

**U.S. Futures Exchange, L.L.C.**  
**RULES**

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# RULES

## Part 1. Meaning of Terms.

### 101. Definitions.

The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Any pronoun shall include the corresponding masculine, feminine and neuter forms. The word “will” shall be construed to have the same meaning and effect as the word “shall.”

Unless the context otherwise indicates, the following terms have the meanings set forth below:

“**Act**” means the Commodity Exchange Act, as amended from time to time.

“**Affiliate**” means, with respect to a Person, any other Person which directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such Person.

“**AORS**” means an automated order routing system.

“**Authorized Clearing Member**” means the Clearing Member authorized by written agreement pursuant to Rule 503 to clear transactions on behalf of a Trading Member.

“**Authorized Trader**” means an individual employed by a Member who is authorized by that Member to have direct access through a terminal or otherwise to the Trading System.

“**Basis Trade**” means an EFP and is further defined in Rule 416.

“**Basis Trading Facility**” means the facility provided by the Exchange allowing Members to effect Basis Trades or EFPs.

“**Block Trade**” means a single transaction for the purchase and sale of not less than the number of Contracts authorized by the Exchange under Rule 415.

“**Block Trading Facility**” means the facility provided by the Exchange allowing Members to effect Block Trades.

“**Board**” means the Board of Directors of the Exchange.

“**Business Day**” means any day on which the Exchange is open for trading.

“**Business Day Period**” means any period of the Business Day specified by the Exchange as a Pre-Trading, Opening, Trading or Post-Trading Period.

“**Bylaws**” means, with respect to any Entity, the bylaws or Operating Agreement of such Entity and, if no other Entity is specified, shall mean the Bylaws or Operating Agreement of the Exchange.

“**Clearing**” means any of the activities enumerated in sections 1a(9)(A)(i) through (iii) of the Act.

“**Clearing Member**” means any Member that is also a member of the Clearing Organization authorized to clear and settle transactions executed on the Trading System, that has clearance and settlement privileges under the Bylaws and Rules of the Clearing Organization for the products to be traded on the Trading System.

“**Clearing Member ID**” means a unique identification code assigned by the Exchange to each Clearing Member.

“**Clearing Organization**” means any Entity designated by the Exchange to clear transactions effected on or subject to the Rules of the Exchange.

“**Commission**” means the Commodity Futures Trading Commission or any successor agency.

“**Commission Regulation**” means any rule, regulation, or order of the Commission, as in effect from time to time, and any interpretation thereof by the Commission or its staff.

“**Commodity**” means any commodity within the definition of that term contained in the Act.

“**Contract**” means any Futures Contract or Option Contract executed on or subject to the Rules of the Exchange.

“**Customer**” means any Person who is a “customer” within the meaning set forth in Section 1.3(k) of the Commission Regulations.

“**Delivery Day**” means the day or days on which delivery of an Underlying Commodity is made or is to be made pursuant to any Contract.

“**Delivery Month**” means the month in which delivery of an Underlying Commodity is to be made pursuant to the terms of any Contract.

“**ECP**” means any Person who is an “eligible contract participant” within the meaning set forth in section 1a(12) of the Act.

“**EFP**” means an exchange of Futures Contracts for physical Commodities and is further defined in Rule 416.

“**EFS**” means an exchange of Futures Contracts for a swap and is further defined in Rule 417.

**“Entity”** means any Person other than a natural person.

**“Exchange”** means U.S. Futures Exchange, L.L.C. Unless otherwise provided in the Bylaws or these Rules, any reference to an action required or permitted to be taken by the Exchange pursuant to the Bylaws or Rules shall include an action taken by any duly authorized officer, employee, or committee of the Exchange or of any duly authorized officer, employee or committee of any corporation, Exchange or association, or of any individual, acting for or on behalf of the Exchange by contractual or delegated authority.

**“Fair Market Price”** has the meaning set forth in Rule 408.

**“Futures Commission Merchant”** or **“FCM”** shall have the same meaning as defined in section 1a(20) of the Act.

**“Futures Contract”** means a contract for the purchase or sale of a Commodity for future delivery, traded on or subject to the Rules of the Exchange.

**“Governmental Agency”** means the Commission, the Securities and Exchange Commission and any other agency, federal or state, domestic or foreign, regulating trading in commodities, securities, Futures Contracts, options, currencies or other financial instruments.

**“Introducing Broker”** shall have the same meaning as defined in section 1a(23) of the Act.

**“Last Sale Information”** means, at any given time, the price and quantity data from any and all transactions executed on the Trading System including the times at which such transactions were executed on or submitted to the Trading System.

**“Market Data”** means any and all Last Sale Information and Quotation Information, any data derived from the Last Sale Information and Quotation Information, the format and presentation of any such data or information, and transmissions of such data or information to Members, Clearing Members, Authorized Traders, Market Data Vendors and other Persons.

**“Market Data Vendors”** means publishers of electronic information with whom the Exchange has a contractual relationship to disseminate Market Data.

**“Market Maker”** means a Person designated by the Exchange as such pursuant to Rule 312.

**“Member”** means any Person authorized by the Exchange as provided in Part 3 of these Rules to trade on the Trading System or otherwise.

**“Membership Agreement”** means the agreement between a Member and the Exchange in accordance with which the Member is authorized to trade on the Trading System or otherwise provided access to the Trading System.

“**Member ID**” means a unique identification code assigned by the Exchange to each Member.

“**Membership**” means the provision of access to the Trading System granted by the Exchange for the purpose of effecting transactions.

“**Named Party in Interest**” means a “named party in interest” as defined in Section 1.69 of the Commission Regulations.

“**NFA**” means the National Futures Association.

“**Nominated Person**” means the natural person named by a Member or applicant for membership to represent the Member in dealings with the Exchange.

“**Option Contract**” means any option to buy or sell any Commodity or any Futures Contract that is executed on or subject to the Rules of the Exchange.

“**Person**” means an individual, corporation, limited liability company, partnership, trust, or other entity.

“**Proprietary Account**” means a “proprietary account” as defined in Section 1.3(y) of the Commission Regulations.

“**Quotation Information**” means, at any given time, the price and quantity data and all data derived from all bids and offers submitted for entry into the Trading System, including the times at which such bids and offers are entered.

“**Respondent**” has the meaning set forth in Rule 604.

“**Rules**” means, with respect to any Entity, the rules of such Entity and the interpretations, resolutions, orders, directives and procedures of the Entity thereunder as in effect from time to time, and if no other Entity is specified, means the Rules of the Exchange and the interpretations, resolutions, orders, directives and procedures of the Exchange thereunder as in effect from time to time.

“**Settlement Price**” means the price established each day as the basis for settlement of Contracts and delivery under Contracts under Rule 507(a).

“**Significant Action**” means a “significant action” as defined by Section 1.69(a)(8) of the Commission Regulations.

“**SRO**” means any self-regulatory organization (domestic or foreign), including but not limited to the Exchange, the Clearing Organization, any other designated contract market or commodity or securities exchange or market (domestic or foreign), any clearing organization, the NFA, and the National Association of Securities Dealers, Inc.



**“Swaps Trading Facility”** means the facility provided by the Exchange allowing Members to effect EFSs.

**“Trader ID”** means an identification code assigned by a Member to each Authorized Trader employed by such Member or any Affiliate of such Member.

**“Trading Member”** means a Member of U.S. Futures Exchange, L.L.C. that is not a Clearing Member.

**“Trading Session”** means, with respect to any Contract, the period of hours during which trading in that Contract through the Trading System is permitted by the Exchange.

**“Trading System”** means the Exchange’s electronic trading system for matching Contracts.

**“Underlying Commodity”** means the commodity on which a Contract is based.

**102. Time References.**

Except as may be otherwise expressly provided in these Rules, all references to times in these Rules shall be to the local time prevailing in Chicago, Illinois.

**103. Conflicts with Bylaws.**

In the event of any conflict between any provision of these Rules and any provision of the Bylaws, the provision of the Bylaws shall govern, except where the Bylaws provide otherwise.

## **Part 2. Governance.**

### **201. Board of Directors.**

The Board shall have all the powers and authority permitted by law, the Exchange's articles of formation and the Bylaws.

### **202. Officers.**

The officers of the Exchange shall have all the powers and authority provided in the Bylaws and these Rules and such other additional duties and powers as the Board may confer on them or any of them. The officers of the Exchange shall consist of the Chief Executive Officer, Chief Financial Officer, General Counsel, and such other officers as the Board may appoint.

### **203. Disciplinary Committee.**

The Disciplinary Committee of the Exchange shall be authorized to determine whether violations of the Bylaws or these Rules have been committed, to accept offers of settlement, to set and impose appropriate penalties, and to exercise such other powers and duties as provided in Part 6 of these Rules governing disciplinary proceedings. The Disciplinary Committee shall consist of such officers or employees of the Exchange appointed to the Disciplinary Committee by the Chief Executive Officer. No employee of the Compliance Department of the Exchange may serve on the Disciplinary Committee.

### **204. Appeals Committee.**

The Appeals Committee of the Exchange shall be authorized to review the denial of an application for membership pursuant to Rule 304. The Appeals Committee shall consist of such officers or employees of the Exchange appointed to the Appeals Committee by the Chief Executive Officer.

### **205. Compliance Department.**

- (a) The Exchange has the power and authority to regulate its facilities to ensure that the facilities are not used for any improper purpose and to establish and enforce rules and procedures to ensure fair and equitable trading through its facilities.
- (b) The Compliance Department shall be authorized to conduct and to oversee surveillance, investigation and rule enforcement activities. The Chief of the Compliance Department shall be in charge of the Compliance Department. The personnel of the Compliance Department may not operate under the direction or control of a Member.

**206. Prohibition on Admission as Members.**

No officer or employee of the Exchange shall be admitted as a Member.

**207. Restrictions on Directors, Officers, Committee Members, Employees and Consultants.**

Members of the Board of the Exchange, officers of the Exchange, members of committees of the Exchange, employees of the Exchange, members of the Board of Directors, officers, and employees of any corporate affiliate of the Exchange performing functions for the Exchange, and consultants and contractors to the Exchange and their employees shall comply with the following restrictions and obligations:

- (a) **Improper Use or Disclosure of Material Non-Public Information.** No member of the Board of Directors or of any Board committee, no member of any other committee of the Exchange, no officer of the Exchange, no employee of the Exchange, no member of the Board of Directors, officer or any employee of any corporate affiliate of the Exchange performing functions for the Exchange and no consultant to the Exchange shall:
  - (i) trade for such person's own account, or for or on behalf of any other account, in any commodity interest on the basis of any material, non-public information obtained through the performance of such person's official duties; or
  - (ii) use or disclose, for any purpose other than the performance of such person's official duties, any material, non-public information obtained by such person as a result of such person's official duties, provided, however, that this Section shall not prohibit disclosures made by such person in the course of his or her official duties or disclosures made to any other self-regulatory organization, a court of competent jurisdiction or any agency or department of the federal or state government.
- (b) **Restrictions on Trading by Officers and Employees.** If any officer or employee of the Exchange, or of any corporate affiliate performing functions for the Exchange has access to material non-public information concerning any commodity interest, such person shall not trade, directly or indirectly, in that commodity interest traded on any contract market operated by the Exchange or cleared by the Exchange's clearing organization; in such commodity interest traded on any other contract market or cleared by any other clearing organization; or in any related commodity interest.
- (c) **Eligibility for Service on Boards and Committees.**

- (i) Only persons meeting the requirements of section 5.1 and not disqualified under section 5.6 of the Bylaws, may serve on the Board of Directors or on any committee of the Exchange.
  - (ii) Any person who is a member of the Board of the Exchange or any committee of the Exchange shall immediately notify the Chief Executive Officer of any information or occurrence which subjects such person to disqualification pursuant to paragraph (i) of this section.
- (d) **Restrictions on Participation on Board and Committees.**
- (i) No person shall vote, participate in deliberations or take any action involving the regulatory functions of the exchange as a member of the Board of Directors of the Exchange or any committee of the Exchange on any matter involving a Named Party in Interest if such member:
    - (A) is a Named Party in Interest;
    - (B) is an employer, employee, or fellow employee of a Named Party in Interest;
    - (C) has any other significant, ongoing business relationship with a Named Party in Interest; or
    - (D) has a family relationship with a Named Party in Interest.
  - (ii) Prior to the consideration of any matter involving a Named Party in Interest, each member of the Board of Directors of the Exchange or a committee (as the case may be) must disclose to the Chief Executive Officer of the Exchange, or the designee of the Chief Executive Officer, whether he or she has one of the relationships listed in paragraph (d)(i) of this section with a Named Party in Interest. The Chief Executive Officer or such designee shall determine whether any such member of the Board of Directors or the committee is subject to the restrictions set forth in paragraph (d)(i) in any matter involving a Named Party in Interest, which determination, taking into consideration the exigency of the action to be taken, shall be based upon:
    - (A) information provided by such member pursuant to this paragraph (d)(ii); and
    - (B) any other source of information that is held by and reasonably available to the Exchange.

- (iii) No person shall vote or participate in deliberations on any Significant Action as a member of the Board of Directors of the Exchange or any committee of the Exchange if such member knowingly has a direct and substantial financial interest in the result of the vote based upon positions maintained at the Exchange or elsewhere that could reasonably be expected to be affected by the action.
- (iv) Prior to the consideration of any Significant Action, each member of the Board of Directors of the Exchange or a committee of the Exchange (as the case may be) must disclose to the Chief Executive Officer, or the designee of the Chief Executive Officer, the following information that is known to him or her, unless such member chooses to abstain from deliberations and voting on the Significant Action in question:
  - (A) gross positions, if any, held at the Exchange in such member's personal accounts or "controlled accounts," as defined in Section 1.30(j) of the regulations of the Commission;
  - (B) gross positions, if any, held at the Exchange in "proprietary accounts," as defined in Section 1.17(b)(3) of the regulations of the Commodity Futures Trading Commission, at such member's affiliated firm;
  - (C) gross positions, if any, held at the Exchange in accounts in which such member is a "principal," as defined in Section 3.1(a) of the regulations of the Commodity Futures Trading Commission;
  - (D) net positions held at the Exchange in "customer" accounts, as defined in Commission Regulation 1.17(b)(2), at such member's affiliated firm; and
  - (E) any other types of positions, whether maintained at the Exchange or elsewhere, held in such member's personal accounts or the proprietary accounts of such member's affiliated firm that the Exchange reasonably expects could be affected by the Significant Action.
- (v) The Chief Executive Officer or the designee of the Chief Executive Officer shall determine whether a member of the Board of Directors or a committee is subject to the restrictions contained in this paragraph (d) in any Significant Action after a review of the information described in paragraph (d)(iv) above. Taking into

consideration the exigency of the Significant Action, such determination should be based upon:

- (A) the most recent large trader reports and clearing records available to the Exchange;
  - (B) information provided by the member pursuant to paragraph (d)(ii) above; and
  - (C) any other source of information that is held by and is reasonably available to the Exchange.
- (vi) Any member of the Board of Directors of the Exchange or any committee who would otherwise be required to abstain from deliberations pursuant to this paragraph (i) of this subsection may participate in deliberations, prior to a vote on a Significant Action for which he or she otherwise would be required to abstain pursuant to paragraph (iii) of this subsection, if in the judgment of the deliberating body such participation would be consistent with the public interest and if such member recuses himself or herself from voting on such action. In making a determination as to whether to permit such member to participate in such deliberations, the deliberating body shall consider whether the member's participation in deliberations is necessary for the deliberating body to achieve a quorum and whether the member has unique or special expertise, knowledge or experience in the matter under consideration. Prior to making any such determination, the deliberating body must fully consider the position information which is the basis for the member's direct and substantial financial interest in the result of a vote on a Significant Action.
- (vii) The Board of Directors of the Exchange and each committee of the Exchange must reflect in their minutes or otherwise document that the conflicts determination procedures required by paragraphs (ii) and (iv) of this section have been followed. Such records also must include:
- (A) the names of all members who attended the meeting in person or who otherwise were present by electronic means;
  - (B) the name of any member who voluntarily recused himself or herself or was required to abstain from deliberations and/or voting on a matter and the reason for the recusal or abstention, if stated; and
  - (C) information on the position information that was reviewed for each member.

**208. Restrictions on Members with an Ownership Interest**

- (a) No Member with an ownership interest in the Exchange shall use or disclose, for any purpose other than the performance of such Member's official duties as a shareholder, any material non-public information obtained by such Member as a result of such Member's ownership; *provided, however*, that if any such Member who effects any transactions after having received any such material, non-public information so obtained can show that such transaction was effected in the ordinary course of the Member's business, such Member shall not be deemed to have used such information in violation of this section, unless it can be shown that such Member would not have effected such transaction in the absence of such information.
- (b) For the purposes of this Section, the terms "material" and "non-public information" shall each have the meaning set forth in Section 1.59(a) of the Commission Regulations.

## **Part 3. Membership.**

### **301. Status of Members.**

- (a) **In General.** Members shall have the privileges, rights and obligations set forth in, or established pursuant to, the Bylaws, these Rules and the Membership Agreement.
- (b) **Transfer of Membership.** Any person admitted to membership by Brokertec Futures Exchange, L.L.C. is admitted to Membership in this Exchange on the same basis and subject to the same conditions as required for Membership in this Exchange.

### **302. Eligibility.**

- (a) Unless otherwise prohibited by these Rules, any Person is eligible to become a Member, provided that such Person meets the following standards:
  - (i) If a natural person, the applicant shall have attained the age of majority and shall be of good character;
  - (ii) If an Entity, the applicant shall be duly organized, existing and in good standing under the laws of its jurisdiction of organization;
  - (iii) The applicant shall have good commercial standing and business experience;
  - (iv) The applicant shall have adequate financial resources and credit;
  - (v) The applicant shall, where relevant, be registered, licensed or otherwise permitted by the appropriate Governmental Agency to conduct business on the Trading System or subject to the rules of the Exchange;
  - (vi) The applicant shall have such operational capabilities (including without limitation such hardware, software, communications systems and staffing) as the Exchange may from time to time determine is appropriate in view of such Person's anticipated type and level of activity on the Trading System or subject to the rules of the Exchange;
  - (vii) The applicant shall meet any other criteria that the Exchange may from time to time prescribe.
- (b) Any Member may become a Clearing Member if such Member has been approved for membership in the Clearing Organization by the Clearing Organization.



### **303. Application Procedures.**

- (a) Every Person applying to become a Member shall complete an application on a form prescribed by the Exchange and shall file it with the Exchange. The application shall be filed with the application fees and documents the Exchange requires. Application fees are not transferable and not refundable.
- (b) An applicant must name in its application for admission a natural person who will be the Nominated Person authorized to represent it. An applicant must name at least one natural person who, if approved by the Exchange, will be an Authorized Trader. An applicant who is a natural person shall be considered by the Exchange to be the Nominated Person and the Authorized Trader. An applicant which is an Entity must provide a complete listing of the Entity's directors, officers, partners, or others who control the Entity.
- (c) Every applicant and all Persons associated with the applicant may be investigated by the Exchange. The applicant shall file with the Exchange any additional information and documents as the Exchange, or any individual, corporation, Exchange or association authorized by the Exchange to act on its behalf, may request.
- (d) Upon completion of the application process, the Exchange shall consider and then approve or reject the application for admission, unless there is just cause for delay. Applicants who are natural persons as well as holders of a significant interest in and/or senior management of applicant Entities may be required to appear in person before the Exchange. The Exchange may also require any Member, significant shareholder or manager associated with a Member who may possess information relevant to the applicant's suitability for membership to provide information or testimony.
- (e) The Exchange shall approve an application for admission if it finds that the applicant meets all of the qualifications for membership. The Exchange shall reject an application for admission if it does not make such a finding or if it finds that, if the application were approved, the Member would be subject to suspension or expulsion under the provisions of the Bylaws, these Rules or applicable law, including, without limitation, the Act.
- (f) Written notice of the action of the Exchange, specifying in the case of rejection of an application the grounds therefore, shall be given promptly to the applicant.

**304. Denial of Admission.**

- (a) The Exchange may deny the application of any Person to become a Member if the Person:
  - (i) Does not meet one or more of the standards of eligibility set forth in Rule 302 or does not follow the procedures to apply for admission set forth in these Rules or established by the Exchange;
  - (ii) Has been convicted of any felony or misdemeanor involving, arising from, or related to, the purchase or sale of any Commodity, security, Futures Contract, option or other financial instrument, or involving or arising from fraud or moral turpitude, or is permanently or temporarily enjoined by order, judgment or decree of any court of competent jurisdiction or any Governmental Agency from engaging in or continuing any conduct or practice in connection with the purchase or sale of any Commodity, security, Futures Contract, option or other financial instrument, or is or has been subject to an order of the Commission denying the Person trading privileges on or subject to the rules of any registered entity.
  - (iii) Has had any fine, cease and desist order, denial of trading privileges, censure or other sanction or discipline (whether through an adverse determination, voluntary settlement or otherwise) imposed on such Person by any Governmental Agency;
  - (iv) Has ever been expelled from, suspended by or subject to any other disciplinary action (whether through an adverse determination, voluntary settlement or otherwise) imposed on such person by any SRO;
  - (v) Is subject to any material unsatisfied judgments, the enforcement of which has not been stayed by a court of competent jurisdiction;
  - (vi) Has made any false or misleading statement in or in connection with any application filed with the Exchange; or
  - (vii) If, under all of the circumstances, the Exchange in its discretion determines that admitting the Person as a Member would not be in the best interests of the Exchange.
- (b) In the event that an application for membership is denied by the Exchange, the applicant shall have an opportunity to be heard upon the specific grounds for the denial. An applicant denied membership may challenge the denial by filing with the Secretary a petition for review of the denial by the Exchange's Appeals Committee. The petition shall be filed within thirty calendar days of the date upon which the Exchange's decision was mailed to the applicant. Hearings shall be conducted in a manner that will

give the Person an opportunity to present fully and fairly to the Exchange the Person's reasons why the application should be granted.

**305. Admission as a Member.**

- (a) In the event that the Exchange grants the application for admission of any Person to become a Member (or at any time prior thereto), the Person shall, within such time as the Exchange may specify, take the following actions:
  - (i) Execute and deliver to the Exchange a Membership Agreement in the form provided by the Exchange pursuant to which, among other things, the Person shall:
    - (A) Agree to abide by the Bylaws of the Exchange and Rules of the Exchange;
    - (B) Consent to the jurisdiction of the Exchange in all matters arising under the Bylaws or Rules;
    - (C) If the Person does not have its principal place of business in Chicago, Illinois, consent to the jurisdiction of the federal and state courts in Chicago, Illinois, in any action or proceeding brought by the Exchange;
  - (ii) If the Person is admitted as a non-U.S. Member, enter into a written agency agreement appointing a third party as its U.S. agent for service of process for purposes of Commission Regulation 15.05 and provide the Exchange with a copy of the agreement;
  - (iii) Designate at least one senior officer who is responsible for supervising all activities of its employees relating to transactions effected on the Trading System or subject to the Exchange's Rules and advise the Exchange of the name, title, address, phone number, fax number and e-mail address of each such officer;
  - (iv) Agree to establish and maintain a working connection with the Trading System in accordance with such procedures and protocols as the Exchange may have in effect from time to time;
  - (v) Unless the applicant is itself a Clearing Member, deliver to the Exchange a declaration on a form prescribed by the Exchange of its agreement with a Clearing Member to guarantee and clear the applicant's transactions or those of the applicant's customers, signed by the Clearing Member, and a copy of the written authorization from the Clearing Member under Rule 503; and

- (vi) File such other documents and take such other actions as the Exchange may prescribe.
- (b) Upon completion of the actions specified in paragraph (a) of this Rule:
  - (i) Such Person shall become a Member, with all of the rights, privileges and obligations set forth in, or established pursuant to, the Bylaws and Rules; and
  - (ii) The Exchange shall notify the Person of the effective date and time of becoming a Member and of the Member ID and, in the case of a Clearing Member, the Clearing Member ID.
  - (iii) If the Person does not complete the actions specified in paragraph (a) within the time specified by the Exchange, then unless the Exchange extends the time, the Person shall be deemed to have withdrawn the application to become a Member.

**306. Payment of Exchange Fees.**

The Exchange, in its discretion and with reasonable notice, may impose fees, charges and assessments upon Members, and Members shall pay any fees, charges and assessments in a manner prescribed by the Exchange on a timely basis. The Exchange may suspend any Member or impose other penalties pursuant to Part 6 for failure to pay any such fee, charge, or assessment on a timely basis.

**307. Duties of Members.**

- (a) **Non-U.S. Brokers.** Any non-U.S. Member that is not registered with the Commission as a futures commission merchant or introducing broker must provide the Exchange in the form and manner specified the true name, address and occupation of any Customer executing, carrying or clearing Futures or Option Contracts through the Member; *provided, however*, this requirement shall not apply if the positions of the non-U.S. Member's customers are maintained in or carried by a registered futures commission merchant on a fully-disclosed basis or introduced by a registered introducing broker.
- (b) **Notification.** Each Member shall immediately notify the Exchange in writing upon becoming aware of any of the following events:
  - (i) Any refusal of admission to, or withdrawal of any application for admission, membership or clearing membership in any SRO;
  - (ii) Any expulsion, suspension or fine in excess of \$25,000 (whether through an adverse determination, voluntary settlement or otherwise) imposed by any SRO;

- (iii) Any denial or withdrawal of any application for any registration or license by or from any Governmental Agency and any revocation, suspension, or conditioning of any registration or license granted by any Governmental Agency;
  - (iv) Any fine, cease and desist order, denial of trading privileges, censure or other sanction or discipline (whether through an adverse determination, voluntary settlement or otherwise) imposed by any Governmental Agency;
  - (v) Any indictment of the Member or any of its senior officers for any conviction of the Member or any of its senior officers of, any confession of guilt or plea of guilty or nolo contendere by the Member or any of its senior officers to any felony or misdemeanor involving, arising from, or related to the purchase or sale of any Commodity, security, Futures Contract, option or other financial instrument or involving or arising from fraud or moral turpitude;
  - (vi) Commencement of any judicial or administrative proceeding against the Member by any Governmental Agency which could result in the disqualification of a Member for Membership.
  - (vii) The commencement by or against the Member of a case in bankruptcy or of any other action or proceeding to liquidate, reorganize or restructure the Member pursuant to any applicable provision of law, federal or state, domestic or foreign;
  - (viii) Any damage to or failure or inadequacy of the systems, facilities or equipment of the Member which might materially and adversely affect the ability of the Member to effect transactions on the Exchange or subject to the Rules; to comply with the Bylaws and Rules; in the case of a Clearing Member, to clear transactions effected on the Exchange or subject to the Rules; or to timely perform its regulatory or financial obligations under or in connection with transactions effected on the Exchange or subject to the Rules.
  - (ix) Any other material change in any information contained in the application for admission as a Member; and
  - (x) Any failure to maintain segregated funds as required by the Commission where the Member is a Clearing Member or a futures commission merchant.
- (c) **Commission Reporting Requirements.** Each Member shall make and file reports in accordance with (and in the manner and form and at such times as may be prescribed by) Commission Regulations.

- (d) **Commission Record-keeping Requirements.** Each Member shall keep a record, as the Commission may direct, showing the details and terms of all Contracts and related cash transactions entered into or carried by the Member. Such record shall be kept in permanent form, showing the parties to all such transactions, including the Persons for whom made, any assignments or transfers thereof, with the parties thereto, and the manner in which the transactions are fulfilled, discharged or terminated. Records shall be kept for a period of five years from the date thereof (or for a longer period if the Commission shall so direct), shall be readily accessible during the first two years of the five-year period and shall at all times be open to inspection by any representative of the Exchange, the Commission or the United States Department of Justice.
- (e) **Exchange Reporting Requirements.** Each Member shall make and file reports with the Exchange at the times, in the form, and containing such information as the Exchange may prescribe from time to time.
- (f) **Exchange Record-keeping Requirements.** Each Member shall make such records relating to orders received, transactions effected and positions carried in Contracts and Underlying Commodities, and shall maintain such records for such time, as the Exchange may prescribe from time to time. Such records shall at all times be open to inspection by the Exchange.
- (g) **Responding to Information Requests.** Each Member shall timely furnish the information as may from time to time be requested by any officer, employee, agent or committee of the Exchange in the course of its, his or her duties. Any committee of the Exchange, when engaged in the examination of any subject over which it has jurisdiction, has the power to summon and examine any Member and any employee, officer, partner, or agent thereof. The committee may require such individual to submit a sworn statement of his or her information.
- (h) **Employee Supervision and Training.** Each Member shall diligently supervise all activities of its employees relating to transactions effected on the Trading System or subject to these Rules. Without limiting the generality of the foregoing:
  - (i) Each Member shall continue to have at all times at least one senior officer who is responsible for such supervision and shall promptly advise the Exchange of any change in the name, title, address, phone number, fax number or e-mail address of each such officer;
  - (ii) Each Member shall be responsible for training its employees regarding the requirements of these Rules, the Act, Commission Regulations, and the proper use of the Trading System and of any

terminal or other device used for obtaining access to the Trading System; and

- (iii) Each Member shall furnish the Exchange with the name, location, and Trader ID of each Authorized Trader and shall certify that each Authorized Trader has been trained regarding these Rules, the proper use of the Trading System, and the proper use of any terminal or other device used for obtaining access to the Trading System. The Exchange reserves the right to refuse or revoke access to the Trading System of any Authorized Trader when such action would serve the best interests of the Exchange.
- (i) **Rules Violations by Employees.** Any violation of the Bylaws or Rules by any employee of a Member shall constitute a violation of the Bylaws or Rules, as the case may be, by such Member.
- (j) **Contracts Entered Under ID.** Each Member shall be fully responsible for timely performance of all obligations under or in connection with any Contract resulting from the entry of any order into the Trading System with such Member's Member ID and any Contract otherwise resulting (including without limitation any Block Trade, EFP or EFS) and reported to the Trading System with such ID.
- (k) **Maintenance of Eligibility for Trading.** Each Member shall at all times continue to meet the standards of eligibility set forth in Rule 302 and not be subject to any of the grounds for denial of an application for admission as a Member set forth in Rule 304.
- (l) **Maintenance of Financial Requirements.** Members shall at all times maintain their financial resources at or in excess of the amount prescribed by the Exchange from time to time in respect of the Member's capacity at the Exchange. Any Member registered as a futures commission merchant or introducing broker must comply with the financial requirements set forth by the Commission, and any Member registered as a broker-dealer must comply with the financial requirements set forth by the Securities and Exchange Commission.
- (m) **Due Diligence in Handling Customer Orders.** Each Member shall use due diligence in receiving and handling orders from Customers, entering such orders into the Trading System, responding to inquiries from Customers about their orders and reporting back to Customers the execution of such orders.
- (n) **Priority of Customer Order Entry.** Each Member shall establish and enforce internal rules, procedures and controls to ensure, to the extent possible, that each order received from a Customer which is executable at

or near the market price is entered into the Trading System before any order having the same Delivery Month in the same Commodity for:

- (i) Any Proprietary Account,
- (ii) Any other account in which any Affiliate of the Member has an interest, or
- (iii) Any account for which the Member, Affiliate, or an employee thereof may originate orders without the specific prior consent of the owner of the account, if such Member, Affiliate or employee has gained knowledge of the Customer's order prior to the entry of the orders specified in paragraphs (i)-(iii) above.

**308. Prohibited Conduct.**

No Member shall:

- (a) Violate or fail to conform to applicable provisions of the Act, Commission Regulations or any other law applicable to trading on the Exchange;
- (b) Violate or fail to conform to the Bylaws, Rules and procedures of the Exchange or the Bylaws, Rules and procedures of the Clearing Organization;
- (c) Violate or fail to conform to the terms of the Membership Agreement;
- (d) Violate or fail to comply with any decision or order of a committee of the Exchange or any order of any officer, employee or agent of the Exchange when acting within his, her or its jurisdiction;
- (e) Transfer or assign such Member's trading privileges without the prior consent of the Exchange. Any purported transfer or assignment without such consent shall not be binding on the Exchange. If prior consent is not obtained, Persons who acquire or succeed to the business of any Member may obtain trading privileges only by application to the Exchange pursuant to this Part 3 of these Rules;
- (f) Disseminate any false, misleading or knowingly inaccurate information, including reports concerning any Contract or Underlying Commodity or market information or conditions that affect or tend to affect the price of any Contract or Underlying Commodity;
- (g) Manipulate, or attempt to manipulate, the price of, or to corner, any Contract or Underlying Commodity;



- (h) Furnish false or misleading information or fail to furnish information when requested by the Exchange or any committee, officer, employee, or agent of the Exchange, acting in the course of his, her or its duties;
- (i) Enter any bids, offers or transactions into the Trading System when such Member knows or should have known that it is insolvent, within the meaning of any applicable bankruptcy or insolvency laws, federal or state, domestic or foreign, without the prior written approval of the Exchange;
- (j) Violate, or fail to timely comply with the terms of any agreement between the Member and the Exchange or the Clearing Organization, or any order or decision of the Exchange or the Clearing Organization;
- (k) Enter bids or offers into the Trading System other than in good faith for the purpose of executing transactions, or to make any bid or offer that is not for a true and bona fide price or that is for the purpose of establishing a market price which does not reflect the true state of the market;
- (l) Place any orders for Contracts with or execute any transaction in Contracts through any Clearing Member without the prior written consent of the Member's Authorized Clearing Member (which may be in the form of a blanket consent to all orders and transactions entered or executed after such consent is given);
- (m) Knowingly carry an account, enter an order or effect any transaction for any employee of the Exchange, the Clearing Organization or any other Member without the prior written consent of the employer (which may be in the form of a blanket consent to all orders and transactions entered or executed after such consent is given);
- (n) Knowingly carry an account, enter an order into the Trading System or effect any transaction in any Contract for any other Member without the prior written consent of such Member's Authorized Clearing Member (which may be in the form of a blanket consent to all orders and transactions entered or executed after such consent is given);
- (o) Enter into a transaction on the Trading System which is not competitively executed on the Trading System except in compliance with the conditions and procedures under which such transactions may be permitted under the Rules; or
- (p) Engage in conduct or practices inconsistent with just and equitable principles of trade or conduct or practices detrimental to the best interests of the Exchange.

**309. Surveillance.**

The Exchange has contracted for the performance of market, trade practice, financial, and sales practice surveillance and related investigations and disciplinary proceedings with respect to Members. The failure by any Member to furnish any information requested by the entity contracted to perform these functions, as authorized by the Exchange and acting on behalf of the Exchange with respect to these functions, shall constitute a violation of these Rules.

**310. Proprietary Nature of Market Data.**

All Members, Authorized Traders, and employees, agents, vendors and other Persons affiliated with the foregoing understand and acknowledge that the Exchange has a proprietary interest in Market Data and Quotation Information and agree not to take any action contrary or detrimental to such interest.

**311. Recording of Conversations.**

- (a) Members acknowledge and consent to the Exchange's right and power to record conversations between employees, officers and agents of the Exchange and Members, their employees, officers and agents. Members shall inform their employees and agents of the Exchange's right and power to record conversations and shall obtain their consent thereto. The Exchange shall retain any such recordings under the terms and conditions the Exchange may prescribe from time to time.
- (b) The Exchange may require conversations with respect to transactions made, or intended to be made, on the Trading System or subject to the rules of the Exchange, which are conducted on telecommunications equipment of any kind located in a Member's premises, to be recorded by or on behalf of the Member. Such recordings shall be conducted in accordance with any applicable state or federal laws. The Member shall retain any such recordings under the terms and conditions and for such periods of time as the Exchange may prescribe from time to time.

**312. Market Maker Program.**

The Exchange, in order to provide liquidity and orderliness in an Exchange market, may adopt a program granting one or more Members, designated as Market Makers, benefits in return for assuming and adequately performing obligations. Any such program may contain:

- (a) The qualifications to become a Market Maker, including without limitation any minimum net capital requirements;
- (b) The procedure by which a Member may seek and receive designation as a Market Maker;

- (c) The obligations of a Market Maker, including without limitation, maximum bid/offer spreads and minimum quote size; and/or
- (d) The benefits accruing to a Market Maker, including without limitation, reduced transaction fees and/or the receipt of compensatory payments from the Exchange.

**313. Automated Order Routing Systems (AORSs).**

- (a) Members are authorized to transmit orders to the Trading System using automated order routing systems under the following conditions:
  - (i) The Member obtains an ORS Trader identification for its AORS system and identifies traders authorized to enter orders over the Member's AORS;
  - (ii) The AORS uses an interface permitted by the Exchange;
  - (iii) The AORS must have resident on it a filter that checks and releases orders to the Trading System accordingly to Member-defined parameters;
  - (iv) The Member must be able to prevent the AORS from forwarding orders to the Trading System; and
  - (v) The Member must monitor trading on the AORS.
- (b) All AORS orders are considered to be orders placed by and through an Authorized Trader of the Member, and the Member shall be fully responsible for such orders and their compliance with all applicable requirements.
- (c) No Member shall accept an order from or on behalf of a Customer, or permit an order from a Customer to be transmitted to the Trading System through an AORS, unless the Customer is first provided with a customer disclosure statement in such form as may be specified by the Exchange.

**314. Termination of Membership.**

- (a) The membership of any Person may be terminated at any time:
  - (i) By the Exchange pursuant to Part 6 of the Rules; or
  - (ii) By the Exchange if the Exchange shall determine, after notice and an opportunity to be heard, that such Member no longer meets any one or more of the eligibility standards set forth in Rule 302; or

- (iii) By a Member upon written notice to the Exchange, specifying the effective date of termination, which shall be (A) not less than 30 days following the date of giving of such notice or (B) such other date as may be approved by the Exchange.
- (b) Notwithstanding any termination of its membership, a Member shall remain subject to the jurisdiction of the Exchange after the effective date of termination with respect to any investigation or proceeding commenced by the Exchange against the Person pursuant to Part 6 of the Rules or any claim in arbitration filed against the Person pursuant to Part 7 of the Rules, provided that such investigation, proceeding or arbitration is commenced not more than six months after the effective date of termination.
- (c) Any Member whose membership has terminated shall immediately notify the Exchange of any change in its address as most recently reported to the Exchange for a period of one year following the effective date of termination.

## Part 4. Trading.

### 401. Business Day Periods.

Trading shall occur on such days and during such hours as the Exchange shall determine. Business Day Periods may vary according to the Contract traded. Each Business Day is composed of the following periods:

- (a) **Pre-Trading Period.** Prior to the commencement or resumption of futures and futures options trading, orders and quotes may, until the time set by the Exchange, be entered into the Trading System (the “Pre-Trading Period”).
- (b) **Opening Period.** Futures and futures options trading begins with the determination of an opening price for each futures Delivery Month and each series of futures options (the “Opening Period”). The Exchange does not guarantee the execution of any order or quote at the opening price. The Opening Period is comprised of:
  - (i) Pre-Opening Period. For the purpose of determining a particular opening price, additional orders and quotes may be entered until a time established by the Exchange (the “Pre-Opening Period”), and a preliminary opening price will be displayed continuously during this period. During the Pre-Opening Period quotes may be cancelled or amended only on a Contract by Contract basis; a Member may not change, cancel or withdraw quotes as a group.
  - (ii) Transition. Directly before the transition from the Pre-Opening Period to the netting process, the Exchange may, in order to ensure an orderly netting process, suspend the entry of additional orders and quotes or change or cancel previously entered orders and quotes. During the netting process, orders and quotes will be netted to determine a final opening price of each futures Delivery Month and series of futures options in a manner that will lead to the maximum matching of volume.
  - (iii) End of Opening Period. The Opening Period with respect to a Contract shall end as soon as the netting process has been completed for each futures Delivery Month and series of futures options. If no market orders exist that can be matched with quotes or limit orders for any futures Delivery Months or series of futures options and matching between limit orders or limit orders and quotes is not possible, the Opening Period shall end without the determination of an opening price.

- (c) **Trading Period.**
- (i) After the close of the Opening Period, the relevant Contracts will be traded on a continuous basis until a time established by the Exchange (the “Trading Period”).
  - (ii) Transactions under Rules 415 (Block Trading Facility), 416 (Basis Trading Facility), 417 (EFS Trading Facility), and 418 (Volatility (Vola) Trading Facility) may be effected only through the relevant electronic trading facility during the Trading Period.
- (d) **Closing Auction.**
- (i) For Futures Contracts in commodities that the Exchange in its discretion shall specify, a Closing Auction shall follow the Trading Period. During the Closing Auction, which will last for a period of time determined by the Exchange, quotes and orders may be entered into the system but will not be matched. Instead, the orders will be cumulated.
  - (ii) “Immediate-or-cancel” and “Fill-or-kill” orders may not be entered during the Closing Auction. “Stop Orders” will not be triggered by the Closing Auction. Leg orders, but not spread orders, from the continuous trading session will be available for inclusion in the closing auction. An indicative closing price will be calculated and broadcast during the period, but no quantities associated with the orders or depth of the Order Book will be shown.
  - (iii) The Closing Auction will terminate with the netting of orders to a single closing price in a manner that will lead to the maximum matching of volume; provided, however, the execution of orders and quotes entered during the Closing Auction is not guaranteed by the Exchange.
- (e) **Post-Trading Period.** After the end of the Trading Period, or as applicable the Closing Auction, there shall be a Post-Trading Period, divided into a Post-Trading Full Period and a Post-Trading Restricted Period.
- (i) Post-Trading Full Period. During the Post-Trading Full Period the Trading System is available to members for data requests as well as input of data changes.
  - (ii) Post-Trading Restricted Period. During the Post-Trading Restricted Period, the Trading System is available to Members only for data requests.

#### **402. Contracts.**

The Exchange shall determine the Contracts to be listed for trading through the Trading System and decide upon changes thereto.

#### **403. Orders.**

##### **(a) In General.**

- (i) Except as otherwise expressly provided in these Rules, all transactions of any type in or involving Contracts must be bid, offered and executed through the Trading System.
- (ii) Orders may be entered into the Trading System only:
  - (A) In such form and during such times as the Exchange shall prescribe;
  - (B) By an Authorized Trader; and
  - (C)
    - (1) For market orders in an amount not equal to or exceeding 2,000 contracts per order; or
    - (2) For limit orders, in an amount not exceeding 9,999 contracts and within the price parameters for any size limit order that the Exchange may specify.
- (iii) Orders may contain such limitations and shall have such effect as determined and published by the Exchange.
- (iv) Each order entered into the Trading System must be in the form and contain the information the Exchange requires. Any order not complying with Exchange requirements shall not be accepted.
- (v) All orders entered into the Trading System shall remain open in the Trading System until executed or cancelled or until the expiration time, if any, specified in the order. Such open orders constitute the Order Book. Orders entered into the Trading System may be changed by the Member entering the order, but any change in the price or increase in quantity shall be treated as a new order for the purpose of time priority.
- (vi) Once the Exchange receives notice from the Clearing Organization that a Clearing Member's clearing authorization has been terminated, any order or quote in the Trading System's Order Book for that Clearing Member or for a Trading Member guaranteed by that Clearing Member is no longer in compliance with Exchange requirements and shall be cancelled by the Exchange.

(b) **Type of Orders.**

(i) **In General.** The following orders may be entered by a Member into the Trading System:

- (A) market orders;
- (B) limit orders;
- (C) combination orders; and
- (D) for futures, stop orders.

(ii) **Market Orders.**

(A) A market order is an order to buy or sell a stated number of contracts to be executed at the best price obtainable when the order is entered in to the Trading System. Market orders relating to products subject to matching under price/time priority are valid only until the end of the Trading Period on the trading day on which they are entered. Provided, however, their validity may be made subject to one of the following conditions:

- (1) “Good-till-cancelled” (valid until withdrawn); and
- (2) “Good-till-date” (valid until the expiration of a period.)

A market order subject to one of the above conditions which is not executed at the end of a trading day shall remain in the Order Book and will be available for execution during the next trading day.

(B) Market orders relating to products subject to Pro Rata Matching must be entered as an IOC (immediate-or-cancel) order. Any unexecuted portion of such an order shall not be entered into the Order Book and shall be deleted.

(iii) **Limit Orders.** A limit order is an order to buy or sell a stated number of contracts that are to be executed at the price stated in the order or better.

(A) Unrestricted Limit Orders. Unrestricted limit orders that are not executed immediately, or any unexecuted portion of such an order, shall be entered in the Order Book. The



validity of unrestricted limit orders must be subject to one of the following conditions:

- (1) “Good-for-Day” (valid until end of Trading Period);
- (2) “Good-till-cancelled” (valid until withdrawn); or
- (3) “Good-till-date” (valid for a certain period.)

Unless otherwise specified, all unrestricted limit orders shall be entered in the Order Book as “Good-for-Day” orders.

(B) Restricted Limit Orders. Restricted limit orders may be entered only during the Trading Period. Restricted limit orders for Futures Contracts must be subject to the “immediate-or-cancel” limitation on execution; they shall not be entered in the Order Book. Restricted limit orders for Options Contracts must be subject to one of the following limitations on execution:

- (1) “Fill-or-kill” (immediate execution in full or cancellation of the order); or
- (2) “Immediate-or-cancel” (immediate execution of the order to the extent possible and cancellation of the unexecuted part).

(iv) Combination Orders and Combination Quotes for Options. Combination orders for Option Contracts consist of two individual orders, and combination quotes are two individual quotes entered simultaneously for a sale (purchase) of an identical number of contracts for the same product whereby the execution of the combination orders or buy and/or sell orders or the quotes are dependent on one another; such orders may have different expiration days or exercise prices or be of different types (“Call/Put”).

(A) The Exchange shall specify the combination orders and combination quotes that are possible in the Trading System, if any, and whether the Exchange will maintain a Combination Order and Combination Quote Book in respect of any combination orders and combination quotes. Combination quotes shall be recorded only in the corresponding Combination Quote Book and shall be

automatically withdrawn from trading at the end of the Post-Trading Period.

- (B) When entering a combination order for which an Options Combination Quote Book is kept in the Trading System, it must state whether the combination order is to be executed with the combination quotes in the Options Combination Quote Book or with the orders and quotes in the standard Order Books of both sides of the combination.
  - (C) Combination orders and combination quotes must specify a price that corresponds either to the spread between the buy/sell prices or the sum of the buy or sell prices of the two individual orders or quotes, as appropriate.
  - (D) Combination orders may be subject to either the “immediate-or-cancel” or the “fill-or-kill” limitation on execution. Both parts of “immediate-or-cancel” orders shall, so far as possible, be executed to the same extent and within the specified price spread or price sum; parts not executed shall be cancelled. If both parts of “fill-or-kill” orders cannot be executed in their entirety and within the specified price spread or sum, the entire order shall be cancelled.
- (v) Combination Orders and Combination Quotes for Futures. Combination orders and combination quotes for Futures Contracts consist of two individual orders or quotes entered simultaneously the execution of which are dependent on one another, for a sale and/or purchase of an identical number of contracts for the same product, differing only with respect to their expiration day (“Calendar Time Spread”). The Exchange shall specify the combination orders that are possible in the Trading System.
- (A) Combination orders and combination quotes must specify a price that corresponds to the spread between the buy and sell price of the two individual orders. They will be executed in a manner such that both parts are affected to the same extent. If combination orders or quotes are not executed or are only partially executed, they shall be entered in a special order book and may be matched with any new incoming orders and quotes or combination orders and combination quotes. Unexecuted combination orders that have been made subject to a validity condition under subsection (ii)(A) of this rule and combination quotes of an Exchange day shall be automatically withdrawn from trading after the end of the Post-Trading Period.

- (B) Combination orders shall be held in the Exchange's Trading System and must be returned to trading or cancelled promptly by the Member during the next day's Trading Period. Combination quotes will not be held in the Trading System and must be re-entered.
  - (C) Combination orders or combination quotes may be entered only during the Trading Period.
- (vi) Stop Orders for Futures Contracts. Stop orders are buy (sell) orders that at the time of entry into the Trading System specify a price, the ("trigger price,") at which, if in the course of trading in the Futures Contract the price is touched or exceeded (falls below), the orders are converted into market orders.
- (A) Stop orders will be entered into a separate order book and may be entered only for products subject to price/time matching priority and not for products subject to pro-rata matching.
  - (B) Stop orders that have been converted into market orders will be executed in the order of their conversion into market orders along with any other incoming market orders, in accordance with paragraph (ii) of this rule.
- (vii) Orders and Quotes with respect to Inter Product Spreads. Orders or quotes for Inter Product Spreads are orders to buy a specific number of contracts of a product and to sell simultaneously a specific number of contracts of another product.
- (A) The Exchange shall specify the product combinations and the number of contracts of each product tradable as an Inter Product Spread.
  - (B) Orders or quotes for an Inter Product Spread can only be executed against orders or quotes entered in the same Inter Product Spread and may not be executed against orders or quotes with respect to one of the products forming the Inter Product Spread.
  - (C) The following types of orders with respect to Inter Product Spreads are admissible:
    - (1) market orders;
    - (2) limit orders; and
    - (3) stop orders.

- (D) Orders or quotes for Inter Product Spreads may be entered or changed only during the Trading Period, although orders also may be cancelled during the Pre-Trading and Post-Trading Full Period.
- (viii) Orders and Quotes with respect to Delta Neutral Products. Orders or quotes for Delta Neutral Products are orders or quotes to buy a specific number of Options Contracts and to sell simultaneously a specific number of Futures Contracts on the same Underlying Commodity or on Futures Contracts that are the underlying of the options, in an amount of Futures Contracts derived from the delta of the Options Contract at the price of the Futures Contract determined by the Exchange.
  - (A) The Exchange shall specify the combinations of futures and options that may be traded as a Delta Neutral Product, and the applicable futures price that serves as the reference price for pricing the Options Contracts. When, as a result of price movements in the market price of the futures the futures reference price changes, all orders based on the former futures reference price will be deleted from the Trading System.
  - (B) Orders or quotes for Delta Neutral Products can only be executed against orders or quotes for the same Delta Neutral Products.
  - (C) Market orders and limit orders are admissible with respect to Delta Neutral Products.
  - (D) Orders or quotes for Delta Neutral Products may be entered or changed only during the Trading Period. All orders or quotes with respect to Delta Neutral Products shall be deleted prior to each price adjustment of the Futures Contract and after the end of the Trading Period.
- (c) **Strategy Board Trading.** Strategy orders or quotes are orders or quotes to buy and/or sell simultaneously various combinations of options or options and futures contracts traded on the Trading System.
  - (i) Members may cause the Trading System to open a separate order book for a strategy by creating a user-defined strategy from a list of available strategies. Once an order book for a particular strategy has been opened, the particular strategy may not be modified. All strategies shall be deleted at the end of the trading day.
  - (ii) Strategies may include a futures component, but may not consist entirely of futures components. The price entered for the

underlying futures component of an Options Volatility Strategy will be rejected as invalid if it differs from the contract's last traded price by a percentage greater than that which the Exchange may specify.

- (iii) Orders for strategy trades may be entered or modified only when each of the products comprising the strategy is in a trading period. Only limit orders and quotes for strategies are admissible. Such orders may be subject to the following restrictions:
  - (A) Immediate-or-cancel (IOC); or
  - (B) Fill-or-kill (FOK); and
- (iv) Strategy orders will only be matched against orders for the same strategy, independent from regular Option, Futures and Options Combinations Quotes Inside Market, and only for entire units of the respective strategy. Partial executions will yield entire strategy positions, although in fewer than the quantity desired.
- (v) Strategy orders will be matched based on the principle of price-time priority. Following a match, each contract that is a component of the strategy shall be posted individually at the virtual prices at which all legs of the strategy would have matched.
- (d) **Bunched Orders.** Each Customer order entered into the Trading System shall be for one account, except that orders may be for more than one account if placed by or on instructions from a Person with trading discretion over such accounts and in a manner that complies with Commission rules.
- (e) **Average Price Trades.** If an order or series of orders is executed in one or more transactions at different prices in a single Trading Session, a Member may confirm to its Customer an average price for such transactions, provided that:
  - (i) The confirming of such average prices is in accordance with the then current requirements of the Commission;
  - (ii) Each such transaction is for the same account or group of accounts and for the same Contract;
  - (iii) The average price in each case shall be computed by multiplying the price of each Contract by the number of Contracts executed at that price, adding the results together and dividing the total by the aggregate number of Contracts executed; and in the case of a series of orders, the average price may be computed based on the average price of each Contract in the series; and

- (iv) Any confirmation of an average price must indicate on the confirmation and in any monthly statement furnished to the Customer that the price is an average price and not an execution price.

**404. Execution of Transactions.**

Transactions shall be executed in accordance with procedures established by the Exchange. When the Trading System matches valid bids and offers, such matches shall constitute a valid transaction binding the Members entering the bid and offer. Orders entered into the Trading System shall be executed in accordance with either a price time priority algorithm or a price pro-rata priority algorithm as determined by the Exchange on a Contract by Contract basis. The price time priority algorithm gives first priority to orders at the best prices, and then gives priority among orders at the same price based on time of entry into the Trading System. The price pro-rata algorithm assigns first priority on the basis of price and fills orders at the same price on a pro-rata basis.

**405. Confirmations and Objections.**

The Exchange shall immediately notify a Member of the matching of bids and offers through the Trading System. This confirmation shall include all material details of the transaction. Objections to the contents of transaction confirmations must be submitted to the Exchange, in writing, promptly upon receipt, but no later than the beginning of trading for the relevant Contract on the next Business Day.

Objections to the contents of settlement assignments must be submitted to the Clearing Organization, in writing, promptly upon receipt, in accordance with any relevant requirements of the Clearing Organization, but no later than the beginning of trading for the relevant Contract on the next Business Day.

**406. Cross Trades and Pre-negotiated Trades.**

Except in the case of transactions effected pursuant to Rules 415, 416, 417, or 418 no Member shall enter into a pre-negotiated transaction or knowingly assume on its own behalf or on behalf of another Customer the opposite side of a Customer order except where:

- (a) In the case of a Customer order, the Customer has given consent thereto (which may be in the form of a blanket consent); and
- (b) The Member seeking to match Customer orders, to take the opposite side of a Customer order or to execute a pre-negotiated transaction, waits 5 seconds in the case of Futures Contracts or 15 seconds in the case of Option Contracts after the initial order is entered into the Trading System before entering the opposite order.

**407. Trade Invalidation Upon Revocation of Clearing Authorization**

Once the Exchange has received notice from the Clearing Organization that a Clearing Member's authorization has been terminated, any trade subsequently matched by the Trading System for that Clearing Member or for a Trading Member guaranteed by that Clearing Member shall be considered to be invalid by the Exchange. The Exchange shall cancel any transaction under this Rule by entering a counter-transaction into the Trading System at the price at which the cancelled transaction was effected.

**408. Cancellation of Transactions.**

- (a) In order to ensure orderly and fair market conditions, the Exchange, in its discretion, may cancel a transaction *ex officio* if, in the judgment of the Exchange, the price of the transaction effected on the Trading System deviates significantly from its Fair Market Price; provided, however, that the Exchange shall not cancel any transaction under this Paragraph (a) where the transaction price falls within the applicable range specified in Paragraph (b)(ii) of this Rule;
- (b) The Exchange shall cancel a transaction executed on the Trading System which results from the erroneous entry of an order or a quote ("mistrade") in order to ensure orderly and fair market conditions if:
  - (i) The Member which entered the erroneous order or quote into the Trading System informs the Exchange by telephone within 15 minutes of the execution of the transaction by the Trading System that the transaction was the result of an order or quote that was mistakenly entered into the Trading System; and
  - (ii) The price of the transaction effected by the erroneous entry of the order or quote is outside the following range as applicable:  
  
**[RESERVED]**
- (c) If a transaction is cancelled subject to paragraphs (a) or (b) of this Rule, the Exchange shall also cancel any and all trades that were executed outside the applicable range enumerated in paragraph (b)(ii) of this Rule resulting from contingent orders having been selected for execution because of the cancelled transaction.
- (d) (i) If the mistrade forms part of a spread transaction, the Exchange shall determine whether one leg is, or both legs are, outside of the applicable range in paragraph (b)(ii) by determining the price of each leg of the spread separately, and shall cancel only the leg of the spread that is outside of the applicable range in paragraph (b)(ii).

- (ii) If the Member entering the initial spread order would suffer a loss from cancellation of one of the transaction's legs, the Exchange shall make the Member entering the erroneous order or quote a party to the leg of the spread transaction that was not cancelled.
- (iii) Notwithstanding subparagraphs (d)(i) and (ii) of this rule, if the mistrade was for a spread transaction executed through an Option Combination Quote Book, then the legs of the transaction shall not be separately priced, the Fair Market Price shall be determined under the procedure of paragraph (j)(ii) of this rule and, if the price of the spread is outside of the applicable range enumerated in paragraph (b)(ii) of this rule, all legs forming the transaction or strategy shall be cancelled.
- (e) The Exchange may charge the Member who caused the erroneous entry a handling fee reflecting expenses incurred by the Exchange. Provided, however, the fee charged shall be not less than \$500 nor more than \$1500 for futures and not less than \$150 nor more than \$450 for options per occurrence. The Exchange shall refund exchange fees for the initial and canceling transaction.
- (f) Cancellation of a transaction by the Exchange pursuant to this rule shall be effected promptly by means of entering a counter-transaction into the Trading System at the price at which the cancelled transaction was effected.
- (g) The Exchange shall promptly notify all Members of any Member's initial notification of a mistrade and any subsequent action taken by the Exchange and shall publish all necessary price corrections in a manner to be determined by the Exchange. The Exchange shall notify the concerned parties that it has cancelled the relevant transaction(s) within ten minutes of first receiving notice of the mistrade unless impractical to do so within that period.
- (h) The Exchange shall cancel any transaction under Rules 415, 416, 417, and 418 upon notice to the Exchange of a mistrade by the parties to the transaction and their agreement to its cancellation. The fees and refunds provided for under paragraph (e) of this rule shall apply to both parties to the cancelled transaction.
- (i) Cancellation of a transaction under this rule by the Exchange does not preclude the Exchange from instigating disciplinary proceedings under Part 6 of these Rules in the event that the cancelled transaction is subsequently found not to have been executed in accordance with the Rules of the Exchange.
- (j) **Fair Market Price.**



- (i) The Fair Market Price within the meaning of paragraphs (a) and (b) of this Rule shall be the last traded price before the trade to be cancelled was matched by the Trading System. Provided, however, that for options, if the last traded price cannot be determined or, if in the Exchange's discretion, the last traded price does not correspond to fair market conditions, then the Exchange shall compute the Fair Market Price using the implicit option valuation based upon the price of the underlying futures at the time the trade to be canceled was matched by the Trading System.
- (ii) If the Fair Market Price cannot be determined pursuant to the procedures in paragraph (j)(i), if the Exchange in its discretion determines that the price so determined does not correspond to fair market conditions, or if any Member which is a party to the transaction to be cancelled objects to its cancellation, the Exchange shall determine the Fair Market Price by selecting three competent Authorized Traders ("Traders") whose Member does not have an interest in the transaction, and requesting that each Trader calculate a Fair Market Price for the transaction concerned. The Fair Market Price shall be the average of the prices determined by these Traders. If three such Traders cannot be identified or cannot calculate a Fair Market Price, then the Exchange in its discretion shall establish the Fair Market Price.
- (iii) The Fair Market Price determined under this paragraph shall not be subject to appeal.

**409. Volatility Interruption.**

If the last effected price of a Futures Contract traded on the Trading System is outside a price range with respect to specific time frames within the lead Delivery Month, or within the lead and next to deliver trading months, determined in the discretion of the Exchange, the trading period in all Delivery Months for that Futures Contract shall be interrupted. Immediately thereafter, trading in that Futures Contract on the Trading System shall be resumed with a Pre-Trading Period and an Opening Period pursuant to Rule 401. Orders and quotes pending in the Trading System for that Futures Contract at the time of the interruption shall continue to be open for trading in the Order Book; provided however, calendar spread orders shall be deactivated upon interruption of the trading period pursuant to this rule and, to be active, must be resubmitted by Members when continuous trading resumes.

**410. Transfer of Positions.**

- (a) Contracts may be transferred from one account carried by a Member to another account carried by that Member or to an account carried by any other Member, but only if the transfer would not result in:

- (i) The offset of long and short positions and a reduction of the open interest in any Contract during the Delivery Month for such Contract; or
- (ii) A change in the beneficial ownership in any Contract, unless the transfer is made:
  - (A) To correct an error in the original posting of the Contract;
  - (B) To reflect a change of ownership occurring by operation of law on the death or bankruptcy of a Person having an ownership interest in such Contract or occurring as a result of a merger, consolidation, disposition of a line of business, reorganization or similar event affecting such Person;
  - (C) To combine the positions held by two or more commodity pools operated by the same commodity pool operator and traded by the same commodity trading advisor pursuant to the same strategy, into a single consolidated account, so long as: (A) the transfers do not result in the liquidation of any open positions, and (B) the pro rata allocation of interests in the consolidated account does not result in more than a de minimis change in the value of the interest of any pool participant; or
  - (D) In accordance with Rule 415, 416, 417, or 418.
- (b) Any Member transferring one or more Contracts shall give notice of the transfer to the Exchange in such form and containing such information as the Exchange may prescribe.
- (c) Transfers of the individual positions of Clearing Members, Trading Members or Customers shall be made at the historic price at which they were traded; provided however, in the event of bulk transfers by a Clearing Member or a Trading Member of all of its, and/or its Customer's positions, the Exchange in its discretion may agree to permit such transfers at the settlement price on the day of transfer.

**411. Settlement.**

All trades shall be settled on a timely basis in accordance with the schedule of the Clearing Organization.

**412. Position Limits.**

- (a) The Exchange may establish position limits for any Contract.

- (b) Except as otherwise provided by the Rules, no Person, including a Member, may hold or control a position in excess of such position limits, and a Member may not maintain a position in excess of such position limits for a Customer if such Member knows, or with reasonable care should know, that such position will cause such Customer to exceed the applicable position limits.
- (c) Position limits shall apply to: (i) all positions in accounts for which any Person, by power of attorney or otherwise, directly or indirectly holds positions or controls trading, and (ii) positions held by two or more Persons acting pursuant to an expressed or implied agreement or understanding, as if the positions were held by, or the trading of the positions were done by, a single Person.

**413. Exemptions from Position Limits.**

Any Person seeking an exemption from the position limits referred to in Rule 412 must file an application with the Exchange in the manner and within the time limits prescribed by the Exchange. The Exchange shall notify the applicant whether the exemption has been approved and whether the Exchange has imposed any limitations or conditions on the exemption. The decision of the Exchange shall be final.

**414. Position Accountability.**

- (a) The Exchange may establish a Position Accountability level for any Contract. Any Person, including a Member, who owns or controls Contracts in excess of the applicable Position Accountability level shall provide to the Exchange at its request any information regarding the nature of the position, trading strategy, or hedging activities, if applicable, and if ordered by the Exchange, shall not increase the size of any such position.
- (b) For purposes of this Rule, all positions in accounts for which a Person, by power of attorney or otherwise, directly or indirectly controls trading shall be included with the positions held by such Person. The provisions of this Rule shall apply to positions held by two or more Persons acting pursuant to an expressed or implied agreement or understanding, as if the positions were held by a single Person.

**415. Block Trade Facility.**

Block Trades between a Member's customers, between a Member (acting for itself or its Customers) and another Member, or between a Member and any Customer may be effected only through the electronic Block Trading Facility provided by the Exchange, rather than on the Trading System, in accordance with the provisions of this Rule.

- (a) A Member may conduct Block Trades only if the Member is an ECP.
- (b) A Member may not enter into a Block Trade with or on behalf of any Customer unless such Customer is:
  - (i) An ECP; or
  - (ii) Advised in connection with such Block Trade by a Person with total assets under management exceeding \$25 million and who is either:
    - (A) Registered as an investment adviser with the Securities and Exchange Commission, registered as a commodity trading advisor with the Commission, or exempt from any such registration; or
    - (B) A foreign Person performing a similar role or function and subject as such to foreign regulation.
- (c) A Member may effect a Block Trade on behalf of a Customer only if the Member has received an order to do so from the Customer. Such order must be recorded and time-stamped with the time the order is placed and the time the order is executed.
- (d) A Member may not take the opposite side of a Block Trade with a Customer without such Customer's prior consent, which may be in the form of a blanket consent to all transactions effected after such consent is given.
- (e) Block Trades may be transacted only in Contracts authorized for that purpose by the Exchange. The minimum number of contracts to qualify as a block trade under this rule are as follows:  
  
**[RESERVED]**
- (f) Each time a Member quotes a Block Trade price, the Member must make clear to the potential counter-party(ies), whether a Member or Customer, that the price being quoted is a Block Trade price and not the traded price prevailing on the Trading System.
- (g) The transaction may be consummated at a price mutually agreed upon by the parties to the transaction; provided that, the price for the Futures Contract is no more than 5 ticks outside of the range of the day's high and low; *provided further*, however, that:
  - (i) the price for the Futures Contract, if agreed to by the parties at a time between the market's close on one day and its open on the next day (Interim Period) is no more than 5 ticks outside of the

range of the Interim Period's high and low derived from a generally accepted theoretical model or of the range between the first day's settlement price and the next day's Opening Price; or

- (ii) if the market is open, but there has not been a transaction within ten minutes of when the price is agreed to by the parties, the price for the Futures Contract is no more than 5 ticks outside of a range of the day's high and low derived from a generally accepted theoretical model; or
  - (iii) in the case of an option, the price is no more than 5 ticks outside of the range of the day's high and low, or as applicable, the range provided in subparagraph (i) of this paragraph, derived from a generally accepted theoretical model.
- (h) Immediately upon agreeing to enter into the Block Trade transaction, or upon the market's opening (or re-opening) if the transaction is agreed to be entered into by the parties at a time when the market is closed, the Member who is the Block Trade buyer (or whose Customer is the Block Trade buyer) shall enter the details of the Block Trade on the screen provided by the Exchange. Within 15 minutes of entry of the details of the Block Trade on the screen, the Member who is the Block Trade seller (or whose Customer is the Block Trade seller) shall confirm such Block Trade. The Exchange shall immediately notify the parties to the transaction of the details of the Block Trade upon confirmation, and immediately update the Online Time and Sales Report to reflect the transaction.
- (i) Upon request by any employee of the Market Supervision or Compliance Departments, Members must produce satisfactory evidence, including the name of the Customer if the transaction is in the name of an omnibus account or foreign broker, that the Block Trade was arranged in accordance with the Rules.

#### **416. Exchange of Futures for Physicals Facility (EFPs).**

Basis Trades or EFPs may be arranged and executed by a Member only through the electronic Basis Trading Facility provided by the Exchange, rather than on the Trading System, in accordance with the provisions of this Rule.

- (a) As used in this Rule a "Basis Trade" or "EFP" means a transaction consummated between two parties wherein one of the parties is the buyer of a Commodity and the seller of a Futures Contract, and the other party is the seller of the Commodity and the buyer of the Futures Contract.
- (b) (i) For U.S. Dollar-denominated futures the Commodity being exchanged must have a high degree of price correlation to the

Underlying Commodity, so that the Futures Contract would serve as an appropriate hedge for that Commodity.

- (ii) For Euro-denominated futures, the Commodity being exchanged must consist of Euro-denominated government debt securities issued by a member state of the European Monetary Union with a minimum size of EUR 2 billion and having a maximum remaining maturity as follows:

**[RESERVED]**

- (c) The quantity of the Commodity being exchanged must correspond with the quantity of the Underlying Commodity of the Futures Contract being exchanged, taking into account any differences in the attributes of the Commodity being exchanged (such as interest rates and maturity dates) and those of the Underlying Commodity and applying hedge ratios as and to the extent appropriate.
- (d) The purchase and sale of the Futures Contract shall be simultaneous with the sale and purchase of the corresponding Commodity.
- (e) The transaction may be consummated at a price mutually agreed upon by the parties to the transaction; provided, that the price of the futures leg is no more than 5 ticks outside of the range of the day's high and low; *provided further*, however, that:
  - (i) the price for the Futures Contract, if agreed to by the parties at a time between the market's close on one day and its open on the next day (Interim Period) is no more than 5 ticks outside of the range of the Interim Period's high and low derived from a generally accepted theoretical model or of the range between the first day's settlement price and the next day's Opening Price; or
  - (ii) if the market is open, but there has not been a transaction within ten minutes of when the price is agreed to by the parties, the price for the Futures Contract is no more than 5 ticks outside of a range of the day's high and low derived from a generally accepted theoretical model.
- (f) Basis trades may be transacted only with respect to the following Futures Contracts:

**[RESERVED]**

- (g) (i) For Euro-denominated products, Basis Trades may be transacted with respect to a Delivery Month for a Futures Contract on any Business Day up to and including the Business Day preceding the last Trading Day in that futures.

- (ii) For U.S. Dollar-denominated products, Basis Trades may be transacted with respect to a Delivery Month for a Futures Contract on any Business Day up to and including the fifth Business Day immediately preceding the last business Day of that Delivery Month.
- (h) Immediately upon agreeing to enter into a Basis Trade, or upon the market's opening (or re-opening) if the transaction is agreed to be entered into by the parties at a time when the market is closed, the Member who is the buyer of the Basis Trade (or whose Customer is the Basis Trade buyer) shall enter the details of the Basis Trade on the screen provided by the Exchange. Within 15 minutes of entry of the details of the Basis Trade on the screen, the Member who is the seller of the Basis Trade (or whose Customer is the Basis Trade seller) shall confirm the Basis Trade. The Exchange shall immediately notify the parties to the transaction the details of the Basis Trade upon confirmation, and immediately update the Online Time and Sales Report to reflect the transaction.
- (i) Upon request by any employee of the Market Supervision or Compliance Departments, Members must produce satisfactory evidence, (including, but not limited to, full documentation relating to the cash leg of the trade and, if the transaction is in the name of an omnibus account or foreign broker, the name of the Customer), that the Basis Trade was arranged in accordance with the Rules.
- (j) Where a third party was responsible for executing the cash leg of a Basis Trade, any employee of the Market Supervision or Compliance Departments may require the Member to obtain and confirm the details of the cash leg of the trade and provide copies to the Exchange.

**417. Exchange of Futures for Swaps (EFSs) Facility.**

Exchange of Futures for Swaps, or EFSs may be arranged and executed by a Member only through the electronic EFS Facility provided by the Exchange, rather than on the Trading System, in accordance with the provisions of this Rule.

- (a) As used in this Rule, an "EFS" means a transaction consummated between two parties wherein one of the parties is the buyer of a Futures Contract and assumes the opposite market risk under a swap agreement, and the other party is the seller of the Futures Contract and assumes the opposite market risk under the swap agreement, and the parties exchange such Futures Contract for the swap agreement.
- (b) The swap must be a transaction that is excluded or exempt from regulation under the Act or Commission Regulations.
- (c) The fluctuations in the value of the swap must have a high degree of correlation to fluctuations in the price of the Underlying Commodity for

the Futures Contract being exchanged, so that the Futures Contract would serve as an appropriate hedge for that swap.

- (d) The notional amount of the swap being exchanged must correspond approximately with the quantity of the Underlying Commodity of the Futures Contract(s) being exchanged, taking into account any differences in the attributes of the swap being exchanged and those of the Underlying Commodity.
- (e) The purchase and sale of the Futures Contract shall be simultaneous with the transfer of the corresponding swap.
- (f) EFS trades may be transacted only with respect to the following Futures Contracts:

**[RESERVED]**

- (g) The transaction may be consummated at a price mutually agreed upon by the parties to the transaction; provided, that the price of the futures leg is no more than 5 ticks outside of the range of the day's high and low; *provided further*, however, that:
  - (i) the price for the Futures Contract, if agreed to by the parties at a time between the market's close on one day and its open on the next day (Interim Period) is no more than 5 ticks outside of the range of the Interim Period's high and low derived from a generally accepted theoretical model or of the range between the first day's settlement price and the next day's Opening Price; or
  - (ii) if the market is open, but there has not been a transaction within ten minutes of when the price is agreed to by the parties, the price for the Futures Contract is no more than 5 ticks outside of a range of the day's high and low derived from a generally accepted theoretical model.
- (h) An EFS may be transacted with respect to a Delivery Month for a Futures Contract until the last Business Day permitted for such a transaction by the Exchange.
- (i) Immediately upon agreeing to enter into an EFS, or upon the market's opening (or re-opening) if the parties agree to enter into the transaction at a time when the market is closed, the Member who is the buyer of the EFS (or whose Customer is the EFS buyer) shall enter the details of the EFS on the screen provided by the Exchange. Within 15 minutes of entry of the details of the EFS on the screen, the Member who is the seller of the EFS (or whose Customer is the EFS seller) shall confirm the EFS. The Exchange shall immediately notify the parties to the transaction of the



details of the EFS upon confirmation, and immediately update the Online Time and Sales Report to reflect the transaction.

- (j) Upon request by any employee of the Market Supervision or Compliance Departments, Members must produce satisfactory evidence, (including, but not limited to, master swap agreements and any supplements thereto and, if the transaction is in the name of an omnibus account or foreign broker, the name of the Customer) that the EFS was arranged in accordance with the Rules.

**418. Volatility (Vola) Trading Facility – Exchange of Futures for Options.**

Volatility Trades may be effected only through the electronic Vola Trading Facility provided by the Exchange, rather than on the Trading System, in accordance with the provisions of this Rule.

- (a) **Vola trade defined.** A vola trade is the entry by Members or by Customers into the Trading System of an option or options (either exchange-traded or OTC) and the contract on the underlying futures or commodity in either a simultaneous or sequential transaction.
- (b) **Vola trading facility.** Vola trades can only be entered into on the Vola Trading Facility under the following conditions:
  - (i) Vola trades may be transacted only with respect to the following Option Contracts and their underlying Futures Contract:  
  
**[RESERVED]**
  - (ii) The number of Futures Contracts included in the futures leg of the transaction may not vary by more than 10 percent from the number necessary to be delta neutral;
  - (iii) The price for the futures leg is no more than 5 ticks outside of the range of the day's high and low; *provided further*, however, that:
    - (A) the price for the futures leg, if agreed to by the parties at a time between the market's close on one day and its open on the next day (Interim Period) is no more than 5 ticks outside of the range of the Interim Period's high and low derived from a generally accepted theoretical model or of the range between the first day's settlement price and the next day's Opening Price; or
    - (B) if the market is open, but there has not been a transaction within ten minutes of when the price is agreed to by the parties, the price for the futures leg is no more than 5 ticks

outside of a range of the day's high and low derived from a generally accepted theoretical model.; and

- (iv) The parties enter the transaction into the Vola Trading Facility as specified.
- (c) Upon request by any employee of the Market Supervision or Compliance Departments, Members must produce satisfactory evidence, including the name of the Customer if the transaction is in the name of an omnibus account or foreign broker, that the Vola Transaction was arranged in accordance with the Rules.

**419. [RESERVED]**

## **Part 5. Clearing and Financial Integrity of Contracts.**

### **501. Clearing Organization.**

The Clearing Organization of the Exchange is The Clearing Corporation with which the Exchange has contracted to provide clearing services relating to Contracts.

### **502. Rules.**

The Bylaws and Rules of the Clearing Organization shall be applicable to all clearing of Contracts.

### **503. Clearing Authorization.**

- (a) **Clearing Authorization Required to Trade.** Every transaction executed on the Trading System shall be effected through a Member authorized by the Clearing Organization to act as a Clearing Member for the given product. A Member that is not a Clearing Member must have in effect, prior to trading, an agreement with a Clearing Member (the “Authorized Clearing Member”) that will guarantee and clear the transactions of the Trading Member trading for its own account or for the account of its customers effected through the Trading System.
- (b) **Guarantee of Authorized Clearing Member.** The Authorized Clearing Member shall guarantee and assume financial responsibility for all Contracts traded through the Trading System by the Trading Member it authorizes. The Authorized Clearing Member shall be liable upon all such trades made by the Trading Member and shall be a party to all disputes arising from trades between the Trading Member and other Members.
- (c) **Form of Authorization.**
  - (i) Evidence of an agreement between the Authorized Clearing Member and the Trading Member which authorizes the Trading Member to effect transactions through the Trading System must be on file with the Exchange.
- (d) The agreement must:
  - (i) be specific with respect to the products covered thereunder, and to whether transactions by the Trading Member under Rules 415, 416, 417, and/or 418 are covered thereunder;
  - (ii) provide that the Clearing Member shall be responsible for payment to the Exchange of the Trading Member’s Exchange-related fees; and

- (iii) include a provision, to which the Exchange shall be a party, the language of which the parties may not modify in any material respect, stating the following:

THERE ARE NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS PROVIDED BY THE CLEARING CORPORATION INCLUDING ITS SUBSIDIARIES AND AFFILIATES, (“THE CLEARING CORPORATION”) TO MEMBERS OF U.S. FUTURES EXCHANGE, L.L.C., OTHER THAN MEMBERS OF THE CLEARING CORPORATION, RELATING TO ANY OF THE SERVICES OR FACILITIES PROVIDED BY THE CLEARING CORPORATION, INCLUDING BUT NOT LIMITED TO THE WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE OR USE.

EXCEPT AS MAY OTHERWISE BE SPECIFICALLY AGREED WITH THE CLEARING CORPORATION (PURSUANT TO ITS RULES OR OTHERWISE), IN NO EVENT SHALL THE CLEARING CORPORATION OR ANY OF ITS GOVERNORS, DIRECTORS, OFFICERS OR EMPLOYEES, BE FINANCIALLY RESPONSIBLE FOR, OR OTHERWISE GUARANTEE THE PAYMENT OR RETURN BY THE CLEARING CORPORATION OR ANY THIRD PARTY OF, ANY ORIGINAL MARGIN OR COLLATERAL DEPOSIT, VARIATION MARGIN, OPTION PREMIUM, SETTLEMENT AMOUNT OR DELIVERY OBLIGATION IN RESPECT OF ANY U.S. FUTURES EXCHANGE, L.L.C. CONTRACT. SUBJECT TO THE FOREGOING, NEITHER THE CLEARING CORPORATION NOR ANY OF ITS GOVERNORS, DIRECTORS, OFFICERS OR EMPLOYEES SHALL BE LIABLE TO ANY PERSON FOR ANY LOSSES, DAMAGES, COSTS OR EXPENSES (INCLUDING, BUT NOT LIMITED TO, LOSS OF PROFITS, LOSS OF USE, DIRECT, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES) ARISING FROM ANY FAILURE OR MALFUNCTION, OR 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 SERVICES PROVIDED BY THE CLEARING CORPORATION TO U.S. FUTURES EXCHANGE, L.L.C. OR TO MEMBERS OF THE CLEARING CORPORATION. THE FOREGOING SHALL APPLY REGARDLESS OF WHETHER A CLAIM ARISES IN CONTRACT, TORT, NEGLIGENCE, STRICT LIABILITY OR OTHERWISE.

THE PARTIES ACKNOWLEDGE AND AGREE THAT THESE PROVISIONS SHALL NOT BE CONSTRUED TO ALTER IN ANY RESPECT THE RIGHTS AND OBLIGATIONS OF THE PARTIES SET FORTH IN THIS AGREEMENT.

(e) **Termination of Authorization.**

- (i) An Authorized Clearing Member may terminate at any time its authorization of a Trading Member by informing the Trading Member and the Exchange. Notice shall be given in as promptly a form as possible and shall be provided in writing no more than twenty-four hours after being given by any other means.
  - (A) The termination shall be effective only after all positions for which the respective Clearing Member is responsible have been closed or transferred to another Clearing Member and all outstanding delivery and payment obligations of the Clearing Member have been fulfilled.
  - (B) The Clearing Organization may terminate the authorization of an Authorized Clearing Member. Upon receiving notice by the Clearing Organization, the Exchange shall take immediate steps to terminate the Clearing Member's access to the Trading System, and to close or transfer to another Authorized Clearing Member the positions of the Trading Members for which the Clearing Member is responsible.

**504. Responsibility of Members.**

Every Member shall have the responsibility of aiding its Authorized Clearing Member in the clearing of the Member's trades.

- (a) Every Member must have a contact person available to assist in resolving questions concerning Contracts at all times.
- (b) If the Member's contact person cannot be reached, the Member's Authorized Clearing Member shall have the right and power to resolve any disputes regarding transactions by the Member in the manner it deems appropriate, but such resolution shall not be determinative of the ultimate liability of any party to the transaction.

**505. [RESERVED]**

**506. Margin.**

- (a) Each Member shall collect margin from its customers having accounts associated with a commercial activity of the account owner within the meaning of Commission Rule 17.01(d) set in an amount not less than that

required by the Clearing Organization of its members under the Clearing Corporation's rules and policies, and for customers who do not so qualify, in an amount not less than 130 percent of that amount. Provided, however, the Exchange may in its discretion credit appropriate spread relationships from positions held by customers at other contract markets or foreign boards of trade in satisfying those amounts.

- (b) Each Member must collect from its customers additional margin in an amount and at such time as the Exchange may from time to time determine.

**507. Establishment of Settlement Prices.**

- (a) Settlement prices shall be established by the Clearing Organization as provided under The Clearing Corporation Rule 8-404. The Exchange shall provide to the Clearing Organization a recommendation with respect to the settlement price at the time established by the Exchange with respect to each product as provided in the Contract specifications. The time set for determining the Settlement Price need not coincide with the end of a Trading Session or Trading Day.
- (b) The Exchange's recommendation to The Clearing Corporation with respect to the daily Settlement Price for Contracts shall be the final price if a Closing Auction procedure is used for the Contract pursuant to Rule 401(d). Otherwise, in making its recommendation, the Exchange or its designee shall consider the volume weighted average price of the last five trades preceding the time established by the Exchange for determination of the Settlement price as provided in the Contract specifications, provided that these five trades are not older than 15 minutes. Provided, however, if more than five trades are traded during the final minute, then the volume weighted average price shall be calculated using all trades during the final minute. If a Settlement cannot be determined using the above procedures, or if the price so determined, in the Exchange's discretion does not reflect true market conditions, then the Exchange will recommend a Settlement price in its discretion.
- (c) The procedures for recommending a final settlement price will be the same as those in paragraph (b) of this Rule 507, except that the number of trades necessary to be averaged will be not less than ten during the last 30 minutes of trading or, if more than ten trades during the last minute of trading, all such trades.

**508. Last Trading Day.**

On the final day of trading in the Delivery Month of a Contract that is listed for trading on the Trading System, each Authorized Clearing Member not in a position to fulfill its contractual obligation on any maturing contract by prescribed

notice and tender shall be responsible to have a liquidating order entered on the Trading System.

**509. Contract Delivery.**

(a) **Delivery procedures.**

- (i) Commodities bought or sold for future delivery on Exchange contracts shall be delivered and accepted for delivery in accordance with the rules and By-laws of the Clearing Organization.
- (ii) For Clearing Members, options on Futures Contracts shall be exercised and accepted for exercise in accordance with the rules and By-laws of the Clearing Organization. For customers, options on Futures Contracts shall be exercised and accepted on either a proportional or random basis.

(b) **Reserved.**

- (c) **Deliveries.** All deliveries in fulfillment of contracts for future delivery shall be made through the Clearing Organization in accordance with its Bylaws and rules.

**510. Disputes.**

- (a) **Disputes.** Disputes arising from or in connection with the clearance of positions executed on or subject to the Rules of the Exchange, notices of intent to make or take delivery, assignment of such open positions or tender of the commodity shall be resolved pursuant to the procedures set forth in The Clearing Corporation's rules or policies.

(i) **Reserved.**

## **Part 6. Disciplinary Proceedings.**

### **601. Investigations.**

The Enforcement Staff of the Compliance Department is responsible for investigating possible violations of the Bylaws or the Rules upon the discovery or receipt of information which, in their judgment, indicates a possible basis for finding that a violation has occurred or will occur. Investigations shall be conducted by the Enforcement staff in accordance with these Rules. The Exchange may contract for the performance of specified functions assigned by these Rules to the Enforcement Staff of the Compliance Department.

### **602. Investigation Report.**

After conducting an investigation, the Enforcement Staff of the Compliance Department shall prepare a written report including the reason the investigation was initiated, a summary of the complaint, if any, the relevant facts, and the Enforcement Staff's conclusions. If the Enforcement Staff has determined that a reasonable basis exists for finding a violation, it shall make a recommendation as to whether the Disciplinary Committee should proceed with the matter. The investigation report shall become part of the investigation file, which shall be maintained by the Compliance Department for a period of not less than five years after the completion of such report. The Enforcement Staff shall promptly provide the Disciplinary Committee with a copy of each investigation report.

### **603. Review of Investigation Report.**

The Disciplinary Committee shall promptly review each investigation report prepared by the Enforcement Staff. In the event the Disciplinary Committee decides that additional investigation or evidence is needed, it shall promptly direct the Enforcement Staff to conduct further investigation. Within a reasonable period of time not to exceed thirty days after the receipt of a completed investigation report, the Disciplinary Committee shall take one of the following actions:

- (a) If the Disciplinary Committee determines that no reasonable basis exists for finding a violation or that prosecution is otherwise unwarranted, it may direct that no further action be taken. Such determination must be in writing and contain a brief statement setting forth the reasons therefore.
- (b) If the Disciplinary Committee determines that a reasonable basis exists for finding a violation which should be adjudicated, it shall direct that any Person alleged to have committed the violation be served by Enforcement Staff with a notice of charges, thus commencing disciplinary proceedings pursuant to these Rules.



**604. Respondent.**

A Person alleged in a notice of charges to have committed a violation shall be referred to as the Respondent.

**605. Notice of Charges.**

A written notice of charges shall be served by Enforcement Staff on any Respondent as directed by the Disciplinary Committee. The notice of charges shall:

- (a) State the acts, practices or conduct in which the Respondent is alleged to have engaged;
- (b) State the provision of the Bylaws or Rules alleged to have been, or are about to be, violated;
- (c) State the predetermined penalty, if any;
- (d) State that the Respondent is entitled to a hearing on the charges upon written request served upon the Compliance Department within 30 days of service of the notice of charges and filed with the Disciplinary Committee and that failure so to request a hearing within 30 days, except for good cause shown, shall be deemed a waiver of the right to a hearing; and
- (e) State that the Respondent is entitled to serve an answer upon the Compliance Department within 30 days of service of the notice of charges and to file such answer with the Disciplinary Committee and that failure in an answer to deny expressly any allegation or any charge in the notice of charges shall be deemed to be an admission of such allegation or charge.

**606. Service.**

Service of a notice of charges or any other document in a disciplinary proceeding on a Respondent shall be made by personal delivery to the Respondent or the Respondent's agent appointed under Rule 305(a)(ii) or by first class mail addressed to the Respondent at the last address filed by the Respondent with, or otherwise known to, the Exchange. However, if the Respondent is represented by counsel in the disciplinary proceeding, service shall be by personal delivery to counsel or by first class mail addressed to counsel at the last address filed by counsel with the Exchange. Service of any document on the Compliance Department shall be made by personal delivery to the Compliance Department or by first class mail addressed to the Compliance Department, in either case at the address specified in the notice of charges. Filing with the Disciplinary Committee may be made by personal delivery to the Disciplinary Committee or by first class mail addressed to the Disciplinary Committee at the address specified in the notice of charges. Service by mail shall be complete when deposited in an official depository of the United States Postal Service. If service is made by mail, any

time period in these Rules calculated with respect to the date of service shall be extended by a period of five days. Service may be effected through electronic mail or facsimile upon the agreement of all parties.

**607. Answer from Respondent.**

- (a) A Respondent receiving a notice of charges may serve a written answer to the notice of charges upon the Compliance Department and file the answer with the Disciplinary Committee, provided that:
  - (i) The answer must be in writing and include a statement that the Respondent admits, denies or is without knowledge or information sufficient to form a belief as to the truth of each allegation.
  - (ii) Failure to serve an answer within 30 days following the service of the notice of charges shall be deemed an admission of all allegations contained in the notice of charges.
  - (iii) Failure in an answer to expressly deny any charge or allegation shall be deemed to be an admission of the charge or allegation; provided, however, that a statement of a lack of sufficient knowledge or information to form a belief as to the truth of an allegation shall have the effect of a denial of the allegation.
- (b) If the Respondent admits or fails to deny any of the charges in a notice of charges, the Disciplinary Committee may find that the violation of the Bylaws or the Rules alleged in the charge has been committed and may impose a penalty no greater than the predetermined penalty, if any, stated in the notice of charges for such violation or violations. If no predetermined penalty was so stated, the Disciplinary Committee shall impose a penalty for each violation found to have been committed.
- (c) If the Disciplinary Committee imposes a penalty pursuant to paragraph (b) of this Rule, the Respondent and the Compliance Department shall be promptly served with a written notice of any penalty to be imposed and shall advise the Respondent that he or she may request a hearing on the penalty, provided that a written request for a hearing must be served upon the Compliance Department within 30 days following service of the notice and filed with the Disciplinary Committee. However, no hearing shall be permitted on a penalty that is less than or equal to the predetermined penalty, except for good cause shown. If the Respondent fails to request a hearing within 30 days following service of the notice, the Respondent shall be deemed to have accepted the penalty, and the decision of the Disciplinary Committee shall be the final action of the Exchange.

**608. Right to Representation.**

A Respondent shall be entitled to be represented by legal counsel or any other representative of the Respondent's choosing in any proceedings under this part of the Rule; provided, however, that this Rule 608 does not constitute the basis for any claim that the Exchange must furnish an attorney to a Respondent.

**609. Hearings.**

- (a) If the Respondent has, in a timely manner, requested a hearing on a charge which is denied in the Respondent's answer or on a penalty imposed by the Disciplinary Committee pursuant to Rule 607(b) (other than a predetermined penalty stated in the notice of charges), the Respondent shall have an opportunity for a hearing on the matter. Such hearing shall be promptly convened after fair notice to the Respondent.
- (b) Any hearing shall be conducted before a panel of three members of the Disciplinary Committee.
- (c) The Respondent shall be entitled in advance of the hearing to examine all books, documents, or other tangible evidence in the possession or under the control of the Exchange which are to be relied upon by the Enforcement Staff of the Compliance Department in presenting the charges contained in the notice of charges or which are relevant to those charges or the penalties.
- (d) The formal rules of evidence need not apply; nevertheless, the procedures for the hearing may not be so informal as to deny a fair hearing.
- (e) The Compliance Department shall be a party to the hearing and shall present its case on those charges and penalties which are the subject of the hearing.
- (f) The Respondent shall be entitled to appear personally at the hearing.
- (g) The Respondent shall be entitled to cross-examine any persons appearing as witnesses at the hearing.
- (h) The Respondent shall be entitled to call witnesses and to present such evidence as may be relevant to the charges or the penalties.
- (i) The Exchange shall require Persons within its jurisdiction called as witnesses to appear at the hearing and to produce evidence. It shall make reasonable efforts to secure the presence of all other Persons called as witnesses whose testimony would be relevant.
- (j) A substantially verbatim record of the hearing shall be made and shall become a part of the record of the proceeding. The record must be one that

is capable of being accurately transcribed; however, it need not be transcribed unless the transcript is requested by Commission staff or the Respondent or the decision is appealed to or reviewed by the Commission. In all other instances, a summary record of the hearing is permitted.

- (k) The cost of transcribing the record of the hearing shall be borne by the Respondent if the Respondent requests the transcript or appeals the decision to the Commission. In all other instances, the cost of transcribing the record shall be borne by the Exchange.
- (l) A penalty pursuant to Rule 611 may be summarily imposed by the hearing panel of the Disciplinary Committee upon any person within its jurisdiction whose actions impede the progress of a hearing.

**610. Decision.**

Promptly following the hearing, the hearing panel of the Disciplinary Committee shall render a written decision based upon the weight of the evidence contained in the record of the proceeding and shall serve a copy of its decision upon the Compliance Department and the Respondent. The decision shall be the final action of the Exchange and shall not be subject to appeal within the Exchange. The decision shall include:

- (a) The notice of charges or a summary of the charges;
- (b) The answer, if any, or a summary of the answer;
- (c) A brief summary of the evidence produced at the hearing or, where appropriate, incorporation by reference of the investigation report;
- (d) A statement of findings and conclusions with respect to each charge, including the specific Bylaws or Rules which the Respondent is found to have violated; and
- (e) A declaration of any penalty imposed and the effective date of such penalty.

**611. Penalties.**

- (a) A hearing panel of the Disciplinary Committee may impose any one or more of the following penalties for violation of the Bylaws or Rules:
  - (i) A censure or reprimand;
  - (ii) A fine in an amount that the hearing panel deems appropriate;
  - (iii) Limitation on the positions that the Respondent may carry or hold;

- (iv) Suspension of trading and/or clearing privileges and/or, denial of future access, either directly or indirectly, in whole or in part to the Exchange's market for such period as the hearing panel may determine;
  - (v) Suspension as a Clearing Member or as a Member;
  - (vi) Termination as a Clearing Member or as a Member; and
  - (vii) Such other penalty as the hearing panel in its discretion shall deem appropriate.
- (b) In the case of any penalty imposed on a Respondent denying access in whole or in part to the Exchange's market, the hearing panel shall issue an order to all Members prohibiting them from granting such access, directly or indirectly, and any knowing violation of such an order shall constitute a violation of the Rules.

#### **612. Predetermined Penalties.**

The Exchange may adopt specific maximum penalties for particular types of violations ("Predetermined Penalties"). If it does so, the Disciplinary Committee or a hearing panel of the Disciplinary Committee shall have discretion in each case whether to employ the predetermined penalty. If the predetermined penalty is employed, it shall be stated in the notice of charges. In such a case, after a hearing on a denied charge where a Respondent is found to have committed the violation charged, the hearing panel of the Disciplinary Committee shall impose the predetermined penalty or an appropriate lesser penalty.

#### **613. Settlement.**

- (a) At any time after the issuance of a notice of charges and prior to the issuance of a decision pursuant to Rule 610, a Respondent may serve upon the Compliance Department and file with the Disciplinary Committee a written proposal to settle the matter in question. The Disciplinary Committee may accept or reject the settlement proposal, but may not alter its terms unless the Respondent agrees. The Disciplinary Committee, in its discretion, may permit the Respondent to accept a penalty without either admitting or denying the violations upon which the penalty is based.
- (b) If the Disciplinary Committee accepts a settlement proposal, it shall issue a written decision specifying the violations it has reason to believe were committed and any penalty to be imposed. If the settlement proposal specifies that the Respondent is agreeing to accept a penalty without either admitting or denying any violations, the decision shall so state.
- (c) If the Disciplinary Committee does not accept a settlement proposal or if the Respondent withdraws the proposal after its submission but before its

final acceptance by the Disciplinary Committee, the proceedings shall continue against the Respondent, but the Respondent shall not be deemed to have made any admissions by reason of the settlement proposal and shall not be otherwise prejudiced by having submitted the settlement proposal.

**614. Minor Penalties.**

- (a) The Compliance Department may summarily impose a fine against any Member:
  - (i) For failing to make timely payments of margin, option premiums, dues, fees, fines, assessments or other charges;
  - (ii) For failing to make timely and accurate submissions to the Exchange of notices, reports, or other information required under any provision of the Bylaws or Rules; or
  - (iii) For failing to keep any records required under any provision of the Bylaws or Rules.
- (b) The amounts of the fines for any category of violations which may be imposed pursuant to this Rule shall be set by the Exchange from time to time, provided that the maximum fine for any one violation shall not exceed \$10,000. Nothing contained in this Rule shall preclude any other action against a Member pursuant to the Rules. The imposition of a fine against a Member pursuant to this Rule shall be the final action of the Exchange if the Member does not request review as provided in paragraph (c) of this Rule.
- (c) The Compliance Department shall serve a Member with written notice of a fine imposed pursuant to paragraph (a) of this Rule. Such notice shall specify the date of the occurrence for which the fine is being imposed, the provision or provisions of the Bylaws or Rules giving rise to the fine and the amount of the fine. Within 10 days of the service of such notice, the Member shall either pay the fine or serve the Exchange with a written request specifying the basis for review of the fine by a hearing panel of the Disciplinary Committee.

**615. Member Responsibility Actions.**

- (a) The Exchange may summarily suspend any Member or take other summary action against a Member if the Exchange reasonably believes that such immediate action is necessary to protect the best interests of the marketplace.
- (b) Any action taken against any Member pursuant to this Rule shall be taken after notice and an opportunity to be heard, unless the Exchange

determines that giving such notice or opportunity to be heard before taking such action is not practicable under the circumstances. The notice shall state the action, the reasons for the action, and the effective time and date and the duration of the action. In any case in which action is taken without prior notice and opportunity to be heard, the Exchange shall give the Member notice and an opportunity to be heard promptly thereafter.

- (c) Any hearing held pursuant to this Rule shall be held before a hearing panel of the Disciplinary Committee and shall be conducted in compliance with Rule 609.
- (d) Promptly following the hearing held pursuant to this Rule, the hearing panel of the Disciplinary Committee shall render a written decision based upon the weight of the evidence contained in the record of the proceeding and shall serve a copy of such decision on the Member and the Compliance Department. The decision shall be the final action of the Exchange and shall not be subject to appeal within the Exchange. The decision shall include:
  - (i) A description of any summary action taken or proposed to be taken;
  - (ii) The reasons for the summary action;
  - (iii) A brief summary of the evidence produced at the hearing;
  - (iv) Findings and conclusions;
  - (v) A determination that the summary action should be affirmed, modified, reversed, or imposed; and
  - (vi) A declaration of any summary action to be taken pursuant to the determination specified in subparagraph (v) and the effective date and duration of the action.

#### **616. Action Against Non-Members**

- (a) If the Enforcement Staff has reason to believe that any non-member is conducting his trading activities in violation of the Act or these Rules, it may require the non-member and any Members that handle or clear the non-member's trades to appear, produce documents and testify at a Compliance Department interview or investigation, or at a hearing before the Disciplinary Committee.
- (b) If, after hearing, the Disciplinary Committee determines that the actions of the non-member violate the Act or these Rules, are likely to cause a manipulation, manipulate the price of a Contract, or otherwise threaten the integrity or liquidity of a Contract traded on the Trading System or subject

to the Rules of the Exchange, the Disciplinary Committee may: 1) order any Clearing Member to liquidate all or any portion of such non-member's position; 2) order that no Member accept new positions on behalf of any such non-member; 3) deny or terminate access of such non-member to the Trading System; or 4) order such other action as is necessary to prevent a threat to the Contract or further violations of the Act or these Rules

- (c) In the case of a penalty imposed on a Respondent that is not a Member denying access to any Exchange market, the hearing panel shall issue an order to all Members prohibiting them from granting such access, directly or indirectly, and any knowing violation of such an order shall constitute a violation of the Rules.

**617. Conflicts of Interest or Bias.**

- (a) No member of any committee of the Exchange shall knowingly participate in the committee's deliberations and voting on any matter involving a named party-in-interest where the member is precluded from doing so pursuant to Rule 207.
- (b) Prior to the consideration of any matter involving a named party-in-interest, each member of a committee of the Exchange must disclose to the Chief Executive Officer of the Exchange (or to his or her designee) whether he or she has any one of the relationships listed in Rule 207 with the named party-in-interest.
- (c) Any Respondent which is a named party-in-interest in any proceeding under this Part of the Rules may serve a written request on the Chief Executive Officer of the Exchange for disqualification of any member of any committee of the Exchange on the grounds that such member has one of the relationships listed in Rule 207 or that any other cause exists which might cause the member to have a bias against such Respondent.
- (d) The Chief Executive Officer (or his or her designee) shall determine whether or not any member of a committee of the Exchange will be disqualified from deliberating, voting or otherwise participating in any matter based upon:
  - (i) Information provided by such member pursuant to paragraph (b) of this Rule;
  - (ii) Information provided by a Respondent which is a named party-in-interest pursuant to paragraph (c) of this Rule; and
  - (iii) Any other source of information that is reasonably available to the Exchange.



- (e) The Chief Executive Officer (or his or her designee) shall promptly serve written notice of his or her determination on the member of the committee and on the Respondent which is the named party-in-interest, and such determination shall be final and not subject to appeal within the Exchange.
- (f) No employee of the Compliance Department or any other employee of the Exchange may serve in any investigatory, prosecutorial or decision-making capacity relating to any matter involving a named party-in-interest if he or she would be precluded from participating in deliberations and voting on such matters pursuant to Rule 207 if he or she were a member of a committee of the Exchange. The provisions of paragraphs (b) through (e) of this Rule shall be applicable to such employee of the Exchange as though such person were a member of a committee of the Exchange.

## **Part 7. Customer Disputes.**

### **701. Procedure for Resolution.**

Any dispute between a Customer and a Member arising out of or in connection with the solicitation or acceptance of any order for execution of a Contract, or the execution of any Contract, shall be resolved by and pursuant to the arbitration rules of the NFA or, in the case of any Customer which is an ECP, such other self-regulatory organization as the parties may agree; provided, however, that the submission of any such dispute to arbitration shall be voluntary on the part of any Customer which is not an ECP. The failure by any Member to comply with any decision issued by the NFA or such other self-regulatory organization in resolving any such dispute shall constitute a violation of these Rules, unless the decision is the subject of pending judicial review.

## **Part 8. Miscellaneous.**

### **801. Prohibition of Compensation to Exchange Employees.**

No Member, Affiliate of a Member or employee thereof shall give any compensation or gratuity to any Exchange employee, and no Exchange employee shall accept any compensation or gratuity from any Member, Affiliate of a Member or employee thereof; provided that the foregoing shall not preclude giving or accepting items of nominal value.

### **802. Rule Adoption, Amendment, and Repeal.**

Rules may be adopted, amended or repealed as provided in the Bylaws of the Exchange. However, no Rule and no amendment or repeal of a Rule shall apply to any Contract entered into prior to the adoption thereof if such Rule, amendment or repeal would affect the amount of money to be paid, or would materially affect the specifications of the Underlying Commodity to be delivered, under such Contract, unless emergency action has been taken pursuant to Rule 804.

### **803. Confidentiality of Information.**

All information received by the Exchange concerning positions, margin or premium payments, or deliveries, and any financial statements filed with the Exchange by any Member, shall be held in confidence by the Exchange and shall not be made known to any other Person except as follows:

- (a) With the written consent of the Member involved;
- (b) To the Commission or the United States Department of Justice pursuant to the requirements of the Act or any Regulation of the Commission or of any other Governmental Agency with jurisdiction over the Exchange;
- (c) Pursuant to a subpoena issued by or on behalf of any Person or, in the Exchange's discretion, pursuant to a written request from the Congress of the United States, any committee or subcommittee thereof, the General Accounting Office, or any department or agency of the United States, the State of Illinois or the City of Chicago;
- (d) Pursuant to an order issued by a court having jurisdiction over the Exchange;
- (e) To any SRO or authority acting under contract to the Exchange for performance of SRO functions, for audit, compliance, surveillance, or disciplinary purposes;
- (f) To any Person in the business of providing data processing or similar services for the purpose of performing computations or analysis, or of preparing reports or records, for the Exchange;

- (g) To counsel for the Exchange; or
- (h) To any other Person to the extent and pursuant to such terms and conditions as the Exchange, from time to time, may deem appropriate.

If information concerning one or more named Members is requested pursuant to paragraphs (b), (c) or (d) above, the Exchange shall notify each such Member prior to furnishing such information, unless in the judgment of the Exchange it would be contrary to the best interests of the Exchange to do so.

**804. Emergency Powers.**

- (a) The Chief Executive Officer or his or her designee may determine in his or her discretion whether any occurrence or circumstance constitutes an emergency that requires immediate action because it threatens fair and orderly trading in any Contract or the liquidation of or delivery pursuant to any Contract. Occurrences and circumstances which may be deemed to be emergencies include, but are not limited to, the following:
  - (i) Any manipulative activity or attempted manipulative activity;
  - (ii) Any actual, attempted, or threatened corner, squeeze, congestion or undue concentration of positions;
  - (iii) Any circumstance which may materially affect the performance of Contracts, including failure of the payment system;
  - (iv) Any action taken by the United States, any foreign government, any state or local government body, any other contract market, any board of trade, any exchange or any trade association (foreign or domestic), which may have a direct impact on trading on the Exchange;
  - (v) Any circumstance which may have a severe, adverse effect upon the physical functions of the Exchange, including, for example, fire or other casualty, bomb threat, substantial inclement weather, power failure, communication or transportation breakdown, computer malfunction, breakdown of screen-based trading systems, malfunction of plumbing, heating, ventilation or air conditioning systems, or other similar events;
  - (vi) The bankruptcy or insolvency of any Member or the imposition of any injunction or other restraint by any Government Agency, court or arbitrator upon any Member which may affect the ability of any Member to perform its Contracts;
  - (vii) Any circumstance in which it appears that any Member or any other Person has failed or may fail to perform Contracts, is or may

be insolvent, or is in such financial or operational condition or is conducting business in such a manner that the Member or Person cannot be permitted to continue to trade without jeopardizing the safety of Customer funds, Members, the Exchange, or the Clearing Organization; or

- (viii) Any other unusual, unforeseeable and adverse circumstance with respect to which it is not practicable for the Exchange to certify a rule or rule amendment to the Commission prior to its implementation, or, in a timely fashion, to submit to the Commission for its prior approval a reviewable rule.
- (b) In the event that the Chief Executive Officer or his or her designee determines that an emergency exists, he or she may take any or all of the following actions or any other action that may be appropriate under the circumstances:
- (i) Impose position limits;
  - (ii) Impose or modify price limits;
  - (iii) Modify circuit breakers;
  - (iv) Call for additional margin;
  - (v) Order the liquidation or transfer of open positions;
  - (vi) Order the fixing of a Settlement Price;
  - (vii) Order a reduction in positions;
  - (viii) Extend or shorten the expiration date or the trading hours;
  - (ix) Suspend or curtail trading;
  - (x) Order the transfer of Customer Contracts and the margin for such Contracts from one Member to another;
  - (xi) Alter delivery terms or conditions; or
  - (xii) Modify or suspend any provision of these Rules.
- (c) If the Chief Executive Officer or his or her designee, in his or her sole discretion, shall determine that there is a malfunction in the system for transmitting orders or other communications from or through any Member into the Trading System and that such malfunction may impair, delay or otherwise adversely affect the operation of the Trading System, the Chief Executive Officer may instruct such Member to discontinue transmissions

to the Trading System from any source and may cause such steps to be taken as will disconnect such Member from the Trading System, until such time as such malfunction shall have been resolved in a manner satisfactory to the Chief Executive Officer in his or her sole discretion. In taking any such action, the Chief Executive Officer shall endeavor to communicate with the Member in question prior to taking any such action, but the inability or failure of the Chief Executive Officer to do so shall not prevent, delay or otherwise affect the ability of the Chief Executive Officer to act pursuant to this paragraph.

- (d) As soon as practicable, the Board and the Commission shall be notified of any exercise of emergency authority pursuant to this Rule.
- (e) The Chief Executive Officer or other Person taking emergency action pursuant to this Rule shall document the decision-making process and the reasons for taking such action.
- (f) All Members and their customers and all Contracts shall be subject to these emergency powers, and the specifications of each Contract shall be deemed subject to this Rule.

**805. Limitation of Liability.**

- (a) Business on the Trading System may from time to time be suspended or restricted or the Exchange may from time to time be closed for a temporary period or for such longer period as may be determined in accordance with the Rules including, without limitation, as a result of a decision taken under Rule 804 on the occurrence of one or more events which require such action to be taken in the interests of maintaining a fair and orderly market. Any such action may result in the inability of one or more Members and, through such Members, one or more Customers to enter into Contracts. Furthermore, a Member and, through such Member, one or more Customers may from time to time be prevented or hindered from entering into Contracts, or errors in orders for Contracts may arise, or submission of trades to the Clearing Organization may be delayed, as a result of a failure or malfunction of communications, equipment, market facilities, the Trading System, one or more Exchange terminals used by Members, or software supplied to a Member by the Exchange or any other Person.
- (b) EXCEPT IN INSTANCES WHERE THERE HAS BEEN A FINDING OF FRAUD OR WILLFUL OR WANTON MISCONDUCT, IN WHICH CASE THE PARTY FOUND TO HAVE ENGAGED IN SUCH CONDUCT CANNOT AVAIL ITSELF OF THE PROTECTIONS OF THIS RULE, THE EXCHANGE (INCLUDING ITS AFFILIATES), THE CLEARING ORGANIZATION, CLEARING MEMBERS, MEMBERS AND THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES,

AGENTS AND LICENSORS SHALL NOT BE LIABLE TO ANY PERSON, INCLUDING WITHOUT LIMITATION ANY CUSTOMER, FOR ANY LOSS, DAMAGE OR COST (INCLUDING BUT NOT LIMITED TO ATTORNEYS' FEES AND COURT COSTS), WHETHER DIRECT, INDIRECT, SPECIAL, INCIDENTAL, CONSEQUENTIAL, LOST PROFITS OR OTHERWISE OF ANY KIND, REGARDLESS OF WHETHER ANY OF THEM HAS BEEN ADVISED OR IS OTHERWISE AWARE OF THE POSSIBILITY OF SUCH DAMAGES, ARISING OUT OF THE USE OR PERFORMANCE OF THE TRADING SYSTEM, ANY COMPONENT(S) THEREOF, OR ANY FAULT, FAILURE, MALFUNCTION OR OTHER ALLEGED DEFECT IN THE TRADING SYSTEM, INCLUDING ANY INABILITY TO ENTER OR CANCEL ORDERS IN THE TRADING SYSTEM, OR 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 TRADING SYSTEM, INCLUDING BUT NOT LIMITED TO (1) ANY OF THE CIRCUMSTANCES OR OCCURRENCES REFERRED TO IN PARAGRAPH (a) OF THIS RULE OR (2) ANY FAILURE OR DELAY IN TRANSMISSION OF ORDERS OR TRADES OR LOSS OF ORDERS OR TRADES RESULTING FROM (A) MALFUNCTION OF THE TRADING SYSTEM, (B) DISRUPTION OF COMMON CARRIER LINES, (C) LOSS OF POWER, (D) ACTS OR FAILURES TO ACT OF ANY THIRD PARTY, (E) NATURAL DISASTERS OR (F) ANY AND ALL OTHER CAUSES. THE FOREGOING SHALL APPLY REGARDLESS OF WHETHER A CLAIM ARISES IN CONTRACT, TORT, NEGLIGENCE, STRICT LIABILITY OR OTHERWISE. THE FOREGOING LIMITATIONS ARE CUMULATIVE AND SHALL NOT LIMIT OR RESTRICT THE APPLICABILITY OF ANY OTHER LIMITATION OR RULE, TRADING PROCEDURE OR NOTICE OF THE EXCHANGE OR RULE OF THE CLEARING ORGANIZATION. THE FOREGOING SHALL NOT LIMIT THE LIABILITY OF ANY MEMBER, CLEARING MEMBER, OR ANY OF THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES OR AGENTS FOR ANY ACT, FAILURE TO ACT, INCIDENT OR OCCURRENCE WITHIN THEIR CONTROL.

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