a Clearing Member's Accounts before it actually receives such digital assets by final settlement to the account designated by the Clearinghouse. The Clearinghouse shall enter into and maintain legal agreements with each Settlement Institution and each approved digital asset custodian that state that settlement fund or asset movements are irrevocable and unconditional no later than when the Clearinghouse's accounts are debited or credited, and shall define precise settlement timing and routinely confirm performance, consistent with CFTC Regulations.

4.4 Investment and Use of Clearing Member Account Assets

- a) Customer Account Assets.** The Clearinghouse may invest Customer Account assets received from FCM Clearing Members with the Customer Account assets of other FCM Clearing Members, consistent with CFTC Regulations 1.25 and 39.15(e). All such investments shall be held in instruments with minimal credit, market, and liquidity risks. The treatment of customer funds (as defined in Rule 3.11(d)) held in Customer Accounts shall be governed by Rule 3.11 in all respects. Customer Account assets shall not be commingled with House Account assets or with the Clearinghouse's own assets.
- b) House Account Assets.** The Clearinghouse may invest House Account assets received from Clearing Members with the House Account assets of other Clearing Members, consistent with CFTC Regulation 1.25. All such investments shall be held in instruments with minimal credit, market, and liquidity risks. House Account assets shall not be commingled with Customer Account assets, Member Property Account assets, or with the Clearinghouse's own assets.
- c) Member Property Account Assets.** The Clearinghouse may invest Member Property Account assets received from Clearing Members with the Member Property Account assets of other Clearing Members, consistent with CFTC Regulation 1.25. All such investments shall be held in instruments with minimal credit, market, and liquidity risks. Member Property Account assets shall not be commingled with Customer Account assets, House Account assets, or with the Clearinghouse's own assets.
- d) General.** The Clearinghouse shall have no obligation to inform any Clearing

Member of investments made pursuant to this Rule 4.4, or of the results or performance of such investments, and shall be entitled to retain any profits or returns on such investments. The Clearinghouse shall hold funds and assets belonging to Clearing Members and their customers in a manner that minimizes the risk of loss or delay in the Clearinghouse's access to such funds and assets. All investments made pursuant to this Rule 4.4 shall be subject to compliance with Applicable Law.

4.5 Transfers of Positions

The Clearinghouse shall have rules providing that the Clearinghouse will promptly transfer all or a portion of a customer's portfolio of positions, and related funds as necessary, from the Carrying Clearing Member to the Receiving Clearing Member, without requiring the close-out and rebooking of the positions prior to the requested transfer. Any transfer of a Contract shall be subject to the following:

- a) Subject to the limitations of Exchange position transfer rules, the Clearinghouse will approve a position transfer without requiring the prior close-out and rebooking of Contracts if the Clearing Member currently carrying a Customer Account (the "**Carrying Clearing Member**") notifies the Clearinghouse that a Customer has requested to transfer all or a portion of the positions in the Customer Account to another Clearing Member (the "**Receiving Clearing Member**") provided that: (i) the Customer has instructed the Carrying Clearing Member to make the transfer; (ii) the Customer is not currently in default to the Carrying Clearing Member; (iii) the transferred Contracts will have appropriate Margin at the Receiving Clearing Member; (iv) any remaining Contracts in the Customer's Account at the Carrying Clearing Member will have appropriate Margin; and (v) the Receiving Clearing Member has consented to the transfer.
- b) If the transferor is in Default, transfers may only be effected at the latest Settlement Price unless the Clearinghouse determines that, because of excess Margin on deposit or for other sufficient reason, accepting the transfer at other prices would not jeopardize the Clearinghouse.
- c) If the Clearinghouse determines that it would be contrary to the best interests of the Clearinghouse to accept a transfer at a price other than the latest Settlement Price, it may, notwithstanding any provision to the contrary in the Exchange Rules, require such transfer to be effected at the Settlement Price.
- d) The Clearinghouse may additionally permit the transfer of positions between Accounts:
 - i) to correct errors in an existing Contract, *provided* that the original trade documentation confirms the error;
 - ii) to transfer an existing Contract through operation of law from death or bankruptcy;

- iii) as a result of a merger, asset purchase, consolidation, or similar nonrecurring transaction for a Person that is an organization;
- iv) for Accounts of Clearing Members that are under the same common beneficial ownership; or
- v) any other circumstances in which the Clearinghouse determines that such a transfer is necessary or appropriate.

4.6 Position Risk

- a) The Clearinghouse shall impose risk limits on each Clearing Member, by House Account, by Member Property Account, and by each Customer Account, in order to prevent a Clearing Member from carrying positions for which the risk exposure exceeds a specified threshold relative to the Clearing Member's and/or the Clearinghouse's financial resources. The Clearinghouse shall have authority to develop and implement risk control policies for Customer Account and House Account transactions and positions. The Clearinghouse shall have authority to take such action, including but not limited to: (i) imposing enhanced capital requirements; (ii) imposing enhanced Initial Margin requirements; (iii) imposing position limits; (iv) prohibiting an increase in positions; (v) requiring a reduction in positions; (vi) liquidating or transferring positions; and (vii) suspending or revoking clearing membership, when such action is necessary to effectively manage risk posed to the Clearinghouse by a Clearing Member.
- b) Where any two or more Clearing Members are Affiliates, the Board may impose risk limits on the aggregate positions that such Clearing Members may carry with the Clearinghouse. A Clearing Member may exceed the risk limits applied pursuant to paragraph (a) if it posts additional Initial Margin that the Clearinghouse deems sufficient to appropriately eliminate excessive risk exposure.

4.7 Liens Held by the Clearinghouse

The Clearinghouse shall have a first lien and perfected security interest in, and right of setoff against, all Margin, Outstanding Exposure amounts, Default Fund deposits, Collateral and other property (including Contracts), and all proceeds of any of the foregoing, held in or for the House Account or Member Property Account of a Clearing Member in connection with the financial obligations of such Clearing Member, however created, arising or evidenced, whether direct or indirect, absolute or contingent, existing, due or to become due. With respect to any Customer Account maintained by an FCM Clearing Member, the Clearinghouse's lien and security interest shall attach only to the extent necessary to secure obligations arising from the Contracts and positions carried in such Customer Account, and shall be subject in all respects to the requirements of Sections 4d(a) and 4d(b) of the

CEA, CFTC Regulations 1.20 through 1.30 and 39.15, and Rule 3.11 of these Rules. Nothing in this Rule 4.7 shall be construed to permit the Clearinghouse to apply customer funds (as defined in Rule 3.11(d)) to satisfy any obligation of a Clearing Member other than the obligations of the customers to whom such funds belong.

4.8 Initial Margin, Variation Margin, Additional Margin and the Default Fund

- a) Each Clearing Member shall establish and maintain a House Account or Member Property Account, as applicable, and, if applicable, Customer Accounts at a Settlement Institution(s). A Clearing Member shall use such Accounts for the payment of Initial Margin, Variation Margin, and any other payments due to the Clearinghouse pursuant to these Rules (“**Margin Account(s)**”). The Clearinghouse shall have the right to instruct such Settlement Institution to debit the Margin Account(s) maintained by a Clearing Member for any deposits of Initial Margin, payments of Variation Margin, payments of Outstanding Exposure, or any other payments due to the Clearinghouse pursuant to these Rules and to deposit such funds into the appropriate Clearinghouse account. All payments to the Margin Account(s), Default Fund deposits, and other non-settlement payments to the Clearinghouse shall be made in immediately available funds in the currency or digital asset in which the relevant Contract is settled pursuant to the applicable Contract Rules.
- b) The Clearinghouse may, in its discretion, conduct one or more additional intra-day Margin settlement (“**Intra-day Margin Exchange**”) during periods of heightened market volatility or when the Clearinghouse determines it necessary to protect the financial integrity of the Clearinghouse. For any Intra-day Margin Exchange, the Clearinghouse shall choose, in its reasonable discretion, the most appropriate Exchange price for the relevant Contract, and all provisions in these Rules governing Margin payment at the relevant daily Settlement Price shall apply.
- c) Each Clearing Member shall deposit with or pay to the Clearinghouse Initial Margin for each cleared Contract in such amounts, in such forms, at such times (including scheduled daily and intraday cycles as determined by the Clearinghouse, currently anticipated to occur twice per Trading Day) and in accordance with such systems as may be prescribed by these Rules or by the Board. Initial Margin requirements shall be determined by using models and parameters that are risk-based and reviewed on a regular basis. Initial Margin requirements shall be commensurate with the risks of each product and portfolio, including any unusual characteristics of, or risks associated with, particular products or portfolios. Models shall generate Initial Margin requirements sufficient to cover the Clearinghouse’s potential future exposures to Clearing Members based on price movements in the interval between the last collection of Variation Margin and the time within which the Clearinghouse estimates that it would be able to liquidate a defaulting

Clearing Member's positions; provided that the Clearinghouse shall use a minimum liquidation time of one day for futures and options. The actual coverage of Initial Margin requirements shall meet a confidence level of at least 99 percent (99%) based on data from an appropriate historic time period. Initial Margin requirements shall be reviewed and validated by a qualified and independent party on at least an annual basis. Initial Margin requirements shall be calculated on a gross basis for each Customer, and Clearing Members are not permitted to net positions of different Customers against one another. Clearing Members shall collect Initial Margin from their Customers at a level that is not less than 100 percent (100%) of the Clearinghouse's Initial Margin requirements and commensurate with the risk presented by each Customer account, and for Customers with heightened risk profiles (consistent with the Clearing Member's risk management policies and procedures), at a level that exceeds the Initial Margin amount determined by the Clearinghouse by such amount as the Clearinghouse shall specify from time to time. For Contracts that are equity-style options, the Clearinghouse will determine option value for each option and the net option value of each portfolio. For a settlement cycle, (i) if the net option value of the portfolio is positive, such amount may be used to satisfy Initial Margin requirements for the portfolio, (ii) if the net option value of a portfolio is negative, such amount will increase the Initial Margin requirements for the portfolio.

- d) The Clearinghouse will review the adequacy of its Initial Margin requirements each Trading Day and conduct backtests, using at least the previous thirty (30) days of data, on a daily basis for products experiencing significant market volatility and on at least a monthly basis for all products. Whenever the Chief Risk Officer or his or her delegate concludes that unstable conditions relating to one or more Contracts exist, or that the maintenance of an orderly market or the preservation of the fiscal integrity of the Clearinghouse requires additional Initial Margin, or that any Clearing Member is carrying Contracts or incurring risks in its House Account or Customer Account that are larger than is justified by the financial or operational condition of the Clearing Member, the Chief Risk Officer or his or her delegate may require additional Initial Margin to be deposited with the Clearinghouse within such time as may be specified by the Chief Risk Officer, or his or her delegate, or limit withdrawals of excess Initial Margin on deposit from such Clearing Member for such time as may be specified by the Chief Risk Officer, or his or her delegate. Such additional Margin may be for one or more Contracts from one or more Clearing Members and for long and/or short positions.
- e) Without limitation of the Clearinghouse's other rights to use or apply a Clearing Member's Initial Margin as permitted in these Rules, under Applicable Law or otherwise, the Clearinghouse may: (i) invest any Eligible Collateral deposited as Initial Margin in accordance with the Clearinghouse's investment policies and CFTC Regulation 1.25 and any interest, capital gain

or other income earned on such investments shall belong and be credited to the Clearinghouse; (ii) use a Clearing Member's Eligible Collateral constituting Initial Margin in its House Account from time to time to meet temporary liquidity needs of the Clearinghouse (whether or not such Clearing Member is in Default), in a manner consistent with the Clearinghouse's liquidity policies and Applicable Law, including by way of assignment, transfer, pledge, repledge or creation of a lien on or security interest in such Initial Margin in connection with borrowing, repurchase transactions or other liquidity arrangements to support payment obligations of the Clearinghouse in respect of Contracts; and (iii) charge and collect any operational fees or expenses incurred by the Clearinghouse in connection with the deposit by a Clearing Member of Margin and the Clearinghouse shall have the right to instruct each Settlement Institution to debit the House Account maintained by each Clearing Member, and/or any other account designated by such Clearing Member for purposes of this Rule 4.8, for any payment of these fees or expenses due to the Clearinghouse. If the Clearinghouse permits Clearing Members to pledge assets for Initial Margin while retaining such assets in accounts in the names of such Clearing Members, the Clearinghouse shall ensure that such assets are unencumbered and that such pledge has been validly created and validly perfected in the relevant jurisdiction.

- f) Where Contracts are accepted for clearing and the price of such Contracts is less than the latest Settlement Price, the selling Clearing Member shall be obligated to pay Variation Margin to, and the buying Clearing Member shall be entitled to receive Variation Margin from, the Clearinghouse as set forth in Rule 4.10 and in the policies and procedures of the Clearinghouse.
- g) The Clearinghouse shall mark to market each Clearing Member's open positions at least once each Trading Day and shall monitor credit exposures periodically throughout each Trading Day. This process in respect of Variation Margin shall take place at least once each Trading Day, using the Settlement Price.
- h) Initial Margin and Variation Margin may be paid in such digital assets as are permitted by the Clearinghouse from time to time ("**Digital Asset Margin**"). Any reference to transfer of Initial Margin from or to a Settlement Institution shall, in the case of Digital Asset Margin, be deemed to refer to the transfer from an institution which holds such digital assets for and on behalf of the Clearing Member and which is approved for these purposes by the Clearinghouse. Any obligation in these Rules to transfer Initial Margin or Variation Margin may be satisfied through the transfer of Digital Asset Margin, of such types and to the extent permitted by the Clearinghouse from time to time. The Clearinghouse shall limit the assets it accepts as Initial Margin to those that have minimal credit, market, and liquidity risks. The Clearinghouse shall use prudent valuation practices to value assets posted as Initial Margin on a daily basis. The Clearinghouse shall apply appropriate haircuts to the assets it accepts in satisfaction of Initial Margin obligations, taking into consideration stressed market conditions, and shall evaluate the

appropriateness of such haircuts on at least a monthly basis. The Clearinghouse shall apply appropriate limitations or charges on the concentration of assets posted as Initial Margin, as necessary, to ensure its ability to liquidate such assets quickly with minimal adverse price effects, and shall evaluate the appropriateness of any such concentration limits or charges on at least a monthly basis. The Clearinghouse shall publish and maintain an eligibility schedule and haircut methodology for Eligible Collateral, and shall ensure legal enforceability, segregation, custody, and operational risk controls consistent with CFTC Regulations.

- i) Upon notice from the Clearinghouse that a transfer of Eligible Collateral from a Clearing Member pursuant to Rule 4.10(a) was not effected as instructed by the Clearinghouse for any reason, the Clearing Member shall deliver to the Clearinghouse the amount required at such time and in such form as the Clearinghouse may prescribe.
- j) The Clearinghouse shall employ settlement arrangements that eliminate or strictly limit its exposures to Settlement Institutions, consistent with CFTC Regulation 39.14(c).

4.9[RESERVED]

4.10 Margin and Other Payments

- a) For each Clearing Member, for all Contracts carried by such Clearing Member or such Clearing Member's Customers, if the aggregate net amount of Variation Margin and Outstanding Exposure does not equal zero, such Clearing Member or the Clearinghouse, as applicable, shall be obligated to pay or entitled to receive payments, as applicable, in an amount equal to the difference between the aggregate net amount of Variation Margin and Outstanding Exposure and zero.
- b) For each Clearing Member, if the aggregate net amount of Initial Margin for all Contracts carried for Customers by such Clearing Member is owing to the Clearinghouse, such Clearing Member shall be obligated to pay, and the Clearinghouse shall be entitled to receive, amounts from the Customer Margin Account maintained by such Clearing Member in an amount equal to the amount so owing. The Clearinghouse shall instruct such Clearing Member's Settlement Institution to transfer such amount to the Customer Account designated by the Clearinghouse.
- c) For each Clearing Member, if an aggregate net amount of Initial Margin for all Contracts carried for House Accounts and Member Property Accounts by such Clearing Member is owing to the Clearinghouse, such Clearing Member shall be obligated to pay, and the Clearinghouse shall be entitled to receive, amounts from the House Accounts or Member Property Accounts, as applicable, maintained by such Clearing Member in an amount equal to the amount so owing. The

Clearinghouse shall instruct such Clearing Member's Settlement Institution to transfer such amount to the House Account or Member Property Account designated by the Clearinghouse.

- d) The Clearinghouse shall return to a Clearing Member the amount of any excess Initial Margin on deposit from such Clearing Member, provided that the Clearinghouse shall have received a request for such a release from such Clearing Member by such time as may be specified by the Clearinghouse on the day such release is to be made.
- e) On any day on which a Clearing Member is entitled to receive settlement amounts in respect of Variation Margin or Outstanding Exposure for its House Account, but such Clearing Member is also required to deposit Initial Margin or to increase the amount of its Default Fund deposit, the Clearinghouse may net the amounts owed by such Clearing Member against the amounts owed to such Clearing Member and make or receive, as applicable, a single net payment.
- f) Excess Initial Margin shall not be released (i) if the excess Margin is due to any House Account of a Clearing Member unless the Clearing Member has deposited and paid all Margin and other amounts required from such Clearing Member for its House Account and Customer Account or otherwise pursuant to these Rules; or (ii) if the excess Margin is due to the Customer Account of the Clearing Member, unless the Clearing Member has deposited and paid all Margin required from its Customer Account pursuant to these Rules for such Accounts. Notwithstanding any provision to the contrary in these Rules, the Clearinghouse may refuse to release the amount of excess Initial Margin on deposit in the House Accounts or Customer Accounts of a Clearing Member that has requested such release if the Chief Risk Officer or his or her delegate concludes that the financial or operational condition of the Clearing Member is such that the release of excess Initial Margin would be contrary to the fiscal integrity of the Clearinghouse unless the Clearing Member substantiates to the satisfaction of the Clearinghouse that the amount to be released will be returned to one or more Customers in accordance with Applicable Law.
- g) If a Settlement Institution fails to pay Margin on behalf of a Clearing Member, such Clearing Member will remain obligated to pay such Margin to the Clearinghouse notwithstanding such failure.

4.11 Defaults

- a) If any of the following events occurs with respect to a Clearing Member (regardless of whether any such event is cured by any guarantor or other third party on behalf of such Clearing Member or otherwise):
 - i) such Clearing Member fails to meet any of its obligations under its Contracts with the Clearinghouse;
 - ii) the Clearing Member is Insolvent;

- iii) such Clearing Member fails to pay when due any amounts owing to the Clearinghouse;
- iv) such Clearing Member or an Affiliate of such Clearing Member, including a guarantor for such Clearing Member, is subject to a default, event of default, or other similar event or condition, by another derivatives clearing organization, clearing agency or financial market utility (whether an Affiliate of the Clearinghouse or not), as “default,” “event of default,” or other similar event or condition, as defined by such entity;
- v) the revocation or suspension of CFTC registration or NFA membership pertaining to that Clearing Member;
- vi) material breach of these Rules that is not cured within any applicable grace period offered by the Clearinghouse; or
- vii) such Clearing Member fails to make any required deposit to the Default Fund when and as required by these Rules, or the Clearinghouse determines that such Clearing Member is not in compliance with the Rules and that such noncompliance poses an unacceptable risk to the Clearinghouse,

then, and in any such event, the Clearinghouse may declare that a “**Default**” has occurred and may determine that such Clearing Member shall be suspended as a Clearing Member. Upon any such declaration of Default, the Clearinghouse shall publish a public notice of such declaration on its website.

- b) Upon confirmation that a Default has occurred, the Risk Management Committee shall appoint a “**Default Management Group**,” comprised of such persons as the Risk Management Committee shall decide in its sole discretion. The Default Management Group shall be responsible for making all material decisions in relation to the Default of a Clearing Member. Such responsibilities include, without limitation, determining hedging strategies, portfolio segmentation, and the conduct and parameters of any Default Management Auction(s), and directing the participation of all Clearing Members in such auctions in accordance with the Auction Procedures. Any actions of the Clearinghouse in the case of Default of a Clearing Member shall be read as referring to the Clearinghouse operating through the Default Management Group. The Clearinghouse shall conduct and document a test of its default management plan at least on an annual basis and shall include Clearing Members in such test to the extent the plan relies on their participation.

4.12 Liquidation on Termination or Suspension of Clearing Member

- a) When a Person ceases to be a Clearing Member or is suspended as a

Clearing Member pursuant to Rule 4.11 above, such Person shall be prohibited from establishing new positions and all Contracts carried by the Clearinghouse for such Clearing Member shall be promptly transferred, liquidated, or hedged, as applicable, as expeditiously as practicable, such that:

- i) open Contracts are transferred by the Clearing Member and accepted by one or more other Clearing Members, with the prior consent of the Clearinghouse, or transferred by the Clearinghouse to one or more other Clearing Members pursuant to an auction of the Contracts or other procedure instituted by the Clearinghouse;
 - ii) the Chief Executive Officer or Chief Risk Officer, or in the absence of both the Chief Executive Officer and the Chief Risk Officer, any Director with voting authority, may determine that, in his or her opinion, liquidation be deferred for the protection of the financial integrity of the Clearinghouse; or
 - iii) open Contract Positions are liquidated in the manner set forth in Rule 4.13 to the extent that paragraph (i) or (ii) does not apply.
- b) The Default Management Group shall authorize the execution from time to time, solely for the purpose of reducing the risk to the Clearinghouse resulting from the continued maintenance of such Open Contract Positions, the purchase or sale of Contracts or other hedging or risk reducing transactions. The Default Management Group may delegate to one or more Persons the authority to determine, within such guidelines as they may prescribe, the nature and timing of such transactions.
- c) Clearing Members shall submit bids in each Default Management Auction as directed by the Default Management Group and the Auction Procedures, to the extent permitted by Applicable Law.

4.13 Method of Closing Out and Auction Procedures

- a) The Open Contract Positions of a Clearing Member that are required to be liquidated pursuant to Rule 4.12 shall be liquidated in such manner as the Clearinghouse, in its sole discretion, may direct. Without limiting the generality of the foregoing:
 - i) Any such liquidation may be effected by executing block trades with one or more Clearing Members or Exchange participants or by directly entering orders into an Exchange's trading platform for the purchase or sale of Contracts. The Default Management Group may designate and authorize an individual, and may engage a third party, to be responsible for implementing such liquidation.
 - ii) Notwithstanding any other provision of this Rule 4.13, any such liquidation may be effected without placing orders for execution, by

making appropriate book entries on the records of the Clearinghouse (including by pairing and canceling offsetting long and short positions in the Contracts carried by the Clearing Member) at a price equal to the Settlement Price on the day such liquidation is ordered or at such other price as the Default Management Group may establish; provided, however, that if an order for relief has been entered with respect to such Person and its property is thereby subject to the control of a bankruptcy court, the Clearinghouse will not effect any such liquidation by book entry except as may be permitted by CFTC Regulations.

- iii) All liquidations made pursuant to this Rule 4.13 shall be for the account and risk of the Person that ceases to be a Clearing Member or that is suspended as a Clearing Member. The Clearing Member shall be liable to the Clearinghouse for any commissions or other expenses incurred in liquidating such Contracts.
 - iv) All Clearing Members shall participate in Default Management Auctions by submitting bids that meet the Auction Procedures' validity, format, and timing requirements, subject to Applicable Law, including any proportionality limitations, and any exemptions granted by the Clearinghouse pursuant to the Auction Procedures. A Clearing Member may outsource to a qualified third party, subject to appropriate safeguards imposed by the Clearinghouse, authority to act in the Clearing Member's place in any auction or to accept allocations in any allocation procedure.
- b) The Clearinghouse shall maintain and publish Auction Procedures governing Default Management Auctions, including eligibility, minimum bidding and quoting standards, portfolio disclosure, confidentiality, format (e.g., single- or multi-unit, pay-as-bid), settlement, and sanctions for non-compliance. Each Clearing Member shall be a mandatory participant in any Default Management Auction for a product set in which such Clearing Member maintains, or has maintained within the previous six (6) months, open positions in its House Account or any Customer Account, and shall timely submit valid bids as required by the Auction Procedures, to the extent permitted by Applicable Law; provided, however, that the Clearinghouse shall not require a Clearing Member to bid for a portion of, or accept an allocation of, the defaulting Clearing Member's positions that is not proportional to the size of the bidding or accepting Clearing Member's positions in the same product class at the Clearinghouse. The Clearinghouse may, consistent with Applicable Law and the Auction Procedures, grant exemptions or adjustments to participation or minimum bidding requirements where proportionality, capability, or other objective criteria so warrant. Failure to participate or to submit valid bids as required by the Auction Procedures shall constitute a Rules violation and may result in sanctions under Chapter 6, the imposition of a Default Fund Deposit Surcharge under Rule 4.15, and/or other measures specified in the Auction Procedures.

4.14 Amounts Payable to the Clearinghouse

Upon completion of the liquidation or transfer of the positions of a Clearing Member pursuant to Rule 4.13, the Clearinghouse shall be entitled on demand to recover from such Clearing Member all amounts due to the Clearinghouse for all losses, liabilities and expenses (including, without limitation, legal fees and disbursements) incurred by the Clearinghouse in connection with such liquidation or transfer, and such Clearing Member's Collateral, together with any other assets held by, pledged to or otherwise available to the Clearinghouse, shall be applied by the Clearinghouse to discharge the obligations of such Clearing Member to the Clearinghouse (including any amounts, and 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 the Clearinghouse on such Clearing Member).

4.15 Default Fund

a) The Clearinghouse shall establish and maintain a Default Fund. For the purposes of this Rule 4.15, the following terms shall have the following meanings:

- i) **"Initial Margin Amount"** shall mean, as to any Clearing Member as of any day, such Clearing Member's Initial Margin requirement for such Clearing Member's House Account, Member's Property Account and Customer Account as determined by the Clearinghouse for the Trading Day (or for such other day in such months as the Board shall direct generally).
- ii) **"Base Margin Amount"** shall mean that portion of each Clearing Member's Default Fund Deposit Requirement (as defined below) that is based upon the Initial Margin Amount.
- iii) **"Base Uncovered Stress Loss Amount"** shall mean the portion of each Clearing Member's Default Fund Deposit Requirement that is based upon the uncovered stress loss, as determined pursuant to the Clearinghouse's risk policies.
- iv) **"Base Volume Amount"** shall mean that portion of each Clearing Member's Default Fund Deposit Requirement that is based upon the volume of Contracts cleared by it, as determined pursuant to the Clearinghouse's risk policies.
- v) **"Default Fund Deposit Surcharge"** shall mean that portion of a Clearing Member's Default Fund Deposit Requirement that, if assessed, is linked to concerns regarding specific Clearing Members such as concentration risk, capital ratios, support for Contracts traded on the weekend, or other credit concerns. The Clearing Member's

Default Fund Deposit Surcharge shall be determined pursuant to the Clearinghouse's risk policies.

- b) Each Clearing Member shall deposit and maintain in the Default Fund an amount calculated as follows:
 - i) For each Clearing Member, the amount to be deposited and maintained in the Default Fund shall be the sum of the Clearing Member's Base Margin Amount, Base Uncovered Stress Loss Amount, Base Volume Amount, and Default Fund Deposit Surcharge, computed pursuant to this Rule 4.15 (the "**Default Fund Deposit Requirement**"); provided that:
 - 1) each new Clearing Member shall be required to deposit such amount as determined by the Risk Management Committee; and
 - 2) subject to such thresholds as may be established by the Risk Management Committee from time to time, a Clearing Member whose Default Fund Deposit Requirement has increased relative to its current contribution shall be required to deposit Eligible Collateral to remedy such deficiency.
 - ii) The Risk Management Committee shall have the authority to cause the Base Margin Amount, Base Uncovered Stress Loss Amount, Base Volume Amount, and Default Fund Deposit Surcharge of all Clearing Members to be recalculated at any time, and to require Clearing Members to immediately deposit in the Default Fund any amounts required to meet the recalculated Default Fund Deposit Requirements.
- c) Deposits in the Default Fund may be made by any Clearing Member in the form of Eligible Collateral. Default Fund deposits shall be held in a bank approved for the purpose by the Clearinghouse, in an account or accounts separate from all other cash and securities held by the Clearinghouse. The Clearinghouse shall have the sole right to withdraw cash from such account or accounts subject to the rights of any assignee, pledgee or holder of a security interest in the Default Fund or any cash.
- d) So long as any Person is a Clearing Member and thereafter for the period until the Clearinghouse returns such Person's Default Fund deposits, its Default Fund deposits may be applied by the Clearinghouse:
 - i) against any amounts that become due from such Person to the Clearinghouse for any reason (including but not limited to Initial Margin, Variation Margin, fees, assessments, and fines) at any time it was a Clearing Member and for the period until the Clearinghouse returns such Person's Default Fund deposits;
 - ii) against any amounts that are charged as provided in or pursuant to

this Rule 4.15 against the Default Fund Deposit Requirements of all Clearing Members at any time that such Person was a Clearing Member and for the period until the Clearinghouse returns such Person's Default Fund deposits; and

- iii) to provide such funds, on such terms and conditions as the Board in its discretion, acting by a vote of not less than three-fourths of all Directors eligible to vote, may deem necessary or appropriate to facilitate the transfer of Customer Accounts from a Clearing Member experiencing financial difficulty to another Clearing Member, if the Board shall determine by such vote that to do so is in the best interest of the Clearinghouse.
- e) The Clearinghouse may at any time and from time to time assign, transfer, pledge, repledge or otherwise create a lien on or security interest in the Default Fund and/or the Eligible Collateral held in the Default Fund to secure the repayment of funds borrowed by the Clearinghouse (plus interest, fees and other amounts payable in connection therewith) or pursuant to a repurchase agreement or similar transaction. Any such borrowing or repurchase agreement or similar transaction shall be on terms and conditions deemed necessary or advisable by the Clearinghouse (including the collateralization thereof) in its sole discretion, and may be in amounts greater, and extend for periods of time longer, than the obligations, if any, of any Clearing Member to the Clearinghouse for which such Eligible Collateral was pledged to or deposited with the Clearinghouse. Any funds so borrowed or obtained in repurchase agreements or similar transactions shall be used and applied by the Clearinghouse solely for the purposes for which Eligible Collateral held in the Default Fund is authorized to be used pursuant to the Rules; provided that the failure of the Clearinghouse to use such funds in accordance with this Rule shall not impair any of the rights or remedies of any assignee, pledgee or holder of any such lien or security interest or repurchase transaction counterparty. Eligible Collateral held in the Default Fund, subject to the rights and powers of the Clearinghouse with respect thereto as set forth in the Rules and any agreements between any Clearing Member and the Clearinghouse, and subject to the rights and powers of any Person to which the Default Fund or any Eligible Collateral held therein shall have been assigned, transferred, pledged, repledged or otherwise subjected to a lien or security interest, shall remain the property of the respective Clearing Members depositing such Eligible Collateral.
- f) Subject to the rights of any assignee, transferee, pledgee or holder of a lien or security interest as provided in Rule 4.15(e), if at any time the amount of any Eligible Collateral on deposit in the Default Fund for any Clearing Member:
 - i) shall exceed the amount required to be on deposit for such Clearing Member by more than such amount as the Clearinghouse may prescribe, the Clearinghouse will return the excess to such Clearing

Member upon its written request; or

- ii) shall be less than the amount required to be on deposit for such Clearing Member by more than such amount as the Clearinghouse may prescribe, such Clearing Member shall restore the deficiency (including a deficiency caused by the application of such Clearing Member's deposits in the Default Fund) on demand (a "**Replenishment**"); provided, however, that a Clearing Member that has withdrawn as a Clearing Member shall not be required to restore a deficiency occurring after its Withdrawal Date, subject to any limitations in this Rule.
- g) The Clearinghouse may invest Eligible Collateral deposited in the Default Fund in a manner consistent with CFTC Regulation 1.25. Any interest, capital gain or other income earned on any such investments shall belong and be credited to the Clearinghouse.
- h) If the Default Fund or any part thereof is lost as a result of the insolvency of any bank or other depository, embezzlement, defalcation or any reason other than use pursuant to Rule 4.16 of these Rules, such loss may, in the discretion of the Board, be restored by application of the following sources of funds in the order listed (each such source to be fully utilized before the next following source is applied):
 - i) such portion, if any, of the surplus of the Clearinghouse as the Board determines to be available for such purpose; and
 - ii) Assessments levied by the Clearinghouse upon the Clearing Members, which Assessments shall be paid to the Clearinghouse at such time and in such manner as the Board may specify, which shall be no later than the normal end-of-day settlement time for the Trading Day on which such Assessment is levied.
- i) In the event that the Default Fund or any part thereof shall have been applied as described in Rule 4.15(d) or shall have been lost as described in Rule 4.15(h), and the Clearinghouse shall thereafter recover any amount so applied or lost from any Person liable therefor, the amount of such recovery (after deducting any expenses, including legal fees and expenses incurred in connection therewith) shall be credited to the Default Fund deposits of each Clearing Member in that proportion that the amount required to be on deposit by such Clearing Member bears to the amount required to be on deposit by all Clearing Members as of the date upon which such application took place or such loss was incurred.
- j) Any expense, including legal fees and operational expenses, incurred by the Clearinghouse in connection with the deposit by a Clearing Member of assets into the Default Fund, or the return thereof to such Clearing Member, may at the option of the Clearinghouse be charged to such Clearing Member. To collect these fees or expenses, the Clearinghouse shall have the right to

instruct each Settlement Institution to debit the proprietary assets maintained by each Clearing Member, and/or any other account designated by such Clearing Member for purposes of this Rule, for any payment of these fees or expenses due to the Clearinghouse.

- k) Notwithstanding anything to the contrary herein (but subject to Rule 4.15(h)), the Clearinghouse shall not be liable if the Default Fund or any part thereof and/or any margin (whether for the house or customer account) or other assets provided by or held for the account of a Clearing Member are lost or decrease in value as a result of the insolvency or failure of any bank or other depository or third-party settlement system. However, nothing in this Rule 4.15(k) will limit any liability of the Clearinghouse for its own gross negligence or willful misconduct. For the avoidance of doubt, nothing in this Rule limits or alters the Clearinghouse's mandatory obligations with respect to the safeguarding and treatment of customer funds.

4.16 Monetary Defaults and Use of Default Fund

If any Clearing Member fails to deposit with, or pay to, the Clearinghouse in full any Initial Margin, Variation Margin, Outstanding Exposure, Default Fund contribution, Assessment or other sum (not including any fees, dues or fines) under or in connection with any Contract, when and as required by or pursuant to the Rules, such failure shall constitute a **"Monetary Default"** and any payment obligations or losses, whether present or future, actual or contingent, shall constitute the **"Defaulted Obligation."** If and at such times as the Clearinghouse has in effect a procedure whereby deposits or payments of sums with or to the Clearinghouse are effected by having the Clearinghouse instruct Settlement Institutions to transfer funds from Clearing Members' accounts with such Settlement Institutions directly to the accounts of the Clearinghouse, a Clearing Member shall be deemed to have failed to deposit or pay any sum when and as required if such Settlement Institution fails to wire transfer funds when and as instructed by the Clearinghouse. In the event that at any time a Monetary Default occurs on the part of any Clearing Member (the **"Defaulting Clearing Member"**), then:

- a) The following shall apply:
 - i) If and to the extent a Monetary Default relates to a Contract carried in any Customer Account of a Defaulting Clearing Member, the Defaulted Obligation shall be reduced in the following priority order: (1) by the Margin and such other assets of the Customer Account of the Defaulting Clearing Member; and (2) by the Default Fund deposit, Margin, and such other assets of the House Account of the Defaulting Clearing Member, to the extent such funds have not been exhausted to fulfill the requirements of Rule 4.16(a)(ii). For the avoidance of doubt, the funds and assets of a Defaulting Clearing Member's customers shall not be applied to cover losses with respect to a house

default.

- ii) If and to the extent a Monetary Default relates to a Contract carried in the House Account of a Defaulting Clearing Member, the Default Fund deposit, Margin and such other assets as are held for the House Account of the Defaulting Clearing Member, shall be applied to pay the Defaulted Obligation. For the avoidance of doubt, the excess house funds and assets of a Defaulting Clearing Member shall be applied to cover losses with respect to a customer default, if the relevant customer funds and assets are insufficient to cover the shortfall.
 - iii) The Defaulting Clearing Member shall immediately restore any deficiencies in its Margin, Outstanding Exposure, and Default Fund deposits resulting from any such applications.
 - iv) Margin held by the Clearinghouse for the Customer Account shall not be used to cover losses in the House Account of a Defaulting Clearing Member.
- b) If, after the application of funds in accordance with paragraph (a) of this Rule 4.16 the Defaulted Obligation has not been satisfied, and if the Defaulting Clearing Member fails to pay the Clearinghouse the amount of the deficiency on demand, such Defaulting Clearing Member shall continue to be liable therefor, but the amount of the deficiency, until collected from the Defaulting Clearing Member, shall be met from the following sources of funds, in the following order of priority, each of which shall be fully utilized before the next following source is applied:
- i) if the Chief Executive Officer, or, in the absence of the Chief Executive Officer, then any two Directors with voting authority, so determines, a loan or repurchase agreement or similar transaction on such terms and conditions as they may determine to be necessary or appropriate (including, without limitation, granting an assignment, pledge or other lien on or security interest in the Default Fund or the Eligible Collateral held in the Default Fund or applying such Eligible Collateral as provided in Rule 4.15(e));
 - ii) the Clearinghouse Contribution (as defined below);
 - iii) subject to Rule 4.15(e) and the last paragraph of this Rule 4.16(b), the entirety of the Default Fund allocated on a pro rata basis where possible;
 - iv) insurance proceeds, if any, received by the Clearinghouse in connection with the Monetary Default giving rise to the Defaulted Obligation; and
 - v) Assessments levied by the Clearinghouse upon all the Clearing

Members (other than the Defaulting Clearing Member) as provided in this Rule 4.16 (“**Assessments**”).

The total amount to be assessed at any one time pursuant to clause (v) of this paragraph (b) is hereinafter called an “**Assessment Amount**.” For the avoidance of doubt, the Clearinghouse may at any time following the occurrence of a Monetary Default and in anticipation of any charge against the Default Fund require Clearing Members to post Assessment Amounts, subject to the limitations set forth in these Rules in respect of such Assessments.

As used herein, the “**Clearinghouse Contribution**” represents the obligation of the Clearinghouse to provide funds, in an amount not to exceed an amount set by the Chief Risk Officer from time to time, to be applied pursuant to paragraph (b)(ii). If the Clearinghouse Contribution is so applied, the Clearinghouse will have no obligation to provide additional funds to replenish such contribution or otherwise provide additional funds in respect thereof.

The amount of a Replenishment that each Clearing Member must deposit in the Default Fund to satisfy its obligation, pursuant to Rule 4.15(f)(ii) to restore the Default Fund deficiency in the event of the application of some part or all of the Default Fund pursuant to paragraph (b)(iv) (the total Default Fund amount so applied referred to herein as the “**Aggregate Default Fund Deficiency**”), shall be determined by multiplying the Aggregate Default Fund Deficiency by a fraction, the numerator of which shall be the amount of the Clearing Member’s Default Fund Deposit Requirement as of the time immediately prior to the Monetary Default that resulted in the Replenishment, and the denominator of which shall be the total of the Default Fund Deposit Requirements as of such time for all Clearing Members (other than Defaulting Clearing Members). The resulting product shall constitute the amount of the Replenishment that each Clearing Member must restore to the Default Fund pursuant to Rule 4.15(f)(ii) as a result of the application of the Default Fund pursuant to paragraph (b)(iv).

- c) The amount of any Assessment shall be computed by multiplying the Assessment Amount by a fraction, the numerator of which shall be the amount of the Clearing Member’s Default Fund Deposit Requirement as of the time immediately prior to the Monetary Default that resulted in the Assessment, and the denominator of which shall be the total of the Default Fund Deposit Requirements as of such time for all Clearing Members (other than Defaulting Clearing Members) being assessed. The resulting product shall constitute the amount of the Assessment to be levied on such Clearing Member pursuant to this paragraph (c).
- d) If the Assessment as determined pursuant to paragraph (c) of this Rule would

exceed the maximum set forth in paragraph (e) of this Rule, or if the amount assessed against any Clearing Member shall exceed the amount paid by such Clearing Member, the excess shall be assessed against the other Clearing Members (other than the Defaulting Clearing Member and any Clearing Member that shall have been assessed the maximum permitted by paragraph (e)) in accordance with such paragraph (c), as if the excess were the Assessment Amount. Assessments pursuant to this paragraph (d) shall be repeated until the entire Assessment Amount shall have been assessed, subject to the maximum limitations on Assessments set forth herein.

- e) Notwithstanding anything to the contrary herein, no Clearing Member (other than a Defaulting Clearing Member) shall be liable to provide Assessments as a result of charges or applications against the Default Fund in respect of a single Monetary Default of another Clearing Member in an amount exceeding 200% of its Default Fund Deposit Requirement immediately prior to the occurrence of the Monetary Default.
- f) If in any case, because of the limitations contained in paragraph (e) the maximum permitted Assessments are less than the Assessment Amount, the Board shall determine what if any further action to take, including invoking the procedures set forth in Rules 4.21 and 4.22, provided that under no circumstances may the Board levy Assessments on any Clearing Member that would exceed such limitations.
- g) A Person that withdraws as a Clearing Member shall be subject only to Assessments imposed to meet:
 - i) Monetary Defaults occurring prior to the Clearing Member's Withdrawal Date, subject to the limitations contained in paragraph (e); and
 - ii) Assessments levied under Rule 4.15(h) prior to the Clearing Member's Withdrawal Date (as defined below).
- h) All Assessments shall be due and payable within such time as the Clearinghouse may prescribe, which shall be no later than the normal end of day settlement time for the Trading Day on which such Assessment is levied. If any Person shall not pay any Assessment when due, such Person shall continue to be liable therefor, but the Clearinghouse may assess the Clearing Members (other than such Person, the Defaulting Clearing Member and any Clearing Member that shall have been assessed the maximum amount permitted by paragraph (e)) for the unpaid amount in accordance with paragraphs (c) and (d), subject to the limitations set forth herein.
- i) If, after making any Assessments to meet any Defaulted Obligation owing by a Defaulting Clearing Member as referred to in paragraph (b), or to meet any Assessment not paid as referred to in paragraph (h), the Clearinghouse collects the amount of such Defaulted Obligation or such unpaid Assessment in whole or in part from the Person or Persons liable therefor, the

Clearinghouse shall refund the amount so collected (net of any expenses, including, without limitation, any legal fees incurred in connection therewith) pro rata to the Clearing Members that had been assessed to meet such Defaulted Obligation or nonpayment and had paid the amount so assessed.

- j) The Clearinghouse shall exercise the same degree of care in the administration, enforcement and collection of any claims against a Defaulting Clearing Member, any related guarantor, or its or their insolvency estate with respect to any Defaulted Obligation, unpaid Assessment or other deficiency of the Defaulting Clearing Member to the Clearinghouse (such claims, **"Defaulting Clearing Member Claims"**) as it exercises with respect to its own assets that are not subject to allocation pursuant to paragraph (i) above. In furtherance of the foregoing, the Clearinghouse may determine, in its reasonable discretion, whether or not to commence, continue, maintain, sell, dispose of or settle or compromise any litigation, arbitration or other action with respect to any Defaulting Clearing Member Claims, without the consent of any Clearing Member or other person. The Clearinghouse shall not be liable for losses arising from any error in judgment or for any action taken or omitted to be taken by it with respect to Defaulting Clearing Member Claims, except for such losses that result from the Clearinghouse's gross negligence or willful misconduct. The Clearinghouse may, in its discretion, assign to Clearing Members any Defaulting Clearing Member Claim, in whole or in part, and such assignment shall satisfy in full the Clearinghouse's obligations under Rule 4.15(i) with respect to any such claim (or portion thereof) or recoveries therefrom.

4.17 Cooling-off Periods

- a) The following terms shall have the following meanings:
 - i) The term **"Cooling-off Period"** shall mean the period commencing on the date of the Cooling-off Period Trigger Event and terminating thirty (30) Business Days thereafter. A Cooling-off Period shall be automatically extended if a subsequent Cooling-off Period Trigger Event occurs thirty (30) or fewer Business Days after the previous Cooling-off Period Trigger Event, in which case the Cooling-off Period will be extended until the date falling thirty (30) Business Days after such subsequent Cooling-off Period Trigger Event.
 - ii) The term **"Cooling-off Period Trigger Event"** shall mean any call for an Assessment to be made pursuant to paragraph (c) of Rule 4.16 arising from a Monetary Default or Monetary Defaults; or the occurrence of a Sequential Default Fund Depletion.
 - iii) The term **"Sequential Default Fund Depletion"** shall mean, in respect of a particular Clearing Member that is not a Defaulting Clearing Member, the occurrence of circumstances in which:

- 1) there have been two or more Monetary Defaults relating to different Clearing Members within a period of thirty (30) or fewer Business Days;
 - 2) contributions to the Default Fund from non-Defaulting Clearing Members have been applied in respect of at least two such Monetary Defaults; and
 - 3) the total amount of Replenishments that the Clearing Member has as a result paid to the Clearinghouse to replenish its contributions to the Default Fund exceeds its Default Fund Deposit Requirement prior to the first such Monetary Default.
- b) Upon the occurrence of any Cooling-off Period Trigger Event, the Clearinghouse shall issue a notice to Clearing Members of the commencement of the Cooling-off Period, setting out the date on which such period is scheduled to end.
- c) From the commencement of, and solely for the duration of, the Cooling-off Period:
- i) the obligation to provide Replenishments under Rule 4.15(f) and Rule 4.16(b) shall continue to apply to a Clearing Member during the Cooling-off Period, subject to Rule 4.17(c)(ii);
 - ii) the aggregate of all Assessments due under Rule 4.16(c) from a Clearing Member for all Monetary Defaults occurring or declared during the Cooling-off Period (or resulting in the Cooling-off Period) and all Replenishments due under Rule 4.15(f) and Rule 4.16(b) shall not exceed 550% of the amount of the Clearing Member's Default Fund Deposit Requirement immediately prior to the occurrence of the Monetary Default or Monetary Defaults as a result of which the Cooling-off Period commenced (with any Assessments or Replenishments levied in respect of the Monetary Default or Monetary Defaults as a result of which the Cooling-off Period commenced being counted towards such maximum amount) (the "**Maximum Aggregate Cooling-off Period Contribution**"). A Clearing Member that has provided Assessments and/or Replenishments in such maximum amount in respect of a Cooling-off Period shall not be liable for any further Replenishments of its contributions to the Default Fund or Assessments in respect of any Monetary Default or Monetary Defaults occurring or declared during such Cooling-off Period, regardless of how many additional Monetary Defaults take place in such period;
 - iii) for the avoidance of doubt, the per Monetary Default cap on Assessments set forth in Rule 4.16(e) shall apply in respect of each Monetary Default occurring or declared during the Cooling-off Period; and

- iv) during the Cooling-off Period, the Clearinghouse may rebalance, re-set or recalculate Default Fund Deposit Requirements to the Default Fund or the total required contribution amount for purposes of determining liability for Replenishments or Assessments during the Cooling-off Period; provided that such adjustments will not affect the Maximum Aggregate Cooling-off Period Contribution or the other limitations provided in Rule 4.17; provided, further, that the limits set out in this Rule 4.17 shall only apply with respect to a Clearing Member if such Clearing Member continues during the Cooling-off Period to pay the Clearinghouse all other amounts when owed by it in all material respects (subject to the limitations set out in this paragraph (c)).
- d) At the end of the Cooling-off Period, the restrictions and requirements of Rule 4.17(c) shall cease to apply (other than the limitation on Assessments for Monetary Defaults occurring or declared during the Cooling-off Period).
- e) Nothing in this Rule 4.17 shall alter the Clearinghouse's right to call for Margin from any Clearing Member.
- f) In addition to any Margin otherwise required by the Clearinghouse under these Rules, if during the Cooling-off Period a Clearing Member has provided Replenishments and/or Assessments in the aggregate equal to its Maximum Aggregate Cooling-off Period Contribution, then if such Clearing Member would, but for the provisions of Rule 4.17(c), at any time be required to provide a Replenishment, such Clearing Member shall provide to the Clearinghouse, by the open of business on the Business Day following request by the Clearinghouse and maintain with the Clearinghouse during the remainder of the Cooling-off Period, additional Initial Margin (in addition to the Initial Margin otherwise required with respect to its open positions) in an amount determined by the Clearinghouse based on the amount of additional Initial Margin needed for the Clearinghouse to maintain compliance with applicable minimum regulatory financial resources requirements during the remainder of the Cooling-off Period. Such additional Initial Margin shall be calculated separately with respect to each of the House Account and the Customer Account, on a net basis in each case, but in both cases shall be charged to the House Account.

4.18 Liquidity Event

- a) In the event the Clearinghouse requires liquidity to enable it to promptly meet all of its payment obligations to Clearing Members, the Clearinghouse will first attempt to obtain liquidity through the sale of any pledged securities, followed by the application of any uncommitted funding arrangements, and then through the use of its committed lines of credit, if any. In the event the Clearinghouse is unable to obtain sufficient funds and liquidity to promptly effect settlement and payment through such means, the Clearinghouse may

declare the occurrence of a “**Liquidity Event.**” In such an event, the Clearinghouse has the authority in its sole discretion to take the following actions, in the order listed, to secure same day liquidity:

- i) The Clearinghouse may substitute cash deposited by one or more Clearing Members in the Default Fund with other assets deposited by any Clearing Member(s) that is(are) the initiating cause of the Liquidity Event. The amount of cash substituted shall be equivalent to the market value of such assets (determined by the Clearinghouse as of the latest mark, using a recognized third-party source, after the application of haircuts). Any assets transferred pursuant to this paragraph (i) shall be applied as a Default Fund deposit on behalf of any such Clearing Member whose cash was substituted and will be allocated pro rata among Clearing Members with cash deposits who are not the initiating cause of the Liquidity Event. For any substitution of assets for cash in the Default Fund, the Clearinghouse will replace the cash within twenty-nine (29) Business Days of the date of the substitution. Any assets substituted under this Rule must qualify as highly liquid assets consistent with CFTC Regulations (including cash, U.S. Treasury obligations, or high-quality, liquid, general obligations of a sovereign nation), be readily accessible, and be convertible into cash promptly to ensure timely settlement of the Clearinghouse’s obligations.
- ii) The Clearinghouse may substitute the cash deposited by one or more Clearing Members as Initial Margin with other assets held as Collateral by the Clearinghouse. The amount of cash substituted shall be equivalent to the market value of such assets (determined by the Clearinghouse as of the latest mark, using a recognized third-party source, after the application of haircuts). Any assets transferred pursuant to this paragraph (ii) shall be applied as an Initial Margin deposit on behalf of any such Clearing Member whose cash was substituted and will be allocated pro rata among Clearing Members with cash deposits. For any substitution of assets for cash as Initial Margin, the Clearinghouse will replace the cash within twenty-nine (29) Business Days of the date of the substitution.
- iii) In lieu of satisfying a payment owed from any auction, sale, or transfer of an Insolvent, Defaulted, or suspended Clearing Member’s Account in cash to an auction winner, purchaser, or transferee, the Clearinghouse may satisfy such payment owed by transferring other assets at market value (determined by the Clearinghouse as of the latest mark, using a recognized third-party source, after the application of haircuts), equal to the amount of such obligation.

4.19 Withdrawal of Clearing Members; Termination

a) The following terms will have the indicated meanings:

- i) The term “**Withdrawal Close-Out Deadline Date**” shall mean: (i) in the case of a Clearing Member whose status as a Clearing Member has been involuntarily terminated by the Clearinghouse, the date so designated by the Clearinghouse; and (ii) in the case of a Clearing Member that has delivered a Withdrawal Notice, the date falling thirty (30) Business Days after such Clearing Member’s Withdrawal Notice Date or such later date as the Clearinghouse may in its discretion permit and notify in writing to the affected Clearing Member, provided such date is not in excess of the earlier of the end of the most recent Cooling-Off Period existing as of the Withdrawal Notice Date or six months from the Withdrawal Notice Date.
- ii) The term “**Withdrawal Date**” shall mean in respect of the termination of Clearing Member status for a withdrawing Clearing Member, the later of: (i) where applicable, the Withdrawal Close-Out Deadline Date; and (ii) the date as of which all of the withdrawing Clearing Member’s open positions in respect of its Account have been terminated or closed out in full and all obligations of the withdrawing Clearing Member in respect thereof have been satisfied and performed in full.
- iii) The term “**Withdrawal Notice Date**” shall mean the date on which a Clearing Member delivers a Withdrawal Notice.
- iv) The term “**Withdrawal Notice**” shall mean a notice served by the Clearing Member on the Clearinghouse under the Rules indicating that such Clearing Member intends to withdraw from being a Clearing Member (and thereby becomes a withdrawing Clearing Member).

b) Notwithstanding any other provision of the Rules, a Clearing Member that has delivered a Withdrawal Notice or whose status as a Clearing Member has been terminated by the Clearinghouse shall be subject to the following requirements, obligations and provisions:

- i) it must use all reasonable endeavors to close out or transfer all Open Contract Positions in its Accounts prior to the Withdrawal Close-Out Deadline Date;
- ii) after the Withdrawal Notice Date, it shall only be entitled to submit transactions for clearing which it can demonstrate have the overall effect of reducing open positions or risks to the Clearinghouse, whether by hedging, transferring, terminating, liquidating or otherwise closing out Contracts;
- iii) the Clearinghouse may call for additional Initial Margin until such time as all such open positions have been terminated or transferred, and

such Clearing Member shall provide to the Clearinghouse such additional Initial Margin as is requested in a timely manner;

iv) except as provided in paragraph (v), there shall be no rebalancing, resetting or recalculation of the Default Fund Deposit Requirement or the liability limits set forth in 4.16(e) or 4.17(c)(ii) of Replenishments or Assessments of a Clearing Member that has served a Withdrawal Notice;

v) if it has any open positions with the Clearinghouse after the Withdrawal Close-Out Deadline Date, the Clearing Member shall as from the Withdrawal Close-Out Deadline Date until its Withdrawal Date:

1) become liable to make any Replenishments or Assessments that would have fallen due but have not been paid and become liable to have applied any contribution to the Default Fund that would have been applied but was not so applied, in each case to the extent that the same would have been payable or applied but for its service of a Withdrawal Notice and in each case in respect of any Monetary Default affecting a Clearing Member that has occurred subsequent to the Withdrawal Notice Date;

2) become liable for further obligations to have any contributions to the Default Fund applied or pay Assessments in the same way as any other Clearing Member in respect of any Monetary Default occurring prior to the Withdrawal Date; and

3) be subject to the Clearinghouse exercising rights under Rule 4.13 to liquidate or transfer the open positions of the Clearing Member and otherwise deal with the Clearing Member's Contracts and property in the same way as if the Clearing Member were a Defaulting Clearing Member.

vi) following termination of all open positions to which a withdrawing Clearing Member was party in relation to its Account and satisfaction in full by such withdrawing Clearing Member of all obligations in respect thereof, the Clearinghouse shall return the withdrawing Clearing Member's unused contributions to the Default Fund and any unused Withdrawal Deposit (as defined below), as well as any other assets of the withdrawing Clearing Member not previously returned on the date that is sixty (60) days after the withdrawing Clearing Member's Withdrawal Date, or such earlier date as is determined by the Clearinghouse.

c) Notwithstanding anything in these Rules:

i) the Clearinghouse may at its discretion return amounts due to the withdrawing Clearing Member by way of transfer or return of Eligible

Collateral to the withdrawing Clearing Member; and

- ii) the Clearinghouse may make partial payment of any amounts due, excluding the withdrawing Clearing Member's Default Fund contribution, prior to the time specified in this Rule.
- d) Any Withdrawal Notice issued by a Clearing Member shall be irrevocable by the Clearing Member and membership may only be reinstated pursuant to a new application for membership following the close-out or transfer of all Open Contract Positions in its Accounts.
- e) A Clearing Member whose membership has terminated shall, following the Withdrawal Date, cease to be liable for Replenishments or Assessments in respect of Monetary Defaults that occur after the Withdrawal Date.
- f) This Rule 4.19 shall not apply to a Defaulting Clearing Member.
- g) In the event of an Emergency, or otherwise at the discretion of the Board, a Clearing Member that gives a Withdrawal Notice may be required by the Clearinghouse immediately upon delivery of the Withdrawal Notice to provide Assessments in an amount not to exceed 550% of its Default Fund Deposit Requirement (as in effect immediately prior to the Withdrawal Notice Date), such amounts to be held by the Clearinghouse until the Withdrawal Date and applied only as permitted in accordance with these Rules (a "**Withdrawal Deposit**"). Any references in these Rules to Assessments being called or to Default Fund Deposit Requirements to the Default Fund being replenished or applied, in respect of a Clearing Member which has provided such a Withdrawal Deposit, shall be interpreted as a reference to such Withdrawal Deposit being applied as necessary in satisfaction of such requirements, and a Clearing Member that has served a Withdrawal Notice and made such Withdrawal Deposit shall not be liable for any further Assessments, regardless of how many Monetary Defaults take place.

4.20 Close-Out Netting

- a) If at any time the Clearinghouse:
 - i) institutes or has instituted against it a proceeding seeking a judgment of bankruptcy or insolvency or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition presented against it, such proceeding or petition results in a judgment of bankruptcy or insolvency or the entry of an order for relief or the making of an order for the Clearinghouse's winding-up or liquidation; or
 - ii) approves resolutions authorizing any proceeding or petition described in clause (i) above (collectively, a "**Bankruptcy Event**"), all Open Contract Positions in the Clearinghouse shall be closed promptly.

- b) If at any time the Clearinghouse fails to comply with an undisputed obligation to pay money or deliver property to a Clearing Member that is due and owing in connection with a transaction cleared by the Clearinghouse, for a period of thirty (30) days from the date that the Clearinghouse receives notice from the Clearing Member of the past due obligation, the Clearing Member's open proprietary and Customer positions at the Clearinghouse shall, at the election of that Clearing Member, be closed promptly.
- c) If at any time the Board determines, by virtue of the number of withdrawing Clearing Members or otherwise, that a winding-up (offset) of all outstanding positions at the Clearinghouse is prudent, then all Open Contract Positions at the Clearinghouse shall be closed promptly.
- d) At such time as a Clearing Member's positions are closed, the obligations of the Clearinghouse to a Clearing Member in respect of such Clearing Member's House Account, all Collateral and positions therein and deposits to the Default Fund shall be netted, in accordance with the Bankruptcy Code, the CEA and CFTC Regulations against the obligations of that Clearing Member in respect of its House Account, all Collateral and positions therein, its obligations as guarantor of the performance of its Customers and its then-matured obligations to the Default Fund, to the Clearinghouse and to an Exchange. For the avoidance of doubt, all of the property in a Clearing Member's House Account on deposit with the Clearinghouse shall be deemed to be subject to a single master netting agreement with the result that any excess which is on deposit with the Clearinghouse shall be applied to reduce any deficiency or obligation of the Clearing Member. All obligations of the Clearinghouse to a Clearing Member in respect of such Clearing Member's Customer Account and all positions and Collateral therein shall be separately netted against the positions, accounts and Collateral of such Clearing Member's Customers in accordance with the requirements of the Bankruptcy Code, the CEA and CFTC Regulations. At the time a Bankruptcy Event takes place, the authority of the Clearinghouse, to make new Assessments and/or require a Clearing Member to cure a deficiency in its Default Fund deposit, arising after the Bankruptcy Event, shall terminate. All positions which are Open Contract Positions immediately prior to the close-out shall be valued in accordance with the procedures of Rule 4.20(e).
- e) As promptly as reasonably practicable, but in any event within thirty (30) days of: (i) the occurrence of a Bankruptcy Event; (ii) if a Clearing Member elects to have its open positions closed as described in Rule 4.20(b), the date of the election; or (iii) the determination by the Board to wind up all outstanding positions as described in Rule 4.20(c), the Clearinghouse shall fix an amount (the "**Close-Out Amount**") to be paid to or received from the Clearinghouse by each Clearing Member, after taking into account all applicable netting and offsetting pursuant to Rule 4.20(d). The Clearinghouse shall value open positions subject to close-out by using the market prices for the relevant market (including, without limitation, any over-the-counter or other futures markets) at the time that the positions were closed out, assuming the relevant

markets were operating normally at such time. If the relevant markets were not operating normally at such moment, the Clearinghouse shall exercise its discretion, acting in good faith and in a commercially reasonable manner, in adopting methods of valuation expected to produce reasonably accurate substitutes for the values that would have been obtained from the relevant market if it were operating normally. In determining a Close-Out Amount, the Clearinghouse may consider any information that it deems relevant, including, but not limited to, any of the following:

- i) prices for underlying interests in recent transactions, as reported by the market or markets for such interests;
- ii) quotations from leading dealers in the underlying interest, setting forth the price (which may be a dealing price or an indicative price) that the quoting dealer would charge or pay for a specified quantity of the underlying interest;
- iii) relevant historical and current market data for the relevant market, provided by reputable outside sources or generated internally; and
- iv) values derived from theoretical pricing models using available prices for the underlying interest or a related interest and other relevant data.

Amounts stated in a currency other than USD shall be converted to USD at the current rate of exchange, as determined by the Clearinghouse. If a Clearing Member has a negative Close-Out Amount, it shall promptly pay that amount to the Clearinghouse.

- f) The Clearinghouse intends that certain provisions of this Rule 4.20 be interpreted in relation to certain terms (identified by quotation marks) that are defined in the Federal Deposit Insurance Corporation Improvement Act of 1991 (“**FDICIA**”), as amended, as follows:
 - i) The Clearinghouse is a “clearing organization.”
 - ii) An obligation of a Clearing Member to make a payment to the Clearinghouse, or of the Clearinghouse to make a payment to a Clearing Member, subject to a netting agreement, is a “covered clearing obligation” and a “covered contractual payment obligation.”
 - iii) An entitlement of a Clearing Member to receive a payment from the Clearinghouse, or of the Clearinghouse to receive a payment from a Clearing Member, subject to a netting contract, is a “covered contractual payment entitlement.”
 - iv) The Clearinghouse is a “member,” and each Clearing Member is a “member.”
 - v) The amount by which the covered contractual payment entitlements of a Clearing Member or the Clearinghouse exceed the covered

contractual payment obligations of such Clearing Member or the Clearinghouse after netting under a netting contract is its “net entitlement.”

- vi) The amount by which the covered contractual payment obligations of a Clearing Member or the Clearinghouse exceed the covered contractual payment entitlements of such Clearing Member or the Clearinghouse after netting under a netting contract is its “net obligation.”
- vii) The Rules of the Clearinghouse, including this Rule 4.20, a “netting contract.”
- g) The Clearinghouse shall obtain and maintain a legal opinion from qualified counsel confirming the enforceability of the netting arrangements in this Rule 4.20 in all jurisdictions material to the Clearinghouse’s operations, and shall review such opinion annually or upon any material change in Applicable Law.

4.21 Variation Margin Gains Haircutting

- a) If at any time following a Monetary Default of a Clearing Member: (i) the assets available to cover the Defaulted Obligation under Rules 4.15 and 4.16 are insufficient to satisfy the Defaulted Obligation and obligations of the Clearinghouse to Clearing Members as a result of such default; or (ii) less than 25% of Maximum Aggregate Cooling-off Period Contribution is available to cover the Defaulted Obligation or the Clearinghouse’s obligations to Clearing Members, then the Clearinghouse shall, in a manner that is consistent with the requirements of the Commodity Exchange Act and the regulations adopted thereunder, conduct its next settlement cycle as described in Rule 4.21(b).
- b) The Clearinghouse shall provide notice to Clearing Members, such notice to be provided on the Clearinghouse’s website, and conduct a settlement cycle to determine settlement prices for all Contracts and the Variation Margin for each Clearing Member and its Customers, in accordance with the following:
 - i) The net Variation Margin the Clearinghouse owes to a Clearing Member (a “**Variation Margin Gain**”), or the net Variation Margin the Clearing Member owes to the Clearinghouse (a “**Variation Margin Loss**”) shall be determined separately for: the Clearing Member’s House Account (“**House Account Variation Margin Gain**” or “**House Account Variation Margin Loss**”, as applicable), and the Clearing Member’s Customer Accounts (“**Customer Account Variation Margin Gain**” or “**Customer Account Variation Margin Loss**”, as applicable).
 - ii) The Risk Management Committee may determine a maximum amount of position liquidation expenses that may be subtracted from Clearing Members’ Variation Margin Gains, based upon then existing facts and

circumstances, that it deems appropriate to mitigate further disruptions to the markets.

- iii) The Clearinghouse shall then notify each Clearing Member of any outstanding amounts owed to the Clearinghouse and each Clearing Member shall pay to the Clearinghouse all such amounts no later than the time required for the relevant settlement cycle. If a Clearing Member does not pay all such amounts to the Clearinghouse, the Clearinghouse shall determine such Clearing Member to be in Default.
- iv) If the Variation Margin Loss payments received by the Clearinghouse exceed the Variation Margin Gains, the Clearinghouse shall calculate reimbursements of, and distribute, the excess funds in the reverse order of their collection by the Clearinghouse.
- v) If the Variation Margin Gains exceed the amount of Variation Margin Loss payments received by the Clearinghouse:
 - 1) the Clearinghouse shall notify Clearing Members and provide an opportunity for Clearing Members and their customers to make voluntary contributions to the Clearinghouse;
 - 2) If the amount of Variation Margin Gains continues to exceed the amount of Variation Margin Loss payments received by the Clearinghouse, after the Clearinghouse adds any voluntary contributions from sub-clause (1) above to the Variation Margin Loss payments, then the Clearinghouse shall apply Variation Margin Gains Haircuts to the House Variation Margin Gains and Customer Variation Margin Gains for the current settlement cycle and each successor settlement cycle on the current Business Day and, unless a Bankruptcy Event has occurred, each of the next two Business Days, in accordance with the following:
 - (a) House Account Variation Margin Gains and Customer Account Variation Margin Gains each shall be reduced on a pro rata basis according to the amount of such gains, to result in the aggregate amount necessary for Variation Margin Loss payments received by the Clearinghouse to equal Variation Margin Gains payments (such process, a “**Variation Margin Gains Haircut**”); and
 - (b) Customer Account Variation Margin Gains shall be haircut by the Clearinghouse at the Customer Account level of each Clearing Member.
- vi) The Risk Management Committee may instruct the Clearinghouse to extend or reduce the number of days during which Variation Margin

Gains Haircuts are applied, provided that in no circumstance may the Clearinghouse conduct settlement cycles in which Variation Margin Gains Haircuts are applied for longer than five Business Days.

- vii) The Clearinghouse shall notify Clearing Members prior to each settlement cycle where Variation Margin Gains Haircuts will be applied. Where the Clearinghouse determines that Variation Margin Gains Haircuts are no longer necessary, it shall notify Clearing Members and specify the final date of Variation Margin Gains Haircuts as well as the date that normal settlement cycles will resume. After the end of Variation Margin Gains Haircuts the Clearinghouse shall resume calculating, collecting and paying Variation Margin in the ordinary course.

4.22 Partial Tear-Ups and Full Tear-Ups

The Clearinghouse may, at any time following a Default of a Clearing Member, notify Clearing Members and provide an opportunity for Clearing Members to voluntarily agree to have their House positions or, with a Customer's consent, to agree to have each such Customer's positions, extinguished by the Clearinghouse.

If House or Customer positions in Contracts of a Defaulting Clearing Member remain open (the "**Open Defaulter Positions**") following the last settlement cycle conducted pursuant to Rule 4.21(b), the Clearinghouse shall extinguish the Open Defaulter Positions through a partial tear-up process ("**Partial Tear-Up**") or a full tear-up process ("**Full Tear-Up**") of House and Customer positions of non-defaulted Clearing Members and non-defaulted Customers of the Defaulting Clearing Member in accordance with the following:

The Risk Management Committee shall determine the appropriate scope of each Partial Tear-Up or shall determine that a Full Tear-Up is appropriate. In making such determination, the Risk Management Committee shall consider then existing known facts and circumstances, any recommendations made by the Chief Risk Officer, the furtherance of the integrity of the Clearinghouse and the stability of the financial system and the legitimate interests of Clearing Members and market participants.

A Partial Tear-Up may include, but need not be limited to, the following methods: (1) Line-by-Line Tear-Up against the Open Defaulter Positions to proportionately extinguish Contracts held by non-defaulted Clearing Members, their non-defaulted customers and the non-defaulted customers of the defaulted Clearing Member that are opposite to the Open Defaulter Positions and relative to the size of the Open Defaulter Positions; and (2) Tear-Up of All Positions in Contracts within a product or combination of products to extinguish all open positions in Contracts for a product or combination of products.

A Full Tear-Up would involve the extinguishment of all open positions in Contracts.

The price for Full or Partial Tear-Up (the “**Tear-Up Price**”) shall equal the latest Settlement Price (which could be established at either an intra-day or end of day settlement) as of the date and time of such tear-up ensuring that the position subject to tear-up does not generate any Variation Margin obligations.

4.23 Non-Petition

No Clearing Member and no Customer of a Clearing Member shall institute against, or join any other person in instituting against, the Clearinghouse or the Exchanges any bankruptcy, reorganization, arrangement, insolvency, moratorium, liquidation or examinership proceedings, or other similar proceedings under U.S. federal or state bankruptcy laws or other Applicable Law arising out of any claimed default by the Clearinghouse on a Contract as a result of the extinguishment, partial extinguishment, or Variation Margin Gains Haircut, of such Contract and related payments in accordance with these Rules.

4.24 Reimbursement of Recovered Losses

Losses caused by a Defaulting Clearing Member are amounts due to the Clearinghouse from such Defaulting Clearing Member, and shall remain legal obligations thereof notwithstanding the Clearinghouse’s recourse to the loss-mutualization provisions of Rules 4.15 onwards, and the Clearinghouse shall exercise the same degree of care as it exercises with respect to its own assets in the administration and collection of such amounts (including claims submitted in an Insolvency or resolution proceeding). If any portion of these amounts is subsequently recovered by the Clearinghouse, the net amount of such recovery shall be credited to non-defaulted Clearing Members (whether or not they are still clearing members at the time of recovery) in the following order on a pro rata basis based on (1) the amount of their (and their Customers’, if applicable) voluntary contributions with respect to such default, (2) the amount of their (and their Customers’, if applicable) Variation Margin Gains Haircuts with respect to such default, (3) the amount of their Assessments utilized by the Clearinghouse with respect to such default, and (4) the amount of their Default Fund contribution utilized by the Clearinghouse with respect to such default, each in the order listed, and then to the Clearinghouse for the amount of the Clearinghouse Contribution utilized by the Clearinghouse with respect to such default.

4.25 Clearinghouse Financial Resources

Notwithstanding any other provision of these Rules, the Clearinghouse shall maintain financial resources: (i) exceeding the total amount that would enable

the Clearinghouse to meet its financial obligations to its Clearing Members notwithstanding a default by the Clearing Member creating the largest financial exposure for the Clearinghouse in extreme but plausible market conditions (provided that if a Clearing Member controls another Clearing Member or is under common control with another Clearing Member, the affiliated Clearing Members shall be deemed to be a single Clearing Member for purposes of this provision); (ii) to enable the Clearinghouse to cover its operating costs for a period of one year (as calculated on a rolling basis); and (iii) including unencumbered liquid financial assets sufficient to cover its operating costs for a period of at least six months. The Clearinghouse shall, on a monthly basis, perform stress tests to calculate the financial resources needed to meet the requirements of clause (i) and shall make a reasonable calculation of its projected operating costs over a 12-month period to determine the amount needed to meet the requirements of clause (ii). The Clearinghouse shall measure, monitor, and manage its liquidity risks and shall maintain liquid resources sufficient to fulfill its cash obligations when due, including holding cash, U.S. Treasury obligations, or high-quality, liquid, general obligations of a sovereign nation in an amount at least equal to the average of its Clearing Members' average daily settlement payments calculated in accordance with CFTC Regulations.

CHAPTER 5 – CLEARING MEMBER CONDUCT

5.1 Prohibited Activities

- a) **Regulatory Compliance.** No Clearing Member (or any of its Authorized Users) shall engage in conduct that is a violation of these Rules, and each Clearing Member (or any of its Authorized Users) shall conduct its business in accordance with Applicable Law and in good faith. No Clearing Member (or any of its Authorized Users) shall knowingly use the Clearing System other than for its intended and legitimate business purpose. No Clearing Member (or any of its Authorized Users) shall commit any act or engage in any conduct that is likely to bring the Clearinghouse into disrepute or that would degrade the Clearing System or Clearing Services. The Clearinghouse retains the right to take any appropriate disciplinary actions against Clearing Members as permitted by the Rules.
- b) **Fraud.** No Clearing Member (or any of its Authorized Users) shall engage in any fraudulent act or engage in any scheme to defraud, deceive, trick or mislead in connection with or related to any Exchange Contract or the business and affairs of the Clearinghouse. Notwithstanding anything to the contrary in these Rules, no provision of these Rules will supersede any applicable prohibitions on fraud and manipulation, whether such prohibitions are prescribed by law, regulation or the Rules. All such prohibitions on fraud and manipulation, including, but not limited to, the antifraud provisions of the CEA and the antifraud rules promulgated by the CFTC thereunder, will remain in full force and effect with respect to, and will be fully applicable to, the clearing of all Contracts.
- c) **False Statements or Misrepresentations.** No existing or prospective Clearing Member shall make any false statements or misrepresentations in any application, report or other communication to an Exchange or to the Clearinghouse.
- d) **Antitrust.** No Clearing Member (or any of its Authorized Users) shall engage in any activity to collude or otherwise unlawfully restrain competition.
- e) **Just and Equitable Principles.** Clearing Members shall observe high standards of integrity, market conduct, commercial honor, fair dealing and just and equitable principles of trade in connection with any clearing activity or any business connected with or concerning the Clearinghouse. Engaging in dishonorable or dishonest conduct, or conduct inconsistent with these principles, shall constitute an offense.
- f) **Disruptive Trading.** Clearing Members must explicitly avoid undertaking any activity which would be prohibited as disruptive trading, practices, or conduct outlined in CEA Section 4c(a)(5).

CHAPTER 6 – RULE ENFORCEMENT

6.1 [RESERVED]

6.2 General

- a) All Clearing Members and their Authorized Users are subject to the jurisdiction of the Clearinghouse. Except for (i) Rule violations that result in summary fines under Rule 6.13 and (ii) summary actions under Rule 6.14, any Clearing Member, Authorized User or Person using an Authorized User's User ID that is alleged to have violated, or aided and abetted a violation of, any Rule will be subject to the disciplinary procedures set forth in these Rules 6.2 through 6.12. Investigatory and disciplinary responsibilities are conducted by the Compliance Department. Matters will be referred by the Chief Compliance Officer or designee to the Compliance Department, which will act on behalf of the Clearinghouse. Any Compliance Department employee with a relationship of a type listed in Rule 2.9(a)(i) with a Person subject to a Disciplinary Action must recuse himself or herself and notify the Chief Compliance Officer, who, together with the Board, shall appoint a replacement without such conflict. Any inquiry, investigation, disciplinary proceeding, appeal, summary imposition of fines, summary suspension or other summary action, except as described in Rules 6.13 and 6.14 (collectively, **"Disciplinary Action"**), shall be governed by this Chapter 6.
- b) All matters within the Clearinghouse's jurisdiction will be conducted in accordance with this Chapter 6.
- c) Except as otherwise provided in the Rules, no Clearinghouse Official will interfere with or attempt to influence the process or resolution of any Disciplinary Action.
- d) Any Person subject to a Disciplinary Action may be represented by counsel or any other representative of its choosing (other than a Clearinghouse Official or any person substantially related to the underlying investigation, such as a material witness or respondent), at its own expense, in all stages of such Disciplinary Action.
- e) Pursuant to this Chapter 6, the Clearinghouse may hold:
 - i) a Clearing Member liable for, and impose sanctions against such Clearing Member, for such Clearing Member's own acts and omissions that constitute a violation;
 - ii) a Clearing Member liable for, and impose sanctions against such Clearing Member, for the acts and omissions of each Authorized User authorized by, and each other agent or representative of, such Clearing Member that constitute a violation as if such violation were that of the Clearing Member;
 - iii) an Authorized User liable for, and impose sanctions against him or her, for such Authorized User's own acts and omissions that constitute a violation; and

- iv) an Authorized User liable for, and impose sanctions against him or her, for the acts and omissions of each agent or representative of such Authorized User that constitute a violation as if such violation were that of the Authorized User.

6.3 Inquiries and Investigations

- a) The Compliance Department will investigate any matter within the Clearinghouse's disciplinary jurisdiction that is referred by the Chief Compliance Officer or otherwise brought to the attention of the Compliance Department. The Compliance Department will commence an investigation upon the receipt of a request from Commission staff or upon the discovery or receipt of information by the Clearinghouse that, in the judgment of the Compliance Department, indicates a possible basis for a finding that a violation has occurred or will occur. The Compliance Department shall determine the nature and scope of the investigations in its sole discretion and will operate independently of the commercial interests of the Clearinghouse. Absent mitigating circumstances, the Compliance Department must complete an investigation within twelve (12) months after the date the investigation is opened. Permissible mitigating circumstances include the complexity of the investigation, the number of firms or individuals involved as potential respondents, the number of potential violations to be investigated and the volume of documentation and data that must be analyzed.
- b) The Compliance Department has the authority to:
 - i) initiate and conduct inquiries and investigations;
 - ii) prepare investigative reports and make recommendations concerning initiating disciplinary proceedings;
 - iii) prosecute alleged violations within the Clearinghouse's disciplinary jurisdiction; and
 - iv) represent the Clearinghouse on appeal from any disciplinary proceeding, summary imposition of fines, summary suspension or other summary action.
- c) Each Clearing Member:
 - i) is obligated to appear and testify and respond in writing to interrogatories within the time period required by the Compliance Department in connection with: (i) any Rule; (ii) any inquiry or investigation; and (iii) any preparation by and presentation during a disciplinary proceeding or appeal from a decision in a disciplinary proceeding, summary imposition of fines, summary suspension or other summary action by the Clearinghouse;
 - ii) is obligated to produce books, records, papers, documents or other tangible evidence in its, his or her possession, custody or control within the time period required by the Compliance Department in connection with: (i) any Rule; (ii) any inquiry or investigation; or (iii) any preparation by and

presentation during a disciplinary proceeding or appeal from a decision in any disciplinary proceeding, summary imposition of fines, summary suspension or other summary action by the Clearinghouse; and

- iii) shall not impede or delay any inquiry, investigation, disciplinary proceeding, appeal from a disciplinary proceeding, summary imposition of fines, summary suspension or other summary action.
- d) The Compliance Department will submit a written report of each investigation to the Chief Compliance Officer and maintain a log of all investigations and their disposition. The written report of the investigation (the **"Investigation Report"**) will include the reasons for initiating the investigation, all relevant facts and evidence gathered, analysis and conclusions, the respondent's disciplinary history, and will consist of one of the following recommendations: (i) closing the investigation without further action; (ii) negotiating a settlement; (iii) entering into a summary action; (iv) preparing and serving a notice of charges to initiate a disciplinary proceeding; or (v) resolving the investigation through an informal disposition, including the issuance of a warning letter. An informal disposition (including the issuance of a warning letter) will not constitute a finding of a violation or a sanction, however, the Investigation Report must include a copy of any warning letter and no more than one warning letter for the same potential violation may be issued to the same respondent during a rolling 12-month period.
- e) After the completion of the Investigation Report and the receipt of any submission made by the respondent pursuant to Rule 6.4, the Chief Compliance Officer will promptly review the Investigation Report and determine for each respondent whether to authorize:
 - i) the informal disposition of the investigation (by issuing a warning letter or otherwise) because disciplinary proceedings are unwarranted;
 - ii) the closing of the investigation without any action because no reasonable basis exists to believe that a violation within the Clearinghouse's jurisdiction has occurred or is about to occur; or
 - iii) the commencement of disciplinary proceedings because a reasonable basis exists to believe that a violation within the Clearinghouse's jurisdiction has occurred or is about to occur.

6.4 Notice of Charges and Opportunity to Respond

- a) If the Chief Compliance Officer authorizes disciplinary proceedings pursuant to Rule 6.3, the Compliance Department will prepare in accordance with this Rule 6.4 and serve in accordance with this Rule 6.4, a notice of charges within twenty (20) Business Days thereafter.
- b) A notice of charges will:
 - i) state the acts, practices or conduct that the respondent is alleged to have

engaged in;

- ii) state the Rule or provision of Applicable Law alleged to have been violated or about to be violated;
 - iii) state the proposed sanctions;
 - iv) advise the respondent of its right to submit a written statement explaining why a disciplinary proceeding should not be instituted or one or more of the potential charges should not be brought, which statement must be submitted within twenty (20) Business Days after service of the notice of charges;
 - v) advise the respondent of its right to a hearing and its right to have counsel present;
 - vi) state the period of time within which the respondent can request a hearing on the notice of charges, which will not be less than twenty (20) Business Days after service of the notice of charges;
 - vii) advise the respondent that any failure to request a hearing within the period stated, except for good cause, will be deemed to constitute a waiver of the right to a hearing; and
 - viii) advise the respondent that any allegation in the notice of charges that is not expressly denied will be deemed to be admitted.
- c) If the respondent submits a written statement pursuant to Rule 6.4(b)(iv), the Chief Compliance Officer shall, within ten (10) Business Days after receipt of the written statement, advise the respondent:
- i) of the Chief Compliance Officer's decision to drop any or all of the potential charges;
 - ii) that the disciplinary proceedings will proceed with respect to all remaining charges in accordance with the notice of charges delivered to the respondent; and/or, as appropriate; and
 - iii) that the respondent shall have twenty (20) Business Days to submit an answer to the notice of charges, as described in this Rule 6.4.
- d) If the respondent determines to answer a notice of charges, the respondent must file a written answer within twenty (20) days after being served with such notice, or within such other time period as stated in such notice of charges. The respondent must answer the notice of charges in writing as follows:
- i) for each allegation set forth in the notice of charges, (a) admit such allegation, (b) deny such allegation, or (c) affirmatively state that the respondent does not have and is unable to obtain sufficient information to admit or deny such allegation, which shall have the effect of a denial of such allegation;

- ii) specify any specific facts that contradict the notice of charges;
 - iii) sign and serve the answer on the Compliance Department; and
 - iv) if applicable, request a hearing before a Disciplinary Panel.
- e) Any failure by the respondent to timely serve an answer to a notice of charges will be deemed to be an admission to the allegations in such notice. Any failure by the respondent to answer one or more allegations in a notice of charges will be deemed to be an admission of that allegation or those allegations. Any allegation in a notice of charges that the respondent fails to expressly deny will be deemed to be admitted. A general denial by the respondent, without more, will not satisfy the requirements of paragraph (b) above.
- f) The service of notice upon the respondent shall be deemed complete either personally or by leaving the notice at his or her place of business, by deposit in the United States mail, postage prepaid, via registered or certified mail addressed to the respondent at the respondent's last known place of business or residence. Service shall also be deemed complete via electronic mail to the respondent's last known electronic mail address.

6.5 Settlements

- a) At any time after a notice of charges has been issued, a respondent may submit to the Chief Compliance Officer a written offer of settlement. If the settlement offer is submitted before the Disciplinary Panel is formed pursuant to Rule 6.6, the Chief Compliance Officer will, in his or her discretion, determine whether to accept or reject the offer. If the settlement offer is submitted after the Disciplinary Panel is formed, the Chief Compliance Officer will forward his or her recommendation to the Disciplinary Panel for final determination.
- b) The Chief Compliance Officer or Disciplinary Panel, as applicable, may permit the respondent to settle without admitting or denying the Rule violations if the respondent consents to the entry of findings and sanctions. The terms of the offer may not be altered without the respondent's agreement. The settlement decision must detail the Rule violations, the basis for the conclusions, and any sanctions imposed. If accepted by the Disciplinary Panel without the Chief Compliance Officer's agreement, the decision must adequately support such acceptance. Where applicable, the decision must include a statement that the respondent accepted the sanctions without admitting or denying the violations.
- c) Acceptance of a settlement offer constitutes a waiver of the respondent's right to notice, hearing, review and appeal under the Rules. If the settlement offer is not accepted, fails to become final, or is withdrawn, the matter will proceed without prejudice as if the offer had not been made, and the offer and all related documents will not become part of the record.

6.6 Disciplinary Panel

- a) A disciplinary panel consisting of not less than three individuals selected by the Board of Directors (the “**Disciplinary Panel**”), will conduct hearings in connection with any disciplinary proceedings, to make findings and impose sanctions pursuant to this Chapter 6. A separate Disciplinary Panel will be established prior to the commencement of each disciplinary matter. Each Disciplinary Panel, appointed by the Board at the recommendation of the Chief Compliance Officer, shall be composed of not less than three individuals from among individuals with knowledge and experience in digital asset or financial markets, who are not members within the Compliance Department or involved in any other stage of the same proceeding or the conduct giving rise to the alleged Rule violations. No group or class of Clearing Members may dominate or exercise disproportionate influence on the Disciplinary Panel. The chair of the Disciplinary Panel will be an individual qualified to be a Public Director.
- b) Within ten (10) days of being notified of the appointment of the Disciplinary Panel, either party may seek to disqualify any individual named to the Disciplinary Panel for any grounds provided in paragraph (a) above or Rule 2.9 by serving notice to the Chief Compliance Officer. Legal counsel, other than the Chief Compliance Officer, will decide the merits of any request for disqualification within his or her sole discretion. Such decision will be final and not subject to appeal. Legal counsel, other than the Chief Compliance Officer, may also remove any member of the Disciplinary Panel for cause. Unless otherwise disqualified or removed for cause, the individuals on the Disciplinary Panel will serve until the related proceedings are completed. If a vacancy shall occur on a Disciplinary Panel after it has begun its proceedings, the remaining members shall complete consideration and disposition of the matter.
- c) All disciplinary proceedings (except for summary impositions of fines pursuant to Rule 6.13) will be conducted at a hearing before the Disciplinary Panel. A hearing will be conducted privately and confidentially unless the Disciplinary Panel decides that the hearing, or any part of it, should be held in public after giving each respondent the opportunity to present its views on holding a public hearing. Notwithstanding the confidentiality of hearings, the Disciplinary Panel may appoint an expert to attend any hearing and assist in deliberations if such expert agrees to be subject to an appropriate confidentiality agreement.
- d) If a respondent requests a formal hearing on charges denied in the answer to the notice of charges per Rule 6.4, a Disciplinary Panel shall be convened and a hearing will commence within sixty (60) days. Parties to a disciplinary proceeding include each respondent and the Compliance Department.
- e) The chairman of the Disciplinary Panel may continue, adjourn or otherwise conduct the hearing, as he or she may deem appropriate. The chairman of the Disciplinary Panel will determine all procedural and evidentiary matters, including the admissibility and relevance of any evidence proffered. In determining procedural and evidentiary matters, the chairman of the Disciplinary Panel will not be bound by any evidentiary or procedural rules or law. Once admitted during the hearing, the

Disciplinary Panel may consider, and attach the weight it believes appropriate to, evidence or other materials. The Clearinghouse will provide guidance to the chairman of the Disciplinary Panel on the conduct of the hearing.

- f) Except for procedural and evidentiary matters decided by the chairman of the Disciplinary Panel pursuant to paragraph (e) above, unless each respondent otherwise consents, the entire Disciplinary Panel must be present during the entire hearing and any related deliberations.

6.7 Respondent Review of Evidence

- a) Prior to the commencement of the hearing, the respondent will be given the opportunity to review all books, records, documents, transcripts of testimony and other tangible evidence in the possession or under the control of the Clearinghouse to be used by the Compliance Department to support the allegations and proposed sanctions in the notice of charges, except for any information that (i) is protected by attorney-client privilege or the work-product doctrine, (ii) was prepared by the Compliance Department or an employee of the Clearinghouse but will not be offered in evidence in the disciplinary proceedings, (iii) may disclose a technique or guideline used in examinations or Disciplinary Actions or (iv) discloses the identity of a confidential source. The Compliance Department may redact, edit or code information that could adversely affect the competitive position of the Person providing the information or if such information might compromise other investigations being conducted by the Compliance Department.
- b) Notwithstanding anything in paragraph (a) above to the contrary, the Compliance Department:
 - i) will not redact, edit or code competitive or investigative information contained in documents in a manner that would impair the respondent's ability to defend against the allegations or proposed sanctions in the notices of charges, and
 - ii) will provide the respondent with access to the information and portions of the documents that the Compliance Department intends to rely on to support the allegations or proposed sanctions in the notice of charges.
- c) For purposes of this Rule 6.7, information that could adversely affect competitive positions include positions in Contracts currently held, trading strategies employed in establishing or liquidating positions, the identity of any Clearing Member and the personal finances of the Person providing the information.

6.8 Hearings

- a) The Compliance Department, with legal counsel as appropriate, shall prosecute the case. Formal rules of evidence do not apply. If a respondent has timely filed an answer to the notice of charges in accordance with Rule 6.4, the respondent is entitled to attend and participate in the hearing.

- b) At a hearing conducted in connection with any disciplinary proceedings, the Disciplinary Panel or the Compliance Department and each respondent may:
 - i) present evidence and facts determined relevant and admissible by the chairman of the Disciplinary Panel;
 - ii) call and examine witnesses; and
 - iii) cross-examine witnesses called by other parties.
- c) The burden of proof is on the Compliance Department. A majority vote of the Disciplinary Panel is needed to find a violation of the Rules.
- d) If the respondent fails to file an answer, has filed a general denial, or if any or all of the allegations in the notice of charges are not expressly denied in the respondent's answer, the chairman of the Disciplinary Panel may limit evidence concerning any allegations not expressly denied in determining the sanctions to impose. If a respondent fails to file an answer but appears at the hearing, the respondent may not participate in the hearing (by calling or cross-examining witnesses, testifying in defense, presenting evidence concerning the notice of charges, or otherwise) unless the Disciplinary Panel determines that the respondent had a compelling reason for failing to timely file an answer. If the Disciplinary Panel determines that the respondent had a compelling reason for failing to timely file an answer, the Disciplinary Panel will adjourn the hearing and direct the respondent to promptly file a written answer in accordance with Rule 6.4.
- e) Any Person entitled, or required or called upon, to attend a hearing before a Disciplinary Panel pursuant to paragraph (b)(ii) above will be given reasonable notice, confirmed in writing, specifying the date, time and place of the hearing. The Clearinghouse will require all Clearing Members and Authorized Users that are called as witnesses to appear at the hearing and produce evidence. The Clearinghouse will make reasonable efforts to secure the presence of all other Persons called as witnesses whose testimony would be relevant.
- f) If during any disciplinary proceedings the Disciplinary Panel determines that a reasonable basis exists to believe that the respondent violated or is about to violate a Rule or a provision of Applicable Law other than the violations alleged in the notice of charges, the Disciplinary Panel may consider those apparent violations after providing the respondent with an opportunity to answer the additional allegations in accordance with Rule 6.4. In connection with considering apparent violations pursuant to this paragraph (f), the Disciplinary Panel may request that the Compliance Department provide the Disciplinary Panel with any additional information.
- g) The Disciplinary Panel may summarily impose sanctions on any Clearing Member or Authorized User that impede or delay the progress of a hearing.
- h) The Clearinghouse will arrange for any hearing conducted in connection with disciplinary proceedings to be recorded verbatim, or substantially verbatim, in a

manner capable of accurate transcription. If the respondent requests a copy of all or portions of the recording of a hearing, the chairman of the Disciplinary Panel may within his or her sole discretion order the respondent to pay the costs for transcribing the recording of the hearing.

- i) No interlocutory appeals of rulings of any Disciplinary Panel or chairman of the Disciplinary Panel are permitted.

6.9 Decision of Disciplinary Panel

- a) As promptly as reasonable following a hearing, the Disciplinary Panel will issue an order rendering its decision based on the weight of the evidence contained in the record of the disciplinary proceedings. A decision by a majority of the Disciplinary Panel will constitute the decision of the Disciplinary Panel.
- b) The Clearinghouse will serve a copy of the order of the disciplinary proceedings on the respondent and the Compliance Department. The order will include:
 - i) the notice of charges or summary of the allegations;
 - ii) the answer, if any, or a summary of the answer;
 - iii) a summary of the evidence introduced at the hearing or, where appropriate, incorporation by reference of the Investigation Report;
 - iv) a statement of findings and conclusions with respect to each charge, and a complete explanation of the evidentiary and other bases for such findings and conclusions with respect to each charge, including an indication of each specific Rule that the respondent was found to have violated;
 - v) a declaration of all actions taken or sanctions imposed against the respondent, including the basis for such sanctions and the effective date of such sanctions; and
 - vi) notice of the respondent's right to appeal pursuant to Rule 6.12.
- c) Unless a timely notice of appeal is filed pursuant to Rule 6.12, the order of the disciplinary proceedings will become final upon the expiration of twenty (20) Business Days after the order is served on the respondent and a copy thereof is provided to the Compliance Department.

6.10 Sanctions

- a) After notice and opportunity for hearing in accordance with these Rules, the Clearinghouse will impose sanctions if any respondent is found to have violated or to have attempted to violate a Rule of the Clearinghouse or provision of Applicable Law for which the Clearinghouse possesses disciplinary jurisdiction. Disciplinary sanctions imposed by the Clearinghouse shall be commensurate with the violations committed, and shall be clearly sufficient to deter recidivism or similar violations by

other Clearing Members, Authorized Users or any Persons using the User ID of an Authorized User. All sanctions must take into account the respondent's disciplinary history. The Clearinghouse may impose one or more of the following sanctions or remedies: (i) censure; (ii) limitation on Clearing Privileges, ability to otherwise access the Clearinghouse, and/or other activities, functions or operations; (iii) suspension of Clearing Privileges and/or ability to otherwise access the Clearinghouse; (iv) a fine (subject to paragraph (b) below); (v) restitution or disgorgement; (vi) termination of Clearing Privileges and/or ability to otherwise access the Clearinghouse; or (vii) any other sanction or remedy deemed to be appropriate.

- b) The Clearinghouse may impose a fine of up to \$500,000 for each violation of the Rules or a provision of Applicable Law. If a fine or other amount is not paid within thirty (30) days of the date that it becomes payable, then interest will accrue on the sum from the date that it became payable at the quoted prime rate plus three (3%) percent. The Clearinghouse has sole discretion to select the bank on whose quotations to base the prime rate. Each Clearing Member will be responsible for paying any fine or other amount imposed on, but not paid by, any of its Authorized Users or Persons using the User ID of an Authorized User.
- c) No more than one warning letter may be issued to the same Person for the same potential violation within a rolling 12-month period.

6.11 Costs

- a) Regardless of the outcome of any disciplinary proceeding, the Disciplinary Panel may order a respondent to pay some or all of the costs associated with the disciplinary proceedings that the Disciplinary Panel believes were unnecessarily caused by the respondent. Costs may include costs associated with the inquiry or investigation, the prosecution by the Compliance Department, legal and professional assistance, the hearing and administrative and other expenses incurred by the Disciplinary Panel.
- b) The Disciplinary Panel may only award costs against the Clearinghouse if it concludes that the Clearinghouse has behaved in a manifestly unreasonable manner in the commencement or conduct of the disciplinary proceedings in question. The Disciplinary Panel must limit any award of costs against the Clearinghouse to an amount that it concludes is reasonable and appropriate, but does not exceed the respondent's costs for external legal or other external professional assistance.
- c) The Disciplinary Panel may determine the amounts and allocation of costs in any manner it may deem appropriate. The Clearinghouse or the respondent will pay any costs ordered to be paid by it by the Disciplinary Panel within thirty (30) Business Days of the later of either written notice of (i) the amount imposed by the Disciplinary Panel or (ii) the determination of an appeal by the Appeals Panel against the Disciplinary Panel's determination.

6.12 Appeals

- a) A respondent found by the Disciplinary Panel to have violated a Rule or Applicable Law pursuant to Rule 6.8 or who is subject to any summary action imposed pursuant to Rule 6.14 may appeal the order or decision within twenty (20) days of receiving the order by filing a notice of appeal with the Chief Compliance Officer. The Chief Compliance Officer may also appeal any order by a Disciplinary Panel prior to the order becoming final pursuant to Rule 6.9(c). Except for summary suspensions imposed pursuant to Rule 6.14, Disciplinary Panel orders and summary imposition of fines shall be suspended while the appeal is pending.
- b) The notice of appeal must state in writing the grounds for appeal, including the findings of fact, conclusions or sanctions to which the respondent objects. An appellant may appeal the order of disciplinary proceedings or any summary decision on the grounds that:
 - i) the order or decision was arbitrary, capricious, an abuse of discretion, or not in accordance with the Rules; or
 - ii) the order or decision exceeded the authority or jurisdiction of the Disciplinary Panel or the Clearinghouse.
- c) The Chief Compliance Officer will forward copies of any notice of appeal received by it to all parties to the disciplinary proceeding or summary action, as the case may be, except the appellant. On or before the twentieth (20th) day after filing a notice of appeal, the appellant must file with the Chief Compliance Officer and serve on the Compliance Department a brief supporting the notice of appeal and documents supporting the brief. On or before the twentieth (20th) day after the date on which the appellant serves the supporting brief, the appellee must file and serve its brief in opposition with the Chief Compliance Officer.
- d) In connection with any appeal, the Compliance Department will furnish to the Chief Compliance Officer and to the respondent/appellant a transcript of the hearing, any exhibits introduced at the hearing, the notice of appeal and briefs filed to support and oppose the appeal.
- e) Within thirty (30) days after the last submission filed pursuant to paragraph (c) above, the Board will appoint an Appeals Panel at the recommendation of the Chief Compliance Officer, which shall be composed of not less than three individuals from among individuals with knowledge and experience in digital asset or financial markets, who are not members within the Compliance Department or involved in any other stage of the same proceeding or the conduct giving rise to the alleged Rule violations. No group or class of Clearing Members may dominate or exercise disproportionate influence on the Appeals Panel. The chair of the Appeals Panel will be an individual qualified to be a Public Director.
- f) The Appeals Panel will hold a hearing before all the members of such Appeals Panel to allow parties to present oral arguments. Any hearing will be conducted privately and confidentially. Notwithstanding the confidentiality of hearings, the

Appeals Panel may appoint individuals to attend any hearing and assist in the deliberations if such individuals agree to be subject to appropriate confidentiality agreements. In determining procedural and evidentiary matters, the Appeals Panel will not be bound by any evidentiary or procedural rules or law. Except for good cause shown, the review by the Appeals Panel shall only consider the record before the Disciplinary Panel, the written exceptions filed by the parties, and the oral and written arguments of the parties.

- g) Upon completing its review, the Appeals Panel may affirm, modify or reverse the Disciplinary Panel decision or summary action under appeal. Modifications by the Appeals Panel may include increasing, decreasing or eliminating any sanction or remedy imposed, imposing any other sanction or remedy authorized by the Rules, remanding the matter to the same or a different Disciplinary Panel for further disciplinary proceedings, or ordering a new hearing.
- h) As promptly as reasonably possible following its review, the Appeals Panel will issue a written decision on appeal rendering its decision based on the weight of the evidence before the Appeals Panel. The decision of the Appeals Panel will include a statement of findings of fact and conclusions for each finding, sanction, remedy and cost reviewed on appeal, including each specific Rule and provision of Applicable Law that the respondent is found to have violated, if any, and the imposition of sanctions, remedies and costs, if any, and the effective date of each sanction, remedy or cost.
- i) The Appeals Panel's written order on appeal (including findings of fact and conclusions and the imposition of sanctions, remedies and costs, and the effective date of any sanction, remedy, or cost) will be the final action of the Clearinghouse and will not be subject to further appeal within the Clearinghouse.
- j) Within ten (10) days of being notified of the appointment of the Appeals Panel, either party may seek to disqualify any individual named to the Appeals Panel for any grounds provided in paragraph (e) above or Rule 2.9 by serving notice to the Chief Compliance Officer. Legal counsel, other than the Chief Compliance Officer, will decide the merits of any request for disqualification within his or her sole discretion. Such decision will be final and not subject to appeal. Legal counsel, other than the Chief Compliance Officer, may also remove any member of the Appeals Panel for cause. Unless otherwise disqualified or removed for cause, the individuals on the Appeals Panel will serve until the related proceedings are completed. If a vacancy shall occur on an Appeals Panel after it has begun its proceedings, the remaining members shall complete consideration and disposition of the matter.

6.13 Summary Imposition of Fines

- a) The Clearinghouse may publish a schedule of fines for Clearing Members that fail to make timely and accurate submissions to the Clearinghouse of notices, reports, or other information required under the Rules of the Clearinghouse and other minor violations of the Rules. The maximum fine shall be not more than \$20,000 for any one violation.

- b) The Chief Compliance Officer may summarily impose a fine against a Clearing Member as provided in Rule 6.13(a). The Chief Compliance Officer shall, in such event, provide written notice to the Risk Management Committee and Clearing Member that specifies: (i) the date of the Rule violation(s); (ii) the amount of the fine; and (iii) the provision(s) of the relevant Rule(s). Within ten (10) days of the Chief Compliance Officer's notice, the Clearing Member must pay the fine. There shall be no right to appeal to the Board.

6.14 Summary Suspensions and Other Summary Actions

- a) In the event the Chief Executive Officer or, in his or her absence, the Chief Risk Officer or the Board, determines that an Emergency exists or may exist with respect to a Clearing Member, the Chief Executive Officer or, in his or her absence, the Chief Risk Officer or the Board, may suspend, or take any other action against one or more Clearing Members as the Chief Executive Officer or, in his or her absence, the Chief Risk Officer or the Board, may deem necessary or appropriate including, but not limited to, ordering such Clearing Member(s) to deposit additional Margin or transfer Contracts to one or more Clearing Members as appropriate.
- b) Any action taken against any Clearing Member pursuant to this Rule shall be taken after notice and opportunity to be heard, unless the Clearing Member waives the right to such notice and opportunity or the Chief Executive Officer or, in his or her absence, the Chief Risk Officer or the Board, determines that such notice or opportunity to be heard before taking action is not practicable under the circumstances and there is reason to believe that immediate action is necessary to protect the best interests of the Clearinghouse. In the event such immediate action is taken, the Clearinghouse will give the Clearing Member(s) notice and an opportunity to be heard by the Board promptly thereafter. Such notice, to be provided no less than one (1) hour before the hearing, will state the action that has been taken, the reasons therefor, and the effective date, time, and anticipated duration thereof.
- c) Unless timely notice of appeal is filed pursuant to Rule 6.12, the summary action will become final upon the expiration of twenty (20) Business Days after the notice of action is served on the respondent.
- d) At the request of the Clearinghouse, a respondent against whom a summary action is brought pursuant to this Rule 6.14 must provide books and records over which the respondent has access or control and must furnish information to, or appear or testify before, the Clearinghouse in connection with the enforcement of any Rule.
- e) A respondent whose Clearing Privileges are suspended, limited, conditioned, restricted or qualified pursuant to this Rule 6.14 may apply for reinstatement by filing with the Compliance Department a written request stating the applicant's reasons for seeking reinstatement. The Clearinghouse will not consider a respondent's request for reinstatement if the respondent: (i) persists in the conduct which was the subject of the order denying access; (ii) owes any fines, fees, charges or costs to the Clearinghouse; (iii) continues to fail to appear at disciplinary

proceedings without good cause; or (iv) continues to impede the progress of disciplinary proceedings. Within a reasonable period after the filing of a request for reinstatement, the Appeals Panel will conduct a hearing to consider the request. At the hearing for reinstatement, the respondent will present its, his or her case supporting the reinstatement and the Compliance Department, acting on behalf of the Chief Compliance Officer may, in its discretion, present its case opposing or supporting the reinstatement and each may present relevant and admissible evidence and facts and call, examine and cross-examine witnesses. At the hearing for reinstatement, the Clearinghouse may require any Clearing Member to appear as witnesses and produce evidence if the Appeals Panel determines that the evidence is relevant.

- f) As promptly as reasonably possible after a reinstatement hearing, the Appeals Panel will issue an order reinstating, denying the reinstatement, or placing conditions on the reinstatement of the Clearing Privileges, or association with a Clearing Member, of the respondent. The order will include a brief summary of the evidence introduced at the reinstatement hearing; and, if applicable, findings of fact and conclusions not contained in the Appeals Panel's initial order issued pursuant to Rule 6.14(e) above. The Appeals Panel's order may not be appealed.
- g) Any decision to deny access pursuant to paragraph (a) shall not remain in effect for more than sixty (60) Business Days unless the Chief Compliance Officer or the Chief Compliance Officer's designee, upon further consideration of the circumstances giving rise to the order denying access, issues a separate order denying access for an additional period of time, not to exceed sixty (60) Business Days. The party must be notified thereof prior to issuance of the second order, unless prior notice is impracticable. Such notice must meet the standards provided in paragraph (b). At any time, a party subject to an action under this Rule 6.14, may petition the Chief Compliance Officer or the Chief Compliance Officer's designee to reconsider an access denial pursuant to this Rule based upon materially changed circumstances.
- h) When a Clearing Member's right to access the Clearinghouse is suspended or terminated, all of its rights (including the right to hold oneself out as a Clearing Member) shall cease to apply, except for the right to assert claims against others as provided in the Rules. Neither a suspension nor a termination will affect the rights of creditors under the Rules or relieve the Clearing Member of its obligations under the Rules, including any fees, costs or charges incurred during the period of suspension. A terminated Clearing Member may only seek to reinstate its right to access the Clearinghouse by filing an application in accordance with Rule 3.2, and the Clearinghouse will consider any such application at its sole discretion.
- i) A suspended or terminated Clearing Member or Authorized User remains subject to the Rules and the jurisdiction of the Clearinghouse for acts and omissions prior to the suspension or termination, and must cooperate with requests by the Clearinghouse as if the suspended or terminated Clearing Member or Authorized User still had the right to access the Clearinghouse or was still associated with a Clearing Member.

6.15 Publication of Disciplinary Action

- a) The Clearinghouse shall provide notice to the CFTC of sanctions imposed against a Clearing Member, no later than two (2) Business Days after imposition.
- b) The Clearinghouse may, in its discretion and consistent with Applicable Law, publish a summary of any final disciplinary action on its website. Publication is not required by CFTC Part 39 and does not determine when a disciplinary action becomes final under these Rules.

CHAPTER 7 – DISPUTE RESOLUTION

7.1 General

- a) The Rules, and the rights and obligations of the Clearinghouse and Clearing Members under the Rules, shall be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts executed and performed wholly within the State of New York without regard to any provisions of New York law that would apply the substantive law of a different jurisdiction.
- b) Any dispute, controversy, or claim arising out of or relating to the Clearing System or a Clearing Member's participation therein shall be resolved through binding arbitration in New York, New York. If the parties cannot agree on a single arbitrator, each party shall select one arbitrator, and the two shall select a third. Each arbitrator must qualify as a Public Director and have reasonable prior experience in the operation and regulation of exchanges, clearinghouses, commodity futures, options, swaps, the CEA, and applicable CFTC Regulations. The arbitrator(s) shall determine the procedures for the arbitration, relying on applicable provisions of Chapter 6 to the extent practicable, provided that the arbitrator(s) may depart from Chapter 6 as they deem appropriate. The arbitrator(s) may award any remedy or relief available to a court of competent jurisdiction, including injunctive relief. The fees and expenses of the arbitration shall be borne by the non-prevailing party, or as otherwise determined by the arbitrator(s). This Rule 7.1 shall not be construed as creating an independent cause of action.
- c) Any arbitration or other proceeding against the Clearinghouse, its limited liability company members, Clearinghouse Officials, agents, or any member of any committee must be commenced within one (1) year from the time that a cause of action has accrued. The arbitration shall be seated in New York, New York, and any judicial proceedings ancillary to the arbitration (including applications for interim relief or enforcement of arbitral awards) shall be brought in the State or Federal courts located within the Borough of Manhattan in the City of New York. Each Clearing Member expressly consents, for itself and its Authorized Users, to the jurisdiction of any such court for such ancillary proceedings and waives any objection to venue therein.
- d) A Clearing Member's failure to arbitrate a dispute subject to this Rule 7.1, or the commencement of court proceedings prior to arbitration, shall constitute a violation of the Rules and subject such Clearing Member to disciplinary proceedings under Chapter 6, unless the parties mutually agree to forego arbitration.
- e) The Clearinghouse may summarily suspend a Clearing Member, pursuant to Chapter 6, that fails to satisfy an arbitration award rendered under this Chapter 7.
- f) This Rule 7.1 applies solely to contractual and operational disputes between Clearing Members, or between a Clearing Member and the Clearinghouse. Claims

for rule violations shall be resolved through the disciplinary procedures set forth in Chapter 6 and are not subject to arbitration.

CHAPTER 8 – MISCELLANEOUS

8.1 Trading by Clearinghouse Personnel Prohibited; Misuse of Material, Non-Public Information

- a) Terms used in this Rule 8.1 and not otherwise defined in the Rules shall have the meanings set forth in CFTC Regulations 1.3 and 1.59.
- b) No Clearinghouse Personnel may trade, directly or indirectly: (i) any Contract or commodity interest cleared by the Clearinghouse or any related financial instrument; or (ii) any Contract or related commodity interest where such Clearinghouse Personnel has access to material, non-public information concerning such Contract or related commodity interest.
- c) No member of the Board, member of any committee established by the Board, or agent or independent contractor of the Clearinghouse shall trade, directly or indirectly, in any Contract or commodity interest cleared by the Clearinghouse or any related financial instrument where such Person has access to any material, non-public information obtained in connection with the performance of his or her official duties.
- d) The Chief Compliance Officer (or, in the case of the Chief Compliance Officer, the Board) may grant exemptions from the provisions of Rule 8.1(b) or Rule 8.1(c) to Clearinghouse Personnel on a case-by-case basis under circumstances which are not contrary to the purposes of this Rule 8.1 and CFTC Regulation 1.59. Such circumstances may include, but are not necessarily limited to:
 - i) participation in pooled investment vehicles where such Clearinghouse Personnel has no direct or indirect control over transactions effected by or for the account of the pool;
 - ii) service by such Clearinghouse Personnel as an executor or administrator of an estate;
 - iii) service by such Clearinghouse Personnel in any other fiduciary capacity, such as an officer of a charitable organization, in which such Clearinghouse Personnel receives no pecuniary benefit from the trading of Contracts or other financial instruments;
 - iv) trading in Contracts or financial instruments executed on or subject to the rules of a swap execution facility, a designated contract market or a national securities exchange under circumstances in which such Clearinghouse Personnel's access to material non-public information in respect of such financial instruments is sufficiently minimal or attenuated so as to be insignificant; and
 - v) such other circumstances as the Chief Compliance Officer (or, in the case of the Chief Compliance Officer, the Board) may determine.

- e) For the avoidance of doubt, participation by Clearinghouse Personnel in a retirement plan sponsored by the Clearinghouse or any of its Affiliates shall not be deemed to constitute trading directly or indirectly in a Contract or financial instrument, notwithstanding such plan's trading of Contracts or financial instruments.
- f) Any Clearinghouse Personnel that have received an exemption under Rule 8.1(d) must:
 - i) furnish to the Clearinghouse (or, in the case of the Chief Compliance Officer, to the Board) account statements and other documents relevant to the trading activities that are so exempted; and
 - ii) inform the Chief Compliance Officer (or, in the case of the Chief Compliance Officer, the Board) within one (1) Business Day of any material change of information that may affect such Clearinghouse Personnel's qualification for such exemption.

8.2 Market Data

Each Clearing Member, on behalf of itself and each of its Affiliates, Authorized Users and other Persons affiliated with any of the foregoing, hereby acknowledges and agrees that the Clearinghouse owns and shall retain all right, title and interest in and to the Clearing System, all components thereof, including, without limitation, all related applications, all application programming interfaces, user interface designs, software and source code and any and all intellectual property rights therein, including, without limitation, all registered or unregistered, as applicable: (a) copyright; (b) trademark; (c) service mark; (d) trade secret; (e) trade name; (f) data or database rights; (g) logo and design rights; (h) moral rights; (i) inventions, whether or not capable of protection by patent or registration; (j) rights in commercial information or technical information, including know-how, research and development data and manufacturing methods; (k) patent; and (l) other intellectual property and ownership rights, including applications for the grant of any of the same, in or to the Clearinghouse and all other related proprietary rights of the Clearinghouse and/or any of its Affiliates (together, with any and all enhancements, corrections, bug fixes, updates and other modifications to any of the foregoing and any and all data or information of any kind transmitted by means of any of the foregoing, including the market data of the Clearinghouse, the **"Proprietary Information"**). Each Clearing Member, on behalf of itself and each of its Affiliates, Authorized Users and other Persons affiliated with any of the foregoing, further acknowledges and agrees that the Proprietary Information is the exclusive, valuable and confidential property of the Clearinghouse. Each Clearing Member acknowledges and agrees that it shall not and shall not permit its Affiliates, Authorized Users and other Persons affiliated with any of the foregoing to, reverse engineer, copy, bug fix, correct, update, transfer, reproduce, republish, broadcast, create derivative works based on or otherwise modify, in any manner, all or any part of the Clearinghouse or the Proprietary Information. Each Clearing Member further

agrees that it will and will cause each of its Affiliates, Authorized Users and other Persons affiliated with any of the foregoing to, keep the Proprietary Information confidential and not to transfer, rent, lease, loan, sell or distribute, directly or indirectly, all or any portion of the Clearing System or any Proprietary Information.

8.3 Recording of Communications

The Clearinghouse may record conversations and retain copies of electronic communications between Clearinghouse Officials and Clearing Members, their Authorized Users or other agents. Any such recordings may be retained by the Clearinghouse in such manner and for such periods of time as the Clearinghouse may deem necessary or appropriate, including as may be required by Applicable Law. The Clearinghouse may use such recordings as evidence in any Disciplinary Action or legal proceeding.

8.4 Force Majeure

Notwithstanding any other provision of the Rules, the Clearinghouse shall not be obligated to perform its obligations under the Rules or any agreement with a Clearing Member, or to compensate any Person for losses occasioned by any delay or failure of performance, to the extent such delay or failure of performance is the result of circumstances that may have a material adverse effect upon the functions and facilities of the Clearinghouse, including, but not limited to, acts of God, fire or other natural disasters, bomb threats, acts of terrorism or war or severely inclement weather. If the Clearinghouse shall, as a result of any of the above-described events, fail to perform any of its obligations, such failure shall be excused for a period equal to the period of delay caused by such event. In such an event, the Clearinghouse shall give written notice thereof to affected Clearing Members as soon as reasonably practicable and shall attempt diligently to remediate such condition.

8.5 Extension or Waiver of Rules

The performance of any act required by the Rules or the time fixed by the Rules for the performance thereof may be waived or extended by the Clearinghouse if such waiver or extension is necessary or in the best interest of the Clearinghouse. A written report of any such waiver or extension, stating the pertinent facts and the reason such waiver or extension was deemed necessary or expedient, shall be presented to the Board at its next regular meeting.

8.6 Notice and Effect of Amendment, Repeal or New Rule

- a) The Clearinghouse may, in compliance with the CEA and CFTC Regulations, amend or repeal any Rule and/or adopt new Rules. The Clearinghouse will publish a notice with respect to each amendment or repeal of any Rule or adoption of any new Rule at the time the Clearinghouse files such Rules with the CFTC. The

Clearinghouse also will publish notice of any action taken to implement any Rule, in a form and manner that is reasonably designed to enable Clearing Members to become aware of and familiar with, and to implement any necessary preparatory measures to be taken with respect to, such addition or modification, prior to the effective date thereof. For the purposes of this Rule 8.6, it will be sufficient (without limiting the discretion of the Clearinghouse as to any other reasonable means of communication) if notice is published on the Clearinghouse's website. The Clearinghouse will act in accordance with CFTC Regulations 40.5 and 40.6 and ensure that all rule amendments are subject to applicable CFTC filing and approval requirements.

- b) Any amendment or repeal of a Rule or adoption of a new Rule, shall, upon the effective date of such amendment, repeal or adoption, as applicable, be binding on all Persons subject to the jurisdiction of the Clearinghouse (regardless of when any such Person became subject to the Clearinghouse's jurisdiction) and all Contracts (regardless of whether any such Contract was entered into before, on or after such effective date).

8.7 Signatures

Rather than rely on an original signature, the Clearinghouse may elect to rely on a signature that is transmitted, recorded or stored by any electronic, optical, or similar means (including, but not limited to, telecopy, imaging, photocopying, electronic mail, electronic data interchange, telegram, or telex) as if it were (and the signature shall be considered and have the same effect as) a valid and binding original.

8.8 Indemnification Obligations of Clearing Members

A Clearing Member or former Clearing Member shall indemnify and hold harmless the Clearinghouse and its Affiliates, and its and their equity holders, officers, directors, employees, and agents (collectively, the "**Indemnified Parties**"), for any and all losses, damages, costs and expenses (including attorneys' fees) incurred by the Indemnified Parties as a result (direct or indirect) of such Clearing Member's violation or alleged violation of the Rules or Applicable Law.

8.9 Large Trader Reports

The Clearinghouse will obtain copies of all reports that are required to be filed by Clearing Members pursuant to Part 17 and Part 20 of the CFTC Regulations from Clearing Members or the Exchange. A Clearing Member shall provide such reports to the Clearinghouse as directed by the Clearinghouse.

8.10 Public Information

The Clearinghouse shall make public the terms and conditions of each Contract, all fees charged by the Clearinghouse, the Margin-setting methodology used by the

Clearinghouse, the size and composition of the Default Fund, and Settlement Prices, volume and open interest for each Contract. The Clearinghouse will also make this Rulebook, list of Clearing Members and daily trading information available on the Clearinghouse website. The Clearinghouse will provide public notice of a Default on the Clearinghouse website.

8.11 Confidential Information

Any and all non-public information, in any form, obtained by Clearing Members and their Authorized Users or the Clearinghouse arising out of or related to the provision or use of the Clearing System, services of the Clearinghouse, or other property of the Clearinghouse shall be deemed to be “**Confidential Information**.” Any margin methodology parameters, confidence intervals, risk assumptions, and stress scenarios required to be publicly disclosed under Rule 8.10 shall not be Confidential Information. Without limiting the generality of the foregoing, the Clearinghouse’s Confidential Information shall specifically include all source code of the Clearing System, and all trade secrets, processes, computer software and other proprietary data, research, information or documentation related thereto. Notwithstanding the foregoing, Confidential Information does not include any information that: (i) is in or becomes part of the public domain (other than by disclosure by the recipient or its directors, officers, employees, agents or contractors (“**Representatives**”) in violation of the Rules); (ii) was previously known to the recipient free of restriction; (iii) is independently developed by the recipient, without reference to the Confidential Information of the disclosing party; or (iv) is lawfully obtained by the recipient from a third party having the right to furnish such information. The Clearinghouse and each Clearing Member (each, a “**Party**” and, collectively, the “**Parties**”) shall hold in strict confidence the Confidential Information of the other Party, shall use the same degree of care in protecting the confidentiality of the Confidential Information as it uses in protecting its own information of a similar type, and shall not disclose Confidential Information of the other Party to any third party or use Confidential Information of the other Party for any purpose not expressly permitted in the Rules; except that a Party may disclose Confidential Information of the other Party solely to those of its Representatives who have a need to know such Confidential Information to facilitate compliance with the Rules. The receiving Party will inform its Representatives of the confidential nature of the Confidential Information, will be responsible for protecting the confidentiality of the Confidential Information as to its Representatives, and will take such action, legal or otherwise, as may be reasonably necessary to cause them to protect the confidentiality of the Confidential Information. Notwithstanding the foregoing, Confidential Information may be disclosed: (i) by the Clearinghouse in accordance with the Rules relating to the use of Confidential Information; (ii) to the extent required by Applicable Law or regulation or the rules of a Self-Regulatory Organization of competent jurisdiction; (iii) by the Clearinghouse upon request by the CFTC or any Governmental Authority, any regulatory or self-regulatory body, or any other organization, in each case having competent jurisdiction over the Clearinghouse; (iv) by the Clearing Member upon request from any federal or state agency, any regulatory or self-regulatory body, or any other organization, in each case having competent

jurisdiction over such Clearing Member; and (v) pursuant to a subpoena or order of a court or legislative, regulatory or self-regulatory body of competent jurisdiction, provided that, in the case of clauses (iv) and (v) above, to the extent the disclosure is not in connection with a Routine Request, the disclosing Party shall, to the fullest extent permitted by law, immediately notify the other Party of such disclosure and cooperate with such Party to obtain appropriate confidential treatment of any Confidential Information to be so disclosed.