



Mayer Brown LLP
71 South Wacker Drive
Chicago, IL 60606
United States of America

T: +1 312 782 0600
F: +1 312 701 7711

mayerbrown.com

BY EMAIL

SECRETARY@CFTC.GOV
DMOSUBMISSIONS@CFTC.GOV

February 20, 2020

Matthew F. Kluchenek

Partner

T: +1 312 701 8700

F: +1 312 706 8308

MKluchenek@mayerbrown.com

Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

Division of Market Oversight
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

Re: **Application for Designation as a Contract
Market by Bitnomial Exchange, LLC**

Dear Sir/Madam:

On behalf of our client, Bitnomial Exchange, LLC ("Bitnomial"), we are pleased to submit the application of Bitnomial for designation as a contract market pursuant to the relevant provisions of Section 5 of the Commodity Exchange Act and Part 38 of the Commodity Futures Trading Commission's ("Commission") rules. The application is comprised of this cover letter, the enclosed overview of Bitnomial, the designated contract market ("DCM") application and the exhibits to the DCM application.

In accordance with Commission Rule 145.9(d), we are concurrently submitting a request for confidentiality with respect to certain of the materials included with the application.

Questions regarding this application should be directed to the undersigned at the addresses and telephone numbers below:

Matthew Kluchenek
Mayer Brown LLP
71 South Wacker Drive
Chicago, IL 60606
(312) 701-8700
mkluchenek@mayerbrown.com

February 20, 2020

Page 2

Luke Hoersten
President and Chief Executive Officer
Bitnomial Exchange, LLC
318 West Adams Street
Chicago, IL 60606
(312) 883-5851
luke@bitnomial.com

Thank you in advance for your prompt review of the application. We look forward to addressing any questions or comments that you may have.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Matt Kluchenek", with a stylized flourish at the end.

Matthew F. Kluchenek
Partner

Enclosures

cc: Luke Hoersten

**COMMODITY FUTURES TRADING COMMISSION
FORM DCM**

**CONTRACT MARKET
APPLICATION FOR DESIGNATION**

COVER SHEET

Exact name of Applicant as specified in charter:

Bitnomial Exchange, LLC

Address of principal executive offices and where designated contract market activities are/will be conducted:

318 W. Adams St., Chicago, IL 60606

☒ This is an **APPLICATION** for designation, complete in full.

GENERAL INFORMATION

Name under which the business of the designated contract market is or will be conducted, if different than name specified above (include acronyms, if any):

Bitnomial, BTNL

Website URL:

<https://bitnomial.com>

BUSINESS ORGANIZATION

Applicant form of organization:

Limited Liability Company

Date of incorporation or formation:

June 13, 2016

State of incorporation or jurisdiction of organization:

Delaware

Applicant agrees and consents that the notice of any proceeding before the Commission in connection with this application may be given by sending such notice by certified mail to the person named below at the address given:

Luke Hoersten, President and CEO

Bitnomial Exchange, LLC

318 W. Adams St., Chicago, IL 60606

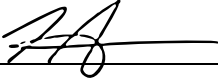
SIGNATURES

The Applicant has duly caused this application or amendment to be signed on its behalf by the undersigned, hereunto duly authorized, this 2nd day of September 2016. The Applicant and the undersigned represent hereby that all information contained herein is true, current, and complete. It is understood that all required items and Exhibits are considered integral parts of this Form DCM and that the submission of any amendment represents that all unamended items and Exhibits remain true, current, and complete as previously filed.

Name of Applicant:

Bitnomial Exchange, LLC

Signature of Duly Authorized Person:



Name and Title of Signatory:

Luke Hoersten, President and CEO

EXHIBIT C

Board Fitness Standards

Attach as Exhibit C, a narrative that sets forth the fitness standards for the Board of Directors and its composition including the number and percentage of public directors.

1. Eligibility for Membership on the Board

The Applicant requires each director to meet the eligibility criteria set forth in Rule 204. As discussed more fully below, the Nominating Committee is tasked with recommending individuals who satisfy criteria as provided in the Nominating Committee Charter. Candidates for Board membership will be responsible for providing resumes, professional biographies or other materials requested by the Nominating Committee or the Board.

Rule 204 establishes the eligibility and fitness requirements for board members. The rule provides:

- (a) An individual may not serve as a Board member, or serve on a committee established by the Board, a Hearing Panel or a Board of Appeals, or hold a 10% or more ownership interest in the Exchange, if the individual:
 - (i) within the prior three (3) years has been found, by a final decision in any action or proceeding brought in a court of competent jurisdiction, the CFTC, or any Self-Regulatory Organization, to have committed a disciplinary offense;
 - (ii) within the prior three (3) years has entered into a settlement agreement in which any of the findings or, in the absence of such findings, any of the acts charged, included a disciplinary offense;
 - (iii) is currently suspended from trading on a Contract Market, is suspended or expelled from membership in a Self-Regulatory Organization, is serving any sentence or probation, or owes any portion of a fine or penalty related to either: (A) a finding of a disciplinary offense by a final decision in any action or proceeding brought in a court of competent jurisdiction, the CFTC, or any self-regulatory organization; or (B) a settlement agreement in which any of the findings or, in the absence of such findings, any of the acts charged included a disciplinary offense;
 - (iv) is currently subject to an agreement with the CFTC or Self-Regulatory Organization not to apply for registration with the CFTC or for membership in the Self-Regulatory Organization;
 - (v) is currently, or within the past three (3) years has been, subject to a revocation or suspension of registration by the CFTC;
 - (vi) has been convicted of a felony listed in Section 8a(2)(D)(ii) through (iv) of the CEA; or

- (vii) is currently subject to a denial, suspension or disqualification from serving on a disciplinary committee, arbitration panel or governing board of any self-regulatory organization as that term is defined in Section 3(a)(26) of the Securities Exchange Act of 1934; or
- (viii) is subject to a statutory disqualification pursuant to Section 8a(2) of the CEA.
- (ix) For purposes of this Rule 204, the terms “disciplinary offense,” “final decision” and “settlement agreement” have the meaning given those terms in CFTC Regulation 1.63(a).

2. **Public Director Qualifications**

Rule 202 sets forth the standards a director must satisfy to be a “public director” as such term is used by the Commission in Appendix B to Part 38 (“**Public Directors**”). The rule provides:

To qualify as a Public Director, an individual must be found, by action of the Board, to have no material relationship with the Exchange. The Board must make such finding upon the nomination or appointment of the Director and as often as necessary in light of all circumstances relevant to such Director, but in no case less than annually. A “material relationship” is one that reasonably could affect the independent judgment or decision-making of the Director. The Board need not consider previous service as a Director of the Exchange to constitute a “material relationship.” A Director shall be considered to have a “material relationship” with the Exchange if any of the following circumstances exist or have existed within the past year:

- (i) such Director is or was an Officer or an employee of the Exchange, or an officer or an employee of an Affiliate of the Exchange;
- (ii) such Director is or was a Participant or material Owner of the Exchange;
- (iii) such Director is or was a director, an officer, or an employee of a Participant or Owner of the Exchange;
- (iv) such Director is or was an officer of another entity, which entity has a compensation committee (or similar body) on which any Officer of the Exchange serves;
- (v) such Director, or an entity with which the Director is a partner, an officer, an employee, or a director, receives or has received more than \$100,000 in combined annual payments for legal, accounting, or consulting services from the Exchange or its Affiliate, any Participant, or any Affiliate of such Participant. Compensation for services as a Director of the Exchange or as a director of an Affiliate thereof does not count toward the \$100,000 payment limit, nor does deferred compensation for services rendered prior to becoming a Director, so long as such compensation is in no way contingent, conditioned, or

revocable; or,

- (vi) in the case of a Public director that is a member of the Regulatory Oversight Committee or the Exchange Participant Committee, such Public Director accepts or has accepted, directly or indirectly, any consulting, advisory, or other compensatory fee from the Exchange or its Affiliate or any Participant or any Affiliate of such Participant, other than deferred compensation for service rendered prior to becoming a member of the Regulatory Oversight Committee or the Exchange Participant Committee, provided that such compensation is in no way contingent, conditioned, or revocable.
- (vii) Any of the “material relationships” set forth above apply to the “immediate family” of such director, *i.e.*, spouse, parents, children, and siblings, in each case, whether by blood, marriage, or adoption, or any person residing in the home of the director or that of his or her immediate family.

3. Board Committees

The Board will have three following standing committees: the Nominating Committee, the Exchange Participant Committee, and the Regulatory Oversight Committee, each with the roles and responsibilities set out below.

1. Nominating Committee. The Nominating Committee of the Board shall consist of at least 51 percent Public Directors. The Nominating Committee reports to the Board and shall be chaired by a Public Director. The Nominating Committee shall be responsible for (i) identifying individuals qualified to serve on the Board, consistent with the criteria that the Board require and any composition requirement that the Commission promulgates; and (ii) administering a process for the nomination of individuals to the Board. The Nominating Committee’s Charter is attached as Exhibit C-1.
2. Regulatory Oversight Committee. The Regulatory Oversight Committee of the Board shall report to the Board and consist of 100 percent Public Directors. The Regulatory Oversight Committee shall oversee the Applicant’s regulatory program on behalf of the Board with the authority to (i) monitor the regulatory program of the Applicant for sufficiency, effectiveness, and independence and (ii) oversee all facets of the regulatory program. The Regulatory Oversight Committee’s Charter is attached as Exhibit C-2.
3. Participant Committee. The Exchange Participant Committee of the Board reports to the Board and shall consist of at least 35 percent Public Directors. The Exchange Participant Committee is responsible for (i) determining the standards and requirements for initial and continuing Participant eligibility, (ii) reviewing appeals of staff denials of Participant applications, and (iii) approving Rules that would result in different categories or classes of Participants receiving disparate access to the Applicant. The Exchange

Participant Committee shall not, and shall not permit the Applicant to, restrict access or impose burdens on access in a discriminatory manner, within each category or class of Participants or between similarly-situated categories or classes of Participants. The Exchange Participant Committee's Charter is attached as Exhibit C-3.

4. Composition of the Board

The Board is composed of three members, two of which are Public Directors. As a result, the percentage of Public Directors is 67 percent.

Summary of Board of Directors and Committee Composition

Name	Company	Public Director Status	Regulatory Oversight Committee	Participant Committee	Nominating Committee
Luke Hoersten	Bitnomial Exchange, LLC	Non-Public		√	√
Tom Anderson	Bitnomial Exchange, LLC	Public	√	√	√
Peter Nabicht	Bitnomial Exchange, LLC	Public	√	√	√

EXHIBIT C-1

BITNOMIAL EXCHANGE, LLC

NOMINATING COMMITTEE CHARTER

I. Purpose

The Nominating Committee is a Committee of the Board of Directors (“**Board**”) of the Exchange. The Nominating Committee is responsible for:

- Identifying and attracting qualified individuals to serve on the Board of the Exchange or to serve on committees of the Board consistent with the criteria required by the Board and with any composition requirements promulgated by the Commission; and
- Administering the process by which individuals are nominated to serve on the Board.

II. Responsibilities

The Nominating Committee shall select the director nominees in accordance with criteria approved by the Board, and recommend those nominees to the Board, taking into consideration requirements for directors set forth in the Exchange Limited Liability Company Agreement (“**LLC Agreement**”) and the Exchange Rulebook. In the case of a vacancy in the office of a director, the Nominating Committee shall recommend to the Board an individual to fill such vacancy. The Nominating Committee shall adhere to the following requirements:

- At all times no less than 51 percent of the Board must consist of “public directors” as such term is used by the Commission in Appendix B to Part 38 (“**Public Directors**”), but in no event shall there be less than two Public Directors;
- Board members shall possess the ability to contribute to the effective oversight and management of the Exchange, taking into account the needs of the Exchange and such factors as the individual’s experience, perspective, skills and knowledge of the industry in which the Exchange operates.

The Nominating Committee shall identify the Board members qualified to fill vacancies on any committee of the Board (other than the Nominating Committee) and recommend that the Board appoint the identified member or members to the respective committee. In nominating a candidate for committee membership, the Nominating Committee shall take into consideration the factors set forth in the charter of that committee, if any, requirements under applicable law, including the CFTC Requirements, as well as any other factors it deems appropriate, including without limitation the individual’s experience, perspective, skills, and knowledge and the interplay of the individual’s experience with the experience of other committee members.

The Nominating Committee shall monitor and assess the Board’s independence, which includes developing and recommending to the Board standards to be applied in making determinations as to the absence of material relationships between the Exchange and a director. The Nominating Committee shall perform any other activities consistent with this Charter as the

Nominating Committee deems necessary or appropriate, or as the Board shall further delegate to the Nominating Committee.

III. Authority

The Nominating Committee will have the authority, discretion, and necessary resources, with written notice to the Board, to:

- Interview employees, officers, and members of the Exchange;
- Review all relevant documents; and
- Ask members of management or others to attend meetings and provide information.

IV. Membership & Composition

The members of the Nominating Committee shall be appointed in accordance with the LLC Agreement and the Board shall designate the Chairperson of the Nominating Committee. Each member of the Nominating Committee and its Chairperson shall serve until his or her successor is appointed or until his or her earlier resignation or removal.

At 35 percent of the members of the Nominating Committee shall qualify as Public Directors. The Chairperson of the Nominating Committee must also qualify as a Public Director. Each member of the Nominating Committee and its Chairperson shall serve until his or her successor is appointed or until the earlier of his or her resignation or removal.

V. Meetings

The Nominating Committee shall meet as often as it may deem necessary and appropriate in its judgment. In addition, should the departure of a Board member cause the composition of the Board (or of a committee thereof) to no longer comply with applicable requirements under the CFTC Requirements, the Nominating Committee shall convene as soon as practicable in order to identify suitable candidates to recommend to the Board to fill such vacancy.

The majority of the Nominating Committee members shall constitute a quorum for the transaction of business. Each Nominating Committee member not subject to a recusal (for reasons including, but not limited to, an actual or potential conflict of interest) shall have one (1) vote in all matters requiring a vote of the Nominating Committee. The act of a majority of the Nominating Committee members not subject to a recusal at any duly constituted meeting, if a quorum is present, shall be the act of the Nominating Committee. In the event of a tie vote, the vote of the Chairperson of the Nominating Committee shall decide the matter.

VI. Reporting

The Chairperson of the Nominating Committee, or his or her designee, will make regular reports of the Nominating Committee's activities to the Board. The Nominating Committee shall reassess the adequacy of this Charter no less frequently than annually and submit any recommended changes to the Board for approval.

VII. Publicly Available Information

The Exchange shall make this Charter publicly available.

EXHIBIT C-2

BITNOMIAL EXCHANGE, LLC

REGULATORY OVERSIGHT COMMITTEE CHARTER

I. Purpose

The Regulatory Oversight Committee (“**ROC**”) is a Committee of the Board of Directors (“**Board**”) of the Exchange. The ROC is responsible for:

- providing independent oversight of the Exchange’s regulatory program (“**Regulatory Program**”), including trade practice and market surveillance;
- assisting the Board in minimizing potential conflicts of interests relating to the Exchange’s self-regulatory obligations;
- confirming the Regulatory Program is fair and impartial to Exchange participants; and
- monitoring the Regulatory Program for sufficiency, effectiveness, and independence.

II. Responsibilities

The ROC shall monitor the Regulatory Program for sufficiency, effectiveness, and independence. The ROC shall oversee all facets of the Regulatory Program, including:

- Trade practice and market surveillance; audits, examinations, and other regulatory responsibilities with respect to Exchange participants (including ensuring compliance with, if applicable, financial integrity, financial reporting, sales practice, recordkeeping, and other requirements); and the conduct of investigations;
- Reviewing the size and allocation of the regulatory budget and resources, and the number, hiring, termination, and compensation of regulatory personnel;
- Reviewing the performance of the Chief Regulatory Officer of the Exchange (“**CRO**”), who will report directly to the ROC;
- Maintaining minutes and records of its meetings, deliberations and analyses, including records of all decisions made by the ROC. The ROC will make such minutes and records available to Commission staff upon request;
- Recommending changes that would ensure fair, vigorous, and effective regulation;
- Reviewing all regulatory proposals prior to implementation and advising the Board as to whether and how such changes may impact regulation; and
- Reviewing such other matters and performing such additional activities, within the scope of its responsibilities, as the Board deems necessary or appropriate.

III. Authority

The ROC shall have the authority, discretion, and necessary resources to:

- Conduct its own inquiries;
- Consult directly with Exchange regulatory staff;
- Review all relevant documents;

- Interview employees, officers, and Exchange participants;
- Otherwise exercise its independent analysis and judgment to fulfill its regulatory obligations;
- Request members of management or others to attend meetings and provide information; and
- Delegate its day-to-day authority over self-regulatory functions and personnel to the CRO.

IV. Membership Composition

The ROC shall be composed entirely of “public directors,” as such term is used by the Commission in Appendix B to Part 38. The members of the ROC shall be appointed in accordance with the Exchange Limited Liability Company Agreement and the Board shall designate the Chairperson of the ROC. Each member of the ROC and its Chairperson shall serve until his or her successor is appointed or until the earlier of his or her resignation or removal.

V. Meetings

The ROC shall meet as often as it may deem necessary and appropriate in its judgment, but in no event less than once each quarter. Each ROC member not subject to a recusal (for reasons including, but not limited to, an actual or potential conflict of interest) shall have one (1) vote in all matters requiring a vote by the ROC. A majority, but not fewer than two, of the ROC members shall constitute a quorum for the transaction of business; provided, that in the event that one or more members of the ROC has been recused, the remaining member(s) of the ROC shall constitute a quorum. The act of a majority of the ROC members not subject to a recusal at any duly constituted meeting, if a quorum is present, shall be the act of the ROC. In the event of a tie vote, the vote of the Chairperson of the ROC shall decide the matter.

VI. Reporting

The ROC Chairperson, or his or her designee, shall make regular reports of the ROC’s activities to the Board. The ROC shall prepare periodic reports for the Board and an annual report assessing effectiveness, sufficiency and independence of the Exchange’s self-regulatory program for the Board and the Commission, which describes the self-regulatory program and sets forth the self-regulatory program’s expenses, describes its staffing and structure, catalogues disciplinary actions taken during the year, reviews the performance of disciplinary committees and panels, and includes any proposals to remedy unresolved regulatory deficiencies.

In the event that the Board rejects any recommendation or supersedes any action of the ROC, the Exchange shall prepare and submit a report to the Commission as required under the Commission’s rules. The ROC shall reassess the adequacy of this Charter no less frequently than annually and submit any recommended changes to the full Board for approval.

VII. Publicly Available Information

The Exchange shall make this Charter publicly available.

EXHIBIT C-3

Participant Committee Charter

I. Purpose

The Participant Committee is a Committee of the Board of Directors (“**Board**”) of the Exchange. The Participant Committee is responsible for:

- determining the standards and requirements for initial and continuing participant eligibility,
- reviewing appeals of staff denials of prospective participant applications, and
- approving any provision of the Exchange Rulebook that would result in different categories or classes of participants receiving disparate access.

II. Responsibilities

The Participant Committee shall determine the standards and requirements, including financial requirements, for initial and continuing membership eligibility. The Participant Committee shall review appeals of Exchange staff denials of applications for approval as an Exchange participant or for expanded participant authority. In reviewing such appeals, the Participant Committee shall not uphold the staff denial if the relevant application demonstrates that the applicant meets the standards and requirements that have been established by the Participant Committee or by the Board. The Participant Committee shall approve any provision of the Exchange Rulebook that would result in different categories or classes of participants receiving disparate access.

The Participant Committee shall not, however, recommend that the Board restrict access or impose burdens on access to the facilities of the Exchange in a discriminatory manner, within each category or class of participants or between similarly situated categories or classes of participants. The Participant Committee shall keep minutes and records of its meetings, deliberations and analysis including records of all decisions made by the Participant Committee. The Participant Committee shall review such other matters and perform such additional activities, within the scope of its responsibilities, as the Board deems necessary or appropriate.

III. Authority

The Participant Committee will have the authority, discretion, and necessary resources to:

- Conduct its own inquiries;
- Consult directly with staff of the Exchange;
- Interview employees, officers, and members of the Exchange;
- Review all relevant documents;
- Exercise its independent analysis and judgment to fulfill its regulatory obligations; and
- Ask members of management or others to attend the meeting and provide information.

III. Membership and Composition

The members of the Participant Committee shall be appointed in accordance with the LLC Agreement and the Board shall designate the Chairperson of the Participant Committee. Each member of the Participant Committee and its Chairperson shall serve until his or her successor is appointed or until his or her earlier resignation or removal.

At least 35 percent of the members of the Participant Committee shall qualify as “public directors” as such term is used by the Commission in Appendix B to Part 38 (“**Public Directors**”). Each member of the Participant Committee and its Chairperson shall serve until his or her successor is appointed or until the earlier of his or her resignation or removal.

IV. Meetings

The Participant Committee shall meet as often as it may deem necessary and appropriate in its judgment. The majority of the Participant Committee members shall constitute a quorum for the transaction of business. Each Participant Committee member not subject to a recusal (for reasons including, but not limited to, an actual or potential conflict of interest) shall have one (1) vote in all matters requiring a vote of the Participant Committee.

The act of a majority of the Participant Committee members not subject to a recusal at any duly constituted meeting, if a quorum is present, shall be the act of the Participant Committee. In the event of a tie vote, the vote of the Chairperson of the Participant Committee shall decide the matter.

V. Reporting

The Chairperson of the Participant Committee, or his or her designee, will make regular reports of the Participant Committee’s activities to the Board. In the event that the Board rejects any recommendation or supersedes any action of the Participant Committee, the Exchange shall prepare and submit a report to the CFTC as required under the CFTC Requirements.

The Participant Committee shall reassess the adequacy of this Charter no less frequently than annually and submit any recommended changes to the Board for approval.

VI. Publicly Available Information

The Exchange shall make this Charter publicly available.

EXHIBIT G

Governance

Attach as Exhibit G, a copy of the constitution, articles of incorporation, formation or association with all amendments thereto, partnership or limited liability agreements, and existing by-laws, operating agreement, rules or instruments corresponding thereto, of the Applicant. Include any additional governance fitness information not included in Exhibit C. Provide a certificate of good standing dated within one week of the date of this Form DCM.

Please see the attached documents for the Applicant:

1. Exhibit G-1: Articles of Formation
2. Exhibit G-2: LLC Agreement
3. Exhibit G-3: Certificate of Good Standing

EXHIBIT G-1

Delaware

The First State

Page 1

*I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF
DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT
COPY OF THE CERTIFICATE OF FORMATION OF "BITNOMIAL EXCHANGE,
LLC", FILED IN THIS OFFICE ON THE THIRTIETH DAY OF JUNE, A.D.
2016, AT 6:37 O`CLOCK P.M.*



6083879 8100
SR# 20164738352

You may verify this certificate online at corp.delaware.gov/authver.shtml

A handwritten signature in black ink, appearing to read "JBullock".

Jeffrey W. Bullock, Secretary of State

Authentication: 202593720
Date: 07-01-16

CERTIFICATE OF FORMATION

OF

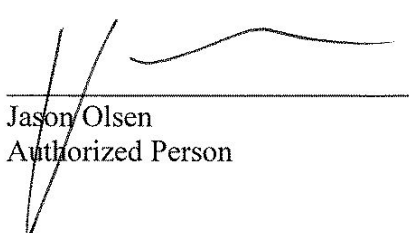
BITNOMIAL EXCHANGE, LLC

*Pursuant to Section 18-201 of the
Limited Liability Company Act of the State of Delaware*

This Certificate of Formation, dated as of the date set forth below, is being duly executed and filed by the undersigned, an authorized person, to form a limited liability company under the Delaware Limited Liability Company Act (6 Del. C. §18-101, et seq.).

- FIRST: The name of the limited liability company is Bitnomial Exchange, LLC (the "Company").
- SECOND: The address of the registered office of the Company in the State of Delaware is 1679 S. DuPont Highway, Suite 100, in the City of Dover, County of Kent, 19901.
- THIRD: The name and address of the registered agent for service of process on the Company in the State of Delaware is Registered Agent Solutions, Inc., 1679 S. DuPont Highway, Suite 100, in the City of Dover, County of Kent, 19901.
- FOURTH: The period of duration of the Company is perpetual.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Formation as of June 30, 2016.



Jason Olsen
Authorized Person

**LIMITED LIABILITY COMPANY AGREEMENT
OF
BITNOMIAL EXCHANGE, LLC**

THIS LIMITED LIABILITY COMPANY AGREEMENT OF BITNOMIAL EXCHANGE, LLC (the “**Agreement**”), dated as of June 30, 2016, is adopted, executed and agreed to by the sole Member (as defined below).

**ARTICLE I.
DEFINITIONS**

The following capitalized terms used in this Agreement shall have the meanings specified in this Article I.

§1.01 “Act” means the Delaware Limited Liability Company Act, as amended from time to time.

§1.02 “Affiliate” means with respect to a Person, any other Person that, directly or indirectly, controls, is controlled by, or is under common control with, the specified Person. As used in this definition, the term “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of an entity, whether through ownership of voting securities, by contract or otherwise. Notwithstanding anything to the contrary, “Affiliate” shall not include the Company.

§1.03 “Agreement” has the meaning set forth in the Preamble.

§1.04 “Board” has the meaning set forth in Section 5.02.

§1.05 “CEA” means the U.S. Commodity Exchange Act, as amended from time to time.

§1.06 “CFTC” means the U.S. Commodity Futures Trading Commission or any successor thereto with similar regulatory authority over the Company and its business, activity, property, or assets.

§1.07 “Charter” has the meaning set forth in Section 5.11(a).

§1.08 “Code” means the U.S. Internal Revenue Code of 1986, as amended.

§1.09 “Company” means Bitnomial Exchange, LLC, a Delaware limited liability company.

§1.10 “Confidential Information” has the meaning set forth in Section 9.02(b).

§1.11 “Covered Person” means any current or former Member, Director, or Officer and, with respect to each such Person, such Person’s Affiliates, officers, directors, liquidators, partners, stockholders, managers, members, employees, heirs, executors, administrators, personal and legal representatives, successors in interest, and permitted assigns.

§1.12 “Director” has the meaning set forth in Section 5.05(a).

§1.13 “Disciplinary Panel” and “Disciplinary Panel Member” have the meanings set forth in Section 5.13.

§1.14 “Exchange” has the meaning set forth in Section 2.05.

§1.15 “Fiscal Year” means each twelve-month period (or portion thereof) beginning on January 1 and ending on December 31 of each year.

§1.16 “GAAP” means U.S. generally accepted accounting principles, as consistently applied.

§1.17 “Interests” has the meaning set forth in Section 3.03.

§1.18 “Member” means each Person signing this Agreement and any Person who subsequently is admitted as a member in the Company.

§1.19 “Nominating Committee” has the meaning set forth in Section 5.11(b).

§1.20 “Officer” has the meaning set forth in Section 5.12(a).

§1.21 “Participant Committee” has the meaning set forth in Section 5.11(d).

§1.22 “Person” means any individual, corporation, partnership, association, limited liability company, enterprise, trust, estate or other entity.

§1.23 “Regulatory Requirements” means any applicable law (including but not limited to, the Act), rules, regulations, or other requirements imposed by any governmental organization or agency that has authority or jurisdiction over the Company or its business, activities, property, or assets, including, but not limited to, the CFTC.

§1.24 “ROC” has the meaning set forth in Section 5.11(c).

§1.25 “Rulebook” has the meaning set forth in Section 2.07.

§1.26 “Transfer” means to sell, exchange, encumber, dispose, hypothecate, pledge, assign, mortgage or otherwise transfer or grant rights or interests, whether voluntary or involuntarily, by operation of law or otherwise.

§1.27 “Withdrawal” means a Member’s resignation from the Company by such Member’s express will or other voluntary act (other than a Transfer).

ARTICLE II.

GENERAL TERMS

§2.01 **Formation.** The Company has been formed as a Delaware limited liability company under and pursuant to Act.

§2.02 **Term.** The term of the Company commenced at the time the Articles were marked “Filed” by the Secretary of State of Delaware and shall continue in existence in perpetuity unless its existence is sooner terminated as provided herein.

§2.03 Office of and Agent for Service of Process. The registered office of the Company in Delaware shall be maintained at 1679 South DuPont Highway, Suite 100, Dover, Delaware 19801. The Company's agent for service of process on the Company at such address shall be Registered Agent Solutions, Inc.

§2.04 No State-Law Partnership. No provisions of this Agreement shall be deemed or construed to constitute the Company a partnership (including, without limitation, a limited partnership) or joint venture for state law purposes.

§2.05 Purposes. The purposes of the Company shall be to (a) engage in the development, ownership and operation of an exchange (the "**Exchange**") for the trading of financial instruments for commodities, and (b) engage in any other lawful act or activity for which limited liability companies may be organized under the Act as authorized by the Member pursuant to Section 5.03. The Company shall have all the powers necessary or convenient to carry out the purposes for which it is formed, including the powers granted by the Act.

§2.06 Powers. The Company shall have the power and authority to take any and all actions necessary, appropriate, proper, advisable, incidental or convenient to or in furtherance of the purposes of the Company, including all powers granted by the Act.

§2.07 The Rulebook. Activities conducted on the Exchange shall be subject to the rules of the Exchange as in effect from time to time (the "**Rulebook**"). To the extent there is any conflict between the Rulebook and this Agreement, this Agreement shall govern with respect to the subject matter hereof.

ARTICLE III. **MEMBERS**

§3.01 Member. Bitnomial, Inc., a Delaware corporation, is the sole member of the Company (the "**Member**").

§3.02 Admission of Additional Members. Additional members of the Company may be admitted to the Company only by the affirmative vote or written consent of the Member. For purposes of this Agreement, references to "**Member**" mean the sole Member and all other persons who become a member of the Company (if any) in accordance with this Agreement.

§3.03 Interests. The capital of the Company will be represented by membership interests ("**Interests**"). The Interests of the Member are reflected on Exhibit A, as the same may be amended from time to time. Unless the Member resolves otherwise, Interests will be issued without certificates.

§3.04 Capital Contributions. Concurrently with the execution of this Agreement, the Member has contributed to the Company such Member's initial capital contribution in the amount set forth in the books and records of the Company and will hold an interest in the Company represented by the Interests set forth opposite the Member's name on Exhibit A.

ARTICLE IV.
ALLOCATIONS, DISTRIBUTIONS AND CAPITAL ACCOUNTS

§4.01 Allocations of Net Profits and Net Losses. The profits, losses and other items of the Company will be allocated solely to the Member. There will be no “special allocations.”

§4.02 Distributions. The Member shall be entitled (a) to receive all distributions (including, without limitation, liquidating distributions) made by the Company and (b) to enjoy all other rights, benefits and interests in the Company.

§4.03 Capital Accounts. A Capital Account shall be maintained for the Member on the books of the Company and shall be adjusted from time to time pursuant to the terms of this Agreement. The Member’s Capital Account shall be increased by the value of each capital contribution made by the Member (net of any liability secured by such contributed property that the Company is considered to assume or take subject to) and allocations to such Member of net profits or other income. The Member’s Capital Account shall be decreased by the value of each Distribution made to the Member and allocations to such Member of net losses. If any property other than cash is distributed to the Member, the Capital Account of the Member shall be adjusted as if the property had been sold by the Company for a price equal to its fair market value (as determined solely by the Member in its reasonable discretion) and the proceeds distributed.

§4.04 Loans. The Member may make or cause a loan to be made to the Company in any amount and on those terms upon which the Company and such Member agree.

ARTICLE V.
MANAGEMENT

§5.01 Management by the Member. Except as otherwise provided in this Agreement, all decisions regarding the Company shall be made by the Member and the Member shall have the authority to delegate any decision making authority to the Board (as defined below).

§5.02 Delegation of Authority to Board of Directors. The management of the business and affairs of the Company shall be delegated by the Member to the board of directors (the “**Board**”). The Board shall have authority, power and discretion to manage and control the business and affairs of the Company, to make all decisions with respect thereto and to perform any and all other acts or activities customary or incident to the management of the Company’s business and affairs. Subject to the foregoing, the Board (acting on behalf of the Company) shall have the right, power and authority, in the management of the business and affairs of the Company, to do or cause to be done any and all acts, at the expense of the Company, deemed by the Board to be necessary or appropriate to effectuate the purposes of the Company. The Board shall have the power and authority to approve any revision to the Rulebook or the Company’s compliance procedures as in effect on the date of this Agreement or of any procedures in lieu of, or in addition to, the Rulebook or any compliance procedures of the Company. The Member may revoke the delegation of authority granted to the Board in this Section 5.02 at any time upon written notice to the Board.

§5.03 Acts Requiring the Consent of the Member. As a limitation on the powers of the Board as referenced in Section 5.02 above, the Board shall not have the power and authority to

approve or undertake any of the following actions, and only the Member's prior written consent shall be required for the following:

- (a) the entry by the Company into any line of business other than that set forth in Section 2.05(a) above;
- (b) the incurrence or issuance by the Company of indebtedness for borrowed money;
- (c) the sale, transfer or pledge by the Company for aggregate consideration greater than \$50,000 of (A) intellectual property or (B) assets or agreements of the Company;
- (d) the formation or dissolution of any subsidiary of the Company, and any sale or transfer by the Company of equity interests in any such subsidiary;
- (e) the annual approval of any business plan of the Company and any material changes to such approved business plan;
- (f) the annual approval of the budget of the Company, and any material changes to such approved annual budget;
- (g) the compensation (including, but not limited to, salaries, bonuses and awards under any incentive plans) of any Director, Officer, employee or agent of the Company;
- (h) any transaction between (A) the Company, on the one hand, and (B) any Person with an equity interest in the Member or any Affiliate thereof, on the other hand, other than (x) trading transactions conducted on the Exchange, and (y) transactions undertaken in the normal course of the Company's business at a price and on other material terms that are not less favorable to the Company than the price and other material terms generally prevailing with respect to comparable transactions between unrelated parties, as reasonably determined by the Member;
- (i) the appointment of any attorneys, independent certified accountants, tax counsel or other consultant to the Company;
- (j) the entry by the Company into any joint venture, strategic alliance, exclusive dealing, non-competition or similar commitment, other than as contemplated by a business plan and budget previously approved by the Member;
- (k) any recapitalization or any reorganization, any other change in organizational form, or any change in jurisdiction of organization of the Company;
- (l) any sale of the Company, or any sale, transfer or pledge of all or substantially all of the Company's assets;
- (m) any merger of the Company with or into, or any consolidation of the Company with, any other Person;
- (n) any acquisition by the Company of another Person or of any equity interest in another Person;

- (o) any amendment to this Agreement;
 - (p) any commencement by the Company of a voluntary case under any applicable bankruptcy, insolvency or other similar law or procedure, or the consent by the Company to the entry of an order for relief in an involuntary case under any such law or procedure;
 - (q) the authorization, issuance or sale by the Company of any equity interest in the Company, including options and warrants, pursuant to any plan or agreement adopted from and after the date of this Agreement;
 - (r) the adoption of any equity incentive plan by the Company;
 - (s) the appointment of any Officers, or the change of responsibility of the Officers;
- or
- (t) any liquidation or dissolution of the Company.

§5.04 Director Qualifications. Each Person elected or appointed as a Director, prior to serving on the Board, shall certify in writing to the Company that he (a) is not subject to a statutory disqualification under Section 8a(2) or (3) of the CEA, (b) does not have a history of disciplinary offenses as defined in CFTC Regulation 1.63(a)(6), and (c) meets the fitness standards as set forth in the Rulebook.

§5.05 Board Composition; Vacancies.

(a) Composition. The size and composition of the Board are determined by the Member, in its sole discretion. Initially, on the date of this Agreement, the Board shall be comprised of three Board members (each, a “**Director**”). The Member may expand the Board to allow for additional Directors provided that at all times not less than 35% of the Directors, but not fewer than two individuals, shall be “Public Directors”, as such term is defined by, and as such Board composition is required by, the CEA and regulations promulgated thereunder.

(b) Vacancies. In the event that a vacancy is created on the Board at any time due to the death, disability, retirement, resignation or removal of a Director, then the Member shall appoint a Person to fill the vacancy. If the vacancy is for a seat filed by a Public Director, the Member shall appoint a Person that satisfies the definition of a Public Director.

§5.06 Resignation; Removal.

(a) Resignation. A Director may resign at any time from the Board by delivering his written resignation to the Board. Any such resignation shall be effective upon receipt thereof unless it is specified to be effective at some other time or upon the occurrence of some other event. Neither the Member’s nor the Board’s acceptance of a resignation shall be necessary to make it effective.

(b) Removal. A Director may be removed at any time from the Board, with or without cause, by the Member.

§5.07 Meetings.

(a) Generally. The Board shall meet at such time and at such place as the Board may designate, but not less frequently than once each calendar quarter. Meetings of the Board may be held either in person, at the offices of the Company or such other place (either within or outside the State of Delaware) as may be determined from time to time by the Board, or by means of telephone, video conference, or other communications device that permits all Directors and other Persons participating in the meeting to hear each other, and a Director's participation in a meeting by such means shall constitute attendance in person at such meeting. Except as provided in Section 5.07(c), written notice of each meeting of the Board shall be given to each Director at least 24 hours prior to such meeting.

(b) Special Meetings. Special meetings of the Board shall be held on the call of the Member, the Chief Executive Officer, or any two Directors upon at least 5 days written notice (if the meeting is to be held in person) or upon 24 hours' written notice (if the meeting is to be held by telephone, video conference, or other communication device) to the Directors, or upon such shorter notice as may be approved by all of the Directors then in office or is practicable in the case of an emergency.

(c) Attendance and Waiver of Notice. Any Director may waive notice as to himself. Attendance by a Director at any meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting solely for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board need to be specified in the notice or waiver of such notice of such meeting.

§5.08 Quorum; Manner of Acting.

(a) Quorum. A majority of the Directors serving on the Board, including at least 1 Public Director, shall constitute a quorum for the transaction of business of the Board. At all times when the Board is conducting business at a meeting of the Board, a quorum of the Board must be present at such meeting. If a quorum shall not be present at any meeting of the Board, then the Directors present at the meeting may adjourn the meeting from time to time, without notice other than an announcement at the meeting, until a quorum shall be present.

(b) Binding Act. Each Director shall have 1 vote on all matters submitted to the Board (or any committee or subcommittee of the Board of which he is a member). With respect to any matter before the Board (or any committee or subcommittee), the act of a majority of the Directors constituting a quorum shall be the act of the Board (or committee or subcommittee).

§5.09 Action by Written Consent. Any action that may be taken by the Member or the Board under this Agreement may be taken without a meeting, without a vote and without prior notice, if a written consent or consents, including consents by facsimile or electronic mail, setting forth the action so taken are signed by an authorized representative of the Member or a minimum number of Directors who would be required to take such action if such action were taken by the Board at a

meeting at which all of the Directors were present.

§5.10 Compensation; No Employment Rights; Directors' Powers.

(a) Compensation. No Director shall be entitled to compensation for any services provided to the Company, except as authorized in writing by the Member. The Member may authorize the payment to Directors of a fixed sum and reimbursement of expenses for attendance, if any, at each regular or special meeting of the Board attended by such Directors. Nothing contained in this Section 5.10(a) shall be construed to preclude any Director from serving the Company in any other capacity and receiving compensation for such services.

(b) No Employment Rights. This Agreement does not, and is not intended to, confer upon any Director any rights with respect to employment or other retention by the Company, and nothing herein shall be construed to have created any employment or other agreement with any Person in his capacity as Director.

(c) Directors' Powers. Except as otherwise specifically provided by this Agreement or required by the Rulebook or the CEA, or any regulation promulgated thereunder, no Director, in his capacity as a Director, shall have the power to act for or on behalf of, or to bind, the Company without prior written authorization of the Member.

§5.11 Committees.

(a) General. The Board shall have the power and authority to establish committees and appoint Directors to serve on one or more committees of the Board, subject to any requirements under applicable law, including the CEA and regulations promulgated thereunder. The Board shall authorize and adopt a charter for each committee setting forth the committee's powers, authorities, and responsibilities ("**Charter**"). Each committee of the Board may determine the procedural rules for meeting and conducting its business and shall act in accordance therewith; provided however, that:

- (i) notice of the date, time and place of all meetings and the agenda for such meetings shall be given to all committee members, and waivers of notice may be effected, consistent with the notice provisions for Board meetings set forth in Section 5.07;
- (ii) a majority of the members of any committee shall constitute a quorum for any meeting of such committee;
- (iii) no committee member subject to a conflict of interest with respect to a matter, as reasonably determined by the Board or such committee, shall be entitled to vote on such matter;
- (iv) all matters to be decided upon at any meeting of a committee shall be determined by a vote or consent of a majority of the members of such committee then in office and entitled to vote on such matters;
- (v) action may be taken by any committee without a meeting, without prior

notice and without a vote, if all of the members of such committee consent to such action in writing (including by facsimile and electronic mail) and the writing or writings evidencing such consent are filed with the minutes of the proceedings of such committee;

- (vi) each committee shall keep minutes of its meetings and report its proceedings to the Board as and when required by the Board; and
- (vii) the Board has the power to call for review, and to affirm, modify, suspend or overrule, any and all decisions and actions of standing committees or special committees of the Board related to the day-to-day business operations of the Exchange.

(b) Nominating Committee. The Board shall appoint a nominating committee (“**Nominating Committee**”). The Nominating Committee shall have those powers, authorities, and responsibilities delegated to it by the Board in its Charter.

(c) Regulatory Oversight Committee. The Board shall appoint a Regulatory Oversight Committee (“**ROC**”), which shall be composed of only (100%) Public Directors. The ROC shall have those powers, authorities, and responsibilities delegated to it by the Board in its Charter.

(d) Participant Committee. The Board shall appoint an Exchange participation committee (“**Participant Committee**”), which shall be composed of at least 35% Public Directors. The Participant Committee shall have those powers, authorities, and responsibilities delegated to it by the Board in its Charter.

§5.12 Officers.

(a) General. The Member shall have the power and authority to appoint from time to time one or more individuals to serve as officers (“**Officers**”) of the Company, with such titles, duties and authority as the Member shall approve, to carry out the business of the Company upon such terms and conditions as the Member shall determine. The Officers of the Company as of the date of this Agreement shall continue to act in such capacity and consist of: (a) a Chief Executive Officer and President, (b) a Chief Financial Officer, (c) a Director of Market Operations & Surveillance, (d) a Director of Information Technology, and (e) a Chief Regulatory Officer. Any number of offices may be held by the same Person. Unless otherwise specified by the Member or this Agreement or required by the Act, the duties and authority of an Officer of the Company to act on behalf of the Company shall include the same duties and authority as an officer of a Delaware corporation (other than fiduciary duties) with the same title would have to act on behalf of a Delaware corporation in the absence of a specific delegation of authority. Any such Officer or agent shall hold office until the death, disability, retirement, resignation or removal of such Officer or agent.

(b) Resignation. Any Officer or agent of the Company may resign at any time by giving written notice to the Member or Board. Any such resignation shall take effect at the time specified therein, or if no time is specified, upon receipt thereof, and unless otherwise specified therein, acceptance of such resignation shall not be necessary to make it effective.

(c) Removal; Vacancies; Transfer of Duties. Any Officer may be removed from office, with or without cause, by the Member. The power and duties of any officer may be transferred in whole or in part by the Member to any other Officer or other individual, notwithstanding the other provisions of this Agreement.

(d) Compensation. The Officers shall be entitled to such salary or other compensation, including salaries, bonuses and any awards under an equity incentive plan at the discretion of the Member. The Member shall determine employee compensation matters including salaries, bonuses and any awards under an equity incentive plan.

(e) Third Party Reliance. Third parties dealing with the Company shall be entitled to rely conclusively upon the power and authority of any Officer acting within his or her authority on behalf of the Company.

§5.13 Disciplinary Panels. The Board may, in its discretion, but subject to any requirements under applicable law, including the CEA and regulations promulgated thereunder, establish one or more disciplinary panels (each a “**Disciplinary Panel**”), each of which generally shall be responsible for conducting hearings, rendering decisions, imposing sanctions, and reviewing appeals with respect to disciplinary matters as determined by the Board. Except as the Board may otherwise determine from time to time, each Disciplinary Panel shall be comprised of 3 individuals, at least one of whom would qualify as a Public Director, and such Person will chair the Disciplinary Panel. The number of individuals serving on any Disciplinary Panel (each a, “**Disciplinary Panel Member**”) may, subject to any requirements under applicable law, be increased or decreased from time to time by the Board. The Disciplinary Panel Members shall be appointed by the Board and may be removed from such position, either with or without cause, at any time by the Board.

ARTICLE VI.

DUTIES, INDEMNIFICATION AND EXCULPATION

§6.01 Interests to Consider; No Implied Duties.

(a) Interests to Consider. The Member and the Company hereby acknowledge and agree that, whenever a Covered Person is permitted or required to act or refrain from acting, or to make any other decision (solely in such Person’s capacity as a Covered Person) pursuant to any power or authority of such Person under this Agreement or the Act, he shall make such decision in a manner which he believes to be in the best interests of the Company and its Member.

(b) No Implied Duties. The provisions of this Agreement, including, but not limited to, the extent that they restrict or eliminate the duties, responsibilities, and liabilities of a Covered Person (acting solely in such Person’s capacity as a Covered Person) otherwise existing at law or in equity, are hereby acknowledged and agreed by the Member and the Company to replace, to the fullest extent permitted by law and equity, such other duties, responsibilities, and liabilities of such Covered Person. This Agreement is not intended to, and does not, create or impose on any Covered Person any duty, responsibility, or liability, including, but not limited to, any fiduciary duty, other than those expressly set forth herein. For the avoidance of doubt, the Member and the Company hereby acknowledge and agree that they

waive any and all fiduciary and other duties existing at law or in equity that, absent such waiver, may be implied under the Act, and in doing so, hereby acknowledges and agrees that the duties, responsibilities, and liabilities of each Covered Person (solely in such Person's capacity as a Covered Person) to the Company and the Member are only as expressly set forth in this Agreement.

§6.02 Limitation of Duties and Liabilities; Delegation; Reliance; Indemnification; Advancement; Effect of Amendment

(a) Limitation of Duties and Liabilities. Except as otherwise provided in the Act, to the fullest extent permitted by law, no Covered Person (solely in such Person's capacity as a Covered Person) shall have any duty or be responsible or liable to the Company or any Member, or to any other Person making claims on behalf of the Company (including, but not limited to, its creditors) or any Member, for any damages, expenses, liabilities, or losses as a result of any act or omission (in relation to the Company, any transaction, any investment, or any other action or inaction, including, but not limited to, for breach of contract, tort (including negligence), strict liability, violation of any applicable legal or equitable principle, or breach of duties (including fiduciary duties)), taken or omitted by the Covered Person, unless there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that, in respect of such act or omission, and taking into account the acknowledgments and agreements set forth in this Agreement, such Covered Person acted in bad faith, knowingly engaged in fraud or willful misconduct (including, but not limited to, acting beyond the scope of its or his authority) or, in the case of a criminal matter, acted with actual knowledge that such Covered Person's conduct was unlawful.

(b) Delegation. Subject to its duties and responsibilities as set forth in this Agreement, the Rulebook, and Regulatory Requirements, the Board may exercise any of the powers and authority granted to it by this Agreement and perform any of the duties and responsibilities imposed upon it hereunder either directly or by or through its committees, subcommittees, and agents, and neither the Board nor any Covered Person (acting solely in such Person's capacity as a Covered Person) shall have any duty or be responsible or liable to the Company or any Member, or to any other Person making claims on behalf of the Company (including, but not limited to, its creditors) or any Member, for any mistake, action, inaction, misconduct, negligence, fraud, or bad faith on the part of any such committee, subcommittee, or agent appointed by the Board unless, with respect to an individual Covered Person only, there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that, in respect of such delegation, and taking into account the acknowledgments and agreements set forth in this Agreement, such Covered Person had actual knowledge that such committee, subcommittee, or agent was acting in bad faith, knowingly engaging in fraud or willful misconduct (including, but not limited to, acting beyond the scope of its or his authority) or, in the case of a criminal matter, acting with actual knowledge that its or his conduct was unlawful.

(c) Reliance. Any Covered Person acting for, on behalf of, or in relation to the Company, any transaction, any investment, or any other action or inaction shall be entitled to rely upon the provisions of this Agreement and upon the advice of counsel, accountants, and other professionals or advisors that is provided to the Company, the Board, any committee or

subcommittee thereof, or such Covered Person (acting solely in such Person's capacity as a Covered Person), or upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture, paper, document, signature, or writing reasonably believed by such Covered Person to be genuine, including, but not limited to, any certificate signed by an officer, agent, or representative of any Person, in order to ascertain any fact with respect to such Person or within such Person's knowledge, and such Covered Person shall not have any duty or be responsible or liable to the Company or to the Member, or to any other Person making claims on behalf of the Company (including, but not limited to, its creditors) or the Member, for such Covered Person's reliance thereon; *provided that*, in each case, there has not been a final and non-appealable judgment entered by a court of competent jurisdiction determining that, in respect of such reliance, and taking into account the acknowledgments and agreements set forth in this Agreement, such Covered Person acted in bad faith, knowingly engaged in fraud or willful misconduct (including, but not limited to, acting beyond the scope of his authority) or, in the case of a criminal matter, acted with actual knowledge that such Covered Person's reliance was unlawful.

(d) Indemnification. Each Covered Person (regardless of such Person's capacity and regardless of whether another Covered Person is entitled to indemnification) shall be indemnified and held harmless by the Company (but only to the extent of the Company's property and assets), to the fullest extent permitted under the Act, from and against any and all damage, expense, liability, and loss (including, but not limited to, taxes, penalties, judgments, fines, amounts paid or to be paid in settlement, costs of investigation and preparations, and fees, expenses, and disbursements of attorneys, whether or not the dispute or proceeding involves the Company or any Director, Officer, or Member) reasonably incurred or suffered by such Covered Person (solely in such Person's capacity as a Covered Person) in connection with the Company, any transaction, any investment, or any other action or inaction; *provided that*, such Covered Person shall not be so indemnified and held harmless for any proceeding initiated by such Covered Person; and *provided further that*, such Covered Person shall not be so indemnified and held harmless if there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that, in respect of the matter for which such Covered Person is seeking indemnification or seeking to be held harmless hereunder, and taking into account the acknowledgments and agreements set forth in this Agreement, such Covered Person acted in bad faith, knowingly engaged in fraud or willful misconduct (including, but not limited to, acting beyond the scope of his authority) or, in the case of a criminal matter, acted with actual knowledge that such Covered Person's conduct was unlawful. The indemnification provided by this Section 6.02(d) shall be in addition to any other rights to which a Covered Person may be entitled under any agreement, as a matter of law or equity, or otherwise, both as to actions and inactions in such Covered Person's capacity as a Covered Person and as to actions and inactions in any other capacity, and shall continue as to a Covered Person who has ceased to serve in such capacity and shall inure to the benefit of the heirs, executors, administrators, personal and legal representatives, successors in interest, and permitted assigns of such Covered Person.

(e) Advancement. Reasonable, documented expenses incurred by a Covered Person in defending any civil, criminal, administrative, or investigative action, suit, or proceeding referred to in Section 6.02 (d) shall be paid by the Company in advance of the final disposition of such action, suit, or proceeding; *provided that*, any such advance shall only be made if the

Covered Person delivers a written affirmation by such Covered Person of his good faith belief that he is entitled to indemnification under Section 6.02(d) and agrees to repay all amounts so advanced if it shall ultimately be determined that such Covered Person is not entitled to such indemnification.

(f) Effect of Amendment. Any amendment, modification, or repeal of this Section 6.02 or any provision hereof shall be prospective only and shall not in any way affect the limitations on duty, responsibility, and liability of the Covered Persons, or terminate, reduce, or impair the right of any past, present, or future Covered Person, under and in accordance with the provisions of this Section 6.02 as in effect immediately prior to such amendment, modification, or repeal, with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification, or repeal, regardless of when such claims may arise or be asserted.

§6.03 Insurance. The Company shall (through the Company or the Member) maintain insurance (including directors' and officers' insurance) at levels that are consistent with industry practice, at its expense, and the Company may maintain such insurance to protect itself and any Covered Person, in each case against any damage, expense, liability, or loss, whether or not the Company would have the power to indemnify such Person against such damage, expense, liability, or loss under the Act or this Agreement.

ARTICLE VII.

TRANSFERS AND WITHDRAWALS

§7.01 Transfers. The Member may Transfer its Interests in whole or in part to any Person at any time.

§7.02 Withdrawals. Upon the occurrence of the Withdrawal of a Member, the Member's successor shall thereupon become a Member.

ARTICLE VIII.

DISSOLUTION, LIQUIDATION AND TERMINATION OF THE COMPANY

§8.01 Dissolution. The Company shall dissolve and its affairs shall be wound up at such time, if any, upon the written consent of the Member. No other event (including, without limitation, an event described in Section 18-801(4) of the Act) shall cause the Company to dissolve.

§8.02 Winding Up. If the Company is dissolved, the affairs of the Company shall be wound up by the Member or a liquidating agent appointed by the Member. Upon the winding up of the Company, the property and assets of the Company shall be distributed, first, to creditors, including all amounts owing to the Member under any agreement entered into between the Company and the Member or any Affiliate thereof to the extent permitted by law, in satisfaction of the liabilities of the Company, and then to the Member (or its successor in interest) in accordance with Section 4.02.

§8.03 Certificate of Cancellation. Upon the dissolution and completion of winding up the Company, a Certificate of Cancellation shall be filed with the Delaware Secretary of State in accordance with the provisions of Section 18-203 of the Act.

ARTICLE IX.
BOOKS, RECORDS, ACCOUNTS AND ACCOUNTING

§9.01 Books and Records. The Board shall keep or cause to be kept complete and accurate books and records of the Company and supporting documentation of the transactions with respect to the conduct of the Company's business and affairs and the ownership and maintenance of its property and assets. The books and records shall be maintained and reported in accordance with GAAP and all Regulatory Requirements. The Member shall have reasonable access to the books and records of the Company at any reasonable time during regular business hours without charge (and shall have the right to copy such books and records at its own expense).

§9.02 Confidentiality.

(a) Obligations. The Member and each Director recognizes and acknowledges that each of them will be entrusted with or have access to confidential and proprietary information which is the property of the Company and/or third parties (including Affiliates of the Company) to which the Company owes a duty of confidentiality. The Member and each Director agrees that, during the time that he, she or it is a Member or Director, and at all times thereafter, such Member or such Director shall (i) not, unless authorized in writing by the Member on behalf of the Company, directly or indirectly use, copy or duplicate or, disclose or otherwise make available to any third party, any Confidential Information (as defined below) other than in the performance of such Member's or Director's duties with respect to the Company, (ii) not assert prior knowledge of any item of Confidential Information that such Member or Director cannot prove by clear and convincing documentary evidence, (iii) take such protective measures as may be reasonably necessary to preserve the secrecy and interest of the Company in the Confidential Information, and (iv) not, without the prior written consent of the Member on behalf of the Company, utilize or convert Confidential Information for such Member's or Director's own benefit or gain, of whatever nature. Upon ceasing to be a Director for any reason whatsoever, or at any time requested by the Member, each Director shall promptly deliver or cause to be delivered any and all Confidential Information in such Director's possession, custody or control.

(b) Confidential Information Defined.

- (i) The term "**Confidential Information**" shall mean trade secrets and other non-public information, technical data or know-how relating to the Company, which may include, but not be limited to: research, products, services, inventions, processes, designs, drawings, engineering, marketing plans, finances, business plans and strategies, pricing, profits, losses, expenses and other financial information; lists of customers, investors, vendors and suppliers; any confidential information of any such customers, investors, vendors or suppliers; contractual arrangements, personnel records and other information relating to employees, training materials, statistical data, source codes, algorithms, proprietary technologies and other proprietary information used by the Company in connection with its businesses and/or which the Company is obligated to any third party (including Affiliates of the Company) to maintain as confidential.

- (ii) The Member and each Director acknowledges that the Confidential Information is vital, sensitive, confidential and proprietary to the Company. Notwithstanding the generality of the foregoing, the definition of “Confidential Information” does not include any information, materials, or data that is or becomes generally available to the public other than as a result of the Member’s or a Director’s unauthorized direct or indirect acts. As between the Company and a Director, the Company is and shall remain the exclusive owner of all rights, title, and interest in and to the Confidential Information.

§9.03 Bank Accounts. All funds of the Company shall be deposited in a bank account or accounts maintained in the Company’s name. The Member shall determine the institution or institutions at which the accounts will be opened and maintained, the types of accounts, and the Persons who will have authority with respect to the accounts and the funds therein.

§9.04 Annual Accounting Period and Taxable Year. The annual accounting period of the Company shall be its Fiscal Year. The Company’s taxable year shall be selected by the Member, subject to the requirements and limitations of the Code.

§9.05 Accounting Decisions. All decisions as to the Company’s accounting matters, except as specifically provided to the contrary herein, shall be made by the Member.

§9.06 Tax Returns. The Board shall, at the expense of the Company, cause to be prepared in a timely fashion after the end of the Fiscal Year, all federal and state income tax return information for the Company for such Fiscal Year, and delivered to the Member, which shall be deemed the “tax matters partner” (as defined in the Code). The Member is hereby authorized and required to represent the Company (at the Company’s expense) in connection with all examinations and audits of the affairs of the Company by any federal, state or local tax authorities and in any resulting administrative and judicial proceedings, and to expend funds of the Company for professional services and costs associated therewith.

ARTICLE X.

GENERAL PROVISIONS

§10.01 Construction. Any reference to any federal, state, local or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. Whenever the context requires, the gender of all words used in this Agreement includes the masculine, feminine and neuter, and the singular number includes the plural number and vice versa. Unless otherwise indicated, all references to Articles and Sections refer to articles and sections of this Agreement, and all references to schedules and exhibits are to schedules and exhibits attached hereto, each of which is made a part hereof for all purposes. Reference in this Agreement to “includes” and “include” shall be deemed to be followed by “without limitation”, and references to “hereof”, “herein”, and similar expressions shall be deemed to be a reference to this Agreement. All references to accounting terms used herein (and not otherwise defined) refer to those terms determined in accordance with GAAP.

§10.02 Compliance with the Act. The Company and the Member agree not to take any action

(or fail to take any action) in contravention of this Agreement that, considered alone or in the aggregate with other actions or events, would result in the termination of the Company under the Act.

§10.03 Notices. Any notice, demand, consent, election, offer, approval, request, or other communication (collectively, a “notice”) required or permitted under this Agreement must be in writing and either delivered personally, sent by certified or registered mail, postage prepaid, return receipt requested, or sent by recognized overnight delivery service. A notice must be addressed to the Member at such Member’s address set forth in the books and records of the Company. A notice to the Company must be addressed to the Company’s principal office. A notice that is sent by mail will be deemed given: (i) five (5) Business Days to an address within the U.S. or (ii) seven (7) Business Days to an address outside of the U.S. after it is mailed. A notice sent by recognized overnight delivery service will be deemed given when received or refused. Any party may designate, by notice to all of the others, substitute addresses or addressees for notices; and, thereafter, notices are to be directed to those substitute addresses or addressees.

§10.04 Severability. The invalidity of any one or more provisions hereof or of any other agreement or instrument given pursuant to or in connection with this Agreement shall not affect the remaining portions of this Agreement or any such other agreement or instrument or any part thereof. In the event that one or more of the provisions contained herein or therein should be invalid, or should operate to render this Agreement or any such other agreement or instrument invalid, this Agreement and such other agreements and instruments shall be construed as if such invalid provisions had not formed part of this Agreement.

§10.05 Survival. It is the express intention and agreement of the parties that all covenants, agreements, statements, representations, warranties and indemnities made in this Agreement shall survive the execution and delivery of this Agreement.

§10.06 Waivers. No failure of the parties, on one or more occasions, to enforce any of the provisions of this Agreement or to exercise any right, remedy or privilege hereunder, shall be construed as a waiver of any such provisions, rights, remedies or privileges hereunder, nor shall any waiver by the parties of a breach of or a default under any of the provisions of this Agreement be construed as a waiver of any subsequent breach or default of a similar or other nature.

§10.07 Exercise of Rights. No failure or delay on the part of the parties in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof of the exercise of any other right, power or privilege. The rights and remedies herein expressly provided are cumulative and not exclusive of any other rights or remedies which the parties would otherwise have at law or in equity or otherwise.

§10.08 Binding Provisions. This Agreement is binding upon, and inures to the benefit of, the parties hereto and their respective shareholders, heirs, executors, administrators, personal and legal representatives, successors, and permitted assigns.

§10.09 No Third Party Beneficiaries. Nothing contained in this Agreement is intended to confer upon any Person, other than the parties hereto and any successors and assigns described herein, any rights or remedies under or by reason of this Agreement.

§10.10 Amendment. Any amendment of this Agreement may be made only in writing by the Member.

§10.11 Entire Agreement. This Agreement contains the entire agreement between the Member and the Company with respect to matters contemplated herein and supersedes all prior oral or written agreements, commitments or understandings with respect to the matters provided for herein and therein.

§10.12 Headings. The headings contained in this Agreement are inserted for convenience only and shall not be used to interpret or construe any provision of this Agreement.

§10.13 Governing Law. This Agreement, the rights and obligations of the parties hereto, and any claims or disputes relating thereto, shall be governed by and construed in accordance with the laws of the State of Delaware without regard to principles of conflict of laws.

§10.14 Specific Performance. Without limiting or waiving in any respect any rights or remedies of the parties under this Agreement now or hereinafter existing at law or in equity or by statute, each of the parties hereto shall be entitled to seek specific performance of the obligations to be performed by the other in accordance with the provisions of this Agreement.

§10.15 Submission to Jurisdiction; Waivers. Each party hereto hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of Illinois, the courts of the United States of America for the Northern District of Illinois and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such party; and

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction.

§10.16 Waiver of Jury Trial. EACH OF THE PARTIES HERETO WAIVES ANY RIGHT TO TRIAL BY JURY IN ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, BETWEEN ANY OF THE PARTIES HERETO ARISING OUT OF OR RELATED TO THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith. ANY PARTY HERETO MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR

RIGHT TO TRIAL BY JURY.

IN WITNESS WHEREOF, the undersigned, intending to be legally bound hereby, has duly executed this Agreement as of the date and year first written above.

MEMBER:

BITNOMIAL, INC.

By: _____

Name: Luke Hoersten

Title: President & CEO

EXHIBIT A

LIST OF MEMBERS AND MEMBERSHIP INTERESTS

Member	Address	Percentage Interest
Bitnomial, Inc.	318 W. Adams St. Chicago, IL 60606	100%

Delaware

The First State

Page 1

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "BITNOMIAL EXCHANGE, LLC" IS DULY FORMED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE FIRST DAY OF SEPTEMBER, A.D. 2016.

AND I DO HEREBY FURTHER CERTIFY THAT THE SAID "BITNOMIAL EXCHANGE, LLC" WAS FORMED ON THE THIRTIETH DAY OF JUNE, A.D. 2016.

AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL FRANCHISE TAXES HAVE BEEN ASSESSED TO DATE.



A handwritten signature in black ink, appearing to read "JBullock", is written over a horizontal line. Below the line, the text "Jeffrey W. Bullock, Secretary of State" is printed.

6083879 8300

SR# 20165616770

You may verify this certificate online at corp.delaware.gov/authver.shtml

Authentication: 202923682

Date: 09-01-16

EXHIBIT L

Compliance with Core Principles

Attach as Exhibit L, a narrative and any other form of documentation that may be provided under other Exhibits herein that describe the manner in which the Applicant is able to comply with each core principle. Such documentation must include a regulatory compliance chart setting forth each core principle and providing citations to the Applicant's relevant rules, policies, and procedures that address each core principle. To the extent that the application raises issues that are novel, or for which compliance with a core principle is not self-evident, include an explanation of how that item and the application satisfy the core principles. Applicant must include a description of how it meets the definition of "Board of Trade" as defined in §1a(2) of the CEA.

Attached as Exhibit L-1 is a chart that describes the manner in which the Exchange is able to comply with each core principle.

Exhibit L-1

BITNOMIAL EXCHANGE, LLC

APPLICATION FOR CONTRACT MARKET DESIGNATION

COMPLIANCE WITH CORE PRINCIPLES¹

CONTRACT MARKET CORE PRINCIPLES	DESCRIPTION OF COMPLIANCE AND RELEVANT REFERENCES
<p>Core Principle 1 - Designation as Contract Market</p> <p>(A) <i>In General.</i> To be designated, and maintain a designation, as a contract market, a board of trade shall comply with:</p> <p>(i) any core principle described in this subsection; and</p> <p>(ii) any requirement that the Commission may impose by rule or regulation pursuant to Section 8a(5).</p> <p>(B) <i>Reasonable Discretion Of Contract Market.</i> Unless otherwise determined by the Commission by rule or regulation, a board of trade described in subparagraph (A) shall have reasonable discretion in establishing the manner in which the board of</p>	<p>All materials submitted in support of the application of Bitnomial Exchange, LLC (“Bitnomial” or the “Exchange”) for designation as a contract market (the “Application”), including the Rules of the Exchange (the “Rules”), set forth in <u>Exhibit M</u> of the Application.</p>

¹ Unless otherwise provided, capitalized terms have the meanings set forth in the Bitnomial Exchange, LLC Rulebook.

<p>trade complies with the core principles described in this subsection.</p>	
<p>Core Principle 2 - Compliance with Rules</p> <p>(A) <i>In General.</i> The board of trade shall establish, monitor, and enforce compliance with the rules of the contract market, including:</p> <p>(i) access requirements;</p> <p>(ii) the terms and conditions of any contracts to be traded on the contract market; and</p> <p>(iii) rules prohibiting abusive trade practices on the contract market.</p> <p>(B) <i>Capacity of Contract Market.</i> The board of trade shall have the capacity to detect, investigate, and apply appropriate sanctions to any person that violates any rule of the contract market.</p> <p>(C) <i>Requirement of Rules.</i> The rules of the contract market shall provide the board of trade with the ability and authority to obtain any necessary information to perform any function described in this subsection, including the capacity to carry out such international information-sharing agreements as the Commission may require.</p>	<p>(A) <i>In General.</i> Pursuant to the Participant Agreement and Rule 301, Participants and Authorized Users are required to consent to the jurisdiction of the Exchange before being granted access to the Exchange. Rule 303(g) also requires Participants to promptly provide information and documents reasonably requested by the Exchange and permits the Exchange to obtain such information or documents directly from any clearing member or from the clearing house. Under Rule 603(a), a Participant is required to cooperate with an Exchange investigation by making an appearance and making its books and records available to the Exchange.</p> <p>Rule 303 provides clear and transparent access criteria and requirements for Exchange Participants. Rule 304 establishes the minimum requirements for Exchange Participants to maintain the financial integrity of the Exchange. The Exchange will apply these criteria in an impartial manner.</p> <p>Pursuant to Rule 312, Exchange fees will be made available on the Exchange's web site.</p> <p>Pursuant to Rule 502, the terms and conditions of contracts offered to be traded on the Exchange will be set forth on the Exchange's web site.</p> <p>(B) <i>Capacity of Contract Market.</i> Chapter VI of the Rules imposes an extensive set of rules that are designed to encourage ethical business conduct and protect Participants from abusive, disruptive, fraudulent and noncompetitive conduct and trade practices. The rules include business conduct standards (Rule 401) and prohibit numerous forms of prohibited conduct and trade practices including: price manipulation, fictitious, non-competitive or artificial transactions (Rule</p>

	<p>402(c)), market manipulation (Rule 402(d)), market disruption (Rule 402(e)), disruptive trading practices (Rule 402(f)), prohibition on the use or attempted use of manipulative and deceptive devices (Rule 402(g)), gratuities (Rule (402(h)), rumors (Rule 402(i)), false reports (Rule 402(j)), wash sales (Rule 402(k)), financial condition (Rule 402(l)), acts detrimental to the exchange (Rule 402(m)), misuse of Bitnomial Exchange (Rule 402(n)), supervision (Rule 402(o)), disclosing order information (Rule 402(p)) and pre-arranged, pre-negotiated and noncompetitive trades (Rule 403). <i>See also</i> Core Principle 4, below.</p> <p>The Exchange’s Regulatory Oversight Committee (“ROC”) will prepare an annual report assessing the effectiveness, sufficiency and independence of the Exchange’s self-regulatory program, which report will describe the Exchange’s self-regulatory program and its expenses, staffing and structure; catalogue disciplinary actions taken during the year; review the performance of disciplinary committees and panels; and include any proposals to remedy unresolved regulatory deficiencies.</p> <p>The Compliance Department, in accordance with Rule 602(a), is responsible for ensuring that the Exchange’s Rules are followed. The Compliance Department’s Investigation Team monitors overall activity on the Exchange on a real-time and post-trade basis. Specifically, the Investigation Team views all trading activity on the Exchange, tracks the activity of specific traders, monitors price and volume information. Under Rule 508, the Exchange may adjust trade prices or cancel (bust) trades under appropriate circumstances.</p> <p>Pursuant to Chapter VI of the Rules, the Compliance Department is also authorized to investigate trading activities on the Exchange, and initiate enforcement procedures to ensure compliance with the Rules. Pursuant to Section 603(a) of the Rules, the Investigation Team will commence an investigation upon the receipt of a request from Commission staff or upon the discovery or receipt of</p>
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	<p>information that indicates a possible basis for a finding that a violation has occurred or will occur. Absent mitigating circumstances, the Investigation Team must complete its investigation within twelve months after the date the investigation is opened. Permissible mitigating circumstances include the complexity of the investigation, the number of firms or individuals involved in as potential respondents, the number of potential violations to be investigate and the volume of documentation and data that must be analyzed. The Investigation Team will submit a written report of each investigation to the Disciplinary Committee and maintain a log of all investigations and their disposition in accordance with Rule 603(b). Under Rule 603(b), investigations may be resolved through a warning letter; however, no more than one warning letter for the same potential violation may be issued to the same Participant during a rolling 12-month period.</p> <p>(C) <i>Requirement of Rules.</i> Pursuant to Rule 209, the Exchange may enter into information-sharing agreements, as the Commission may require, with any Person or body (including the Commission, the NFA, any Self-Regulatory Organization, any exchange, market, or clearing organization, or foreign regulatory authority).</p>
<p>Core Principle 3 - Contracts Not Readily Subject to Manipulation</p> <p>The board of trade shall list on the contract market only contracts that are not readily susceptible to manipulation.</p>	<p>Upon determination by the Exchange of the types of futures contracts to list for trading, the Exchange will provide support of compliance in accordance with Core Principle 3.</p>
<p>Core Principle 4 - Prevention of Market Disruption</p> <p>The board of trade shall have the capacity and</p>	<p>Pursuant to Rule 205(d), the ROC will oversee the Exchange's regulatory program on behalf of the Exchange, with the authority to monitor the regulatory program of the Exchange for sufficiency, effectiveness, and independence. The ROC will oversee all facets of the regulatory program, including: (a) trade</p>

<p>responsibility to prevent manipulation, price distortion, and disruptions of the delivery or cash-settlement process through market surveillance, compliance, and enforcement practices and procedures, including:</p> <p>(A) methods for conducting real-time monitoring of trading; and</p> <p>(B) comprehensive and accurate trade reconstructions.</p>	<p>practice and market surveillance; audits, examinations, and other regulatory responsibilities with respect to Participants (including compliance with, as applicable, financial integrity, financial reporting, sales practice, recordkeeping and other requirements) and the conduct of investigations; (b) reviewing the size and allocation of the regulatory budget and resources, and the number, hiring, termination, and compensation of regulatory personnel; (c) supervising the Chief Regulatory Officer of the Exchange, who will report directly to the ROC; (d) recommending changes that would ensure fair, vigorous, and effective regulation; and (e) reviewing all regulatory proposals prior to implementation and advising the Board as to whether and how such changes may impact regulation. Section 402 of the Rules sets forth certain prohibited trading practices and specifically proscribes manipulation, price distortion and disruptive trading practices.</p> <p>The ROC, together with the Chief Regulatory Officer and Compliance Department, will implement the Exchange’s monitoring, surveillance and other enforcement functions.</p> <p>Pursuant to Rule 510, Participants that access the Exchange electronically are responsible for maintaining Audit Trail information for all electronic orders. Audit Trail information must be maintained for a minimum of five years and Participants must produce Audit Trail data in a standard format upon request of the Exchange. In addition, the Rules specifically contemplate information-sharing arrangements with other markets. <i>See</i> Rule 209.</p> <p>Rule 305(b) requires each Participant to monitor and enforce compliance with its internal risk limits and shall be responsible for all Orders and transactions effected on the Exchange.</p> <p>Chapter VI of the Exchange Rules describe the Exchange’s compliance and</p>
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	<p>enforcement procedures, which include inquiries, investigations, disciplinary proceedings, and provide for arbitrations related to Exchange activity.</p>
<p>Core Principle 5 - Position Limitations or Accountability</p> <p>(A) <i>In General.</i> To reduce the potential threat of market manipulation or congestion (especially during trading in the delivery month), the board of trade shall adopt for each contract of the board of trade, as is necessary and appropriate, position limitations or position accountability for speculators.</p> <p>(B) <i>Maximum Allowable Position Limitation.</i> For any contract that is subject to a position limitation established by the Commission pursuant to section 4a(a), the board of trade shall set the position limitation of the board of trade at a level not higher than the position limitation established by the Commission.</p>	<p>(A) <i>In General.</i> Rules 405 through 409 set forth the Exchange's policies for monitoring positions in Exchange contracts that are owned, controlled or held by any person. Rule 408 requires aggregation of certain positions for purposes of determining compliance with position limits and accountability reporting requirements. Rule 405 permits a person to apply for an exemption for bona fide hedging positions that meet the requirements of Commission Regulation 1.3(z), by providing the information requested and following the procedures of the Exchange.</p> <p>(B) <i>Maximum Allowable Position Limitation.</i> Position limits and position accountability levels will be established on a contract by contract basis. For new contracts subject to position limits established by the Commission pursuant to CEA §4a(a), the Exchange will adopt position limits at levels not higher than the position limits established by the Commission. For new contracts not subject to such Commission established limits, the Exchange will consider on a case-by-case basis whether to impose position limits or position accountability standards. Under current regulatory requirements, when the Exchange submits the terms and conditions for a new contract pursuant to self-certification, it will certify that those rules comply with the CEA and the Regulations.</p> <p>The Exchange will use an automated system to perform market surveillance on behalf of the Exchange. The system monitors and analyzes position holdings. The system also generates alerts when certain positions exceed reportable levels. Pursuant to Exchange Rule 501(c), the Exchange may impose or modify trading limits or position limits or order the reduction of positions in the event of an Emergency. <i>See also</i> Core Principle 6.</p>

<p>Core Principle 6 - Emergency Authority</p> <p>The board of trade, in consultation or cooperation with the Commission, shall adopt rules to provide for the exercise of emergency authority, as is necessary and appropriate, including the authority:</p> <p>(A) to liquidate or transfer open positions in any contract;</p> <p>(B) to suspend or curtail trading in any contract; and to require market participants in any contract to meet special margin requirements.</p>	<p>The Exchange has adopted procedures and guidelines for implementing an emergency intervention in the market. Under Rule 501(c), the Board may implement Emergency Rules, subject to applicable provisions of the CEA and CFTC Regulations. Emergency Rules may require or authorize the Exchange, the Board, any committee of the Board, the Chief Executive Officer or any other Officer to take actions necessary or appropriate to respond to the Emergency, including, but not limited to, the following actions: (a) suspending or curtailing trading or limiting trading to liquidation only (in whole or in part); (b) extending or shortening the last trading date for Contracts; (c) providing alternative settlement mechanisms; (d) ordering the liquidation of Transactions, the fixing of a Settlement Price, or the reduction of positions; (e) extending, limiting or changing the Trading Hours; (f) temporarily modifying or suspending any provision of the Rules; (g) requiring Participants to meet special margin requirements; (h) imposing or modifying trading limits, price limits and/or position limits; and/or (i) any other action as directed by the Commission. Pursuant to Rule 501(c), before any temporary emergency procedures and rules (“Emergency Rules”) may be adopted and enforced, the Board must approve the enforcement of such Emergency Rule at a duly convened meeting. Directors may attend such a meeting by teleconference. If the Chief Executive Officer, or in his or her absence, another Officer determines that Emergency Rules must be implemented with respect to an Emergency before a meeting of the Board can reasonably be convened, then such Officer shall have the authority, without Board action, to implement any Emergency Rules with respect to such Emergency that he or she deems necessary or appropriate to respond to such Emergency. In such circumstances, the Officer must convene a meeting as soon as practicable.</p> <p>Whenever the Exchange, the Board, any committee of the Board, or an Officer takes actions necessary or appropriate to respond to an Emergency, a duly authorized representative of the Exchange will notify Participants and the</p>
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	<p>Commission as promptly as reasonably practicable.</p> <p>The Exchange will use reasonable efforts to notify the Commission prior to implementing, modifying or terminating an Emergency Rule. If such prior notification is not possible or practicable, the Exchange will notify the Commission as soon as reasonably practicable.</p> <p>Emergency actions taken pursuant to Rule 501(c) are subject to the conflict of interest provisions set forth in Rule 207.</p>
<p>Core Principle 7 - Availability of General Information</p> <p>The board of trade shall make available to market authorities, market participants, and the public accurate information concerning:</p> <p>(A) the terms and conditions of the contracts of the contract market; and</p> <p>(B)(i) the rules, regulations, and mechanisms for executing transactions on or through the facilities of the contract market; and (ii) the rules and specifications describing the operation of the contract market's (I) electronic matching platform; or (II) trade execution facility.</p>	<p>The Exchange posts general information, including its contract specifications and the Rules, on the Exchange's web site: bitnomial.com. A copy of the Rules, any rule amendments, notices of non-confidential regulatory submissions and new product listings will be made available through the Exchange's web site.</p> <p>The web site also contains a description of the auction process specifications, trade matching, and trade capture. A technical overview of the Exchange matching engine and examples of how the matching algorithm works in various trading scenarios is provided in <u>Exhibit Q</u>.</p>
<p>Core Principle 8 - Daily publication of Trading Information</p>	<p>Consistent with Rule 504(i), the Exchange will publish daily information on settlement prices, volume, open interest and opening and closing ranges for actively traded Contracts on its web site.</p>

<p>The board of trade shall make public daily information on settlement prices, volume, open interest, and opening and closing ranges for actively traded contracts on the contract market.</p>	
<p>Core Principle 9 - Execution of Transactions</p> <p>(A) <i>In General.</i> The board of trade shall provide a competitive, open, and efficient market and mechanism for executing transactions that protects the price discovery process of trading in the centralized market of the board of trade.</p> <p>(B) <i>Rules.</i> The rules of the board of trade may authorize, for bona fide business purposes:</p> <ul style="list-style-type: none"> (i) transfer trades or office trades; (ii) an exchange of: (I) futures in connection with a cash commodity transaction; (II) futures for cash commodities; or (III) futures for swaps; (iii) or a futures commission merchant, acting as principal or agent, to enter into or confirm the execution of a contract for the purchase or sale of a commodity for future delivery if the contract is reported, recorded, or cleared in accordance with the rules of the contract market or a derivatives clearing organization. 	<p>(A) <i>In General.</i> Bitnomial operates an electronic trading facility that provides Participants with the ability to execute Transactions from the interaction of multiple bids and multiple offers within a predetermined, nondiscretionary automated trade matching and execution algorithm. The Bitnomial Exchange Matching Engine Technical Overview, attached to this Application as <u>Exhibit Q</u>, describes the Exchange's trading platform and price discovery process.</p> <p>(B) <i>Rules.</i> Rule 807(b) allows the transfer of a Contract to another Clearing Member only upon notice to the Exchange and in accordance with the rules of the Clearing House.</p> <p>Rule 507 permits position transfers upon approval by the Exchange that are conducted for administrative purposes to move positions between Participant accounts or Clearing Member accounts where no change in ownership is involved. Position transfers do not contribute to any reported Exchange volumes, price, or trading range information.</p>

<p>Core Principle 10 - Trade Information</p> <p>The board of trade shall maintain rules and procedures to provide for the recording and safe storage of all identifying trade information in a manner that enables the contract market to use the information:</p> <p>(A) to assist in the prevention of customer and market abuses; and</p> <p>(B) to provide evidence of any violations of the rules of the contract market.</p>	<p>The Trading Platform will maintain all information with respect to each order (whether or not such order results in a consummated trade) and each consummated trade, as well as all other information relating to the trade environment that determines the matching and clearing of trades (e.g., information from the clearing members indicating the number and types of contracts such Clearing Members will clear for Participants). As such, any order submitted to the Trading Platform can be tracked from the time it is entered into the system until the time that it is matched, canceled or otherwise removed. Procedures relating to Data Retention are contained in <u>Exhibit S</u> of this Application.</p>
<p>Core Principle 11 - Financial Integrity of Transactions</p> <p>The board of trade shall establish and enforce:</p> <p>(A) Rules and procedures for ensuring the financial integrity of transactions entered into on or through the facilities of the contract market (including the clearance and settlement of the transactions with a derivatives clearing organization); and</p> <p>(B) Rules to ensure:</p> <p>(i) the financial integrity of any (I) futures commission merchant; and (II) introducing broker; and</p>	<p>The Exchange has established a clearing arrangement with a registered Derivatives Clearing Organization, (“Clearing House”) and Bitnomial Exchange, LLC (<u>Exhibit T-1</u>).</p> <p>Rule 504(h) provides that all matched trades generated by the Trade Matching Engine after the application of Trade Risk Limits give rise to binding Transactions between the applicable Participants, which will be automatically submitted to Clearing House for registration and novation, as described in Chapter VIII of the Rules. Rule 801(a), in turn, provides that all Transactions shall be discharged and novated in accordance with the rules of the Clearing House. As provided in Rule 802(a), all Participants must be an Individual Clearing Member or have an agreement with an FCM Clearing Member that guarantees such transactions and establishes an account for the Participant for the purpose of clearing the Participant’s Transactions through the Clearing House. A Clearing Member must guarantee and assume financial responsibility for all Contracts of each Participant guaranteed by it, and will be liable for all trades made by such</p>

<p>(ii) the protection of customer funds.</p>	<p>Participant.</p> <p>Rule 304 provides that a Participant that is registered with the Commission as an FCM or IB must remain in compliance with the minimum financial reporting requirements, financial reporting requirements, and customer protection rules of Commission Regulations and further provides that a violation of those requirements shall be deemed to be a violation of the Rules of the Exchange.</p> <p>Rule 304 requires compliance with 38.605 and 1.52. Any Participant subject to Commission Regulation 1.10 - <i>Financial Reports of Futures Commission Merchants and Introducing Brokers</i>- that violates Commission Regulation 1.10 shall be deemed to have violated this Rule 304(a). Any Participant subject to Commission Regulation 1.11 – <i>Risk Management Program for Futures Commission Merchants</i>- that violates Commission Regulation 1.11 shall be deemed to have violated this Rule 304(b). Any Participant subject to Commission Regulation 1.12 - <i>Maintenance of Minimum Financial Requirements by Futures Commission Merchants and Introducing Brokers</i>- that violates Commission Regulation 1.12 shall be deemed to have violated this Rule 304(c). Any Participant subject to Commission Regulation 1.17- <i>Minimum Financial Requirements for Futures Commission Merchants and Introducing Brokers</i>- that violates Commission Regulation 1.17 shall be deemed to have violated this Rule 304(d). Any Participant subject to Commission Regulation 1.18- <i>Records for and relating to Financial Reporting and Monthly Computation by Futures Commission Merchants and Introducing Brokers</i>- that violates Commission Regulation 1.18 shall be deemed to have violated this Rule 304(e). Any Participant subject to Commission Regulation 1.20 – <i>Futures Customer Funds to Be Segregated and Separately Accounted For</i>- that violates Commission Regulation 1.20 shall be deemed to have violated this Rule 304(f). Any Participant subject to Commission Regulation 1.21- <i>Care of Money and Equities Accruing to Customers</i>- that violates Commission Regulation 1.21 shall be deemed to have violated this Rule 304(g).</p>
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	<p>Any Participant subject to Commission Regulation 1.22- <i>Use of Futures Customer Funds Restricted</i>- that violates Commission Regulation 1.22 shall be deemed to have violated this Rule 304(h). Any Participant subject to Commission Regulation 1.23- <i>Interest of Futures Commission Merchants in Segregated Futures Customer Funds; Additions and Withdrawals</i>- that violates Commission Regulation 1.23 shall be deemed to have violated this Rule 304(i). Any Participant subject to Commission Regulation 1.24- <i>Segregated Funds; Exclusions Therefrom</i>- that violates Commission Regulation 1.24 shall be deemed to have violated this Rule 304(j). Any Participant subject to Commission Regulation 1.25- <i>Investment of Customer Funds</i>- that violates Commission Regulation 1.25 shall be deemed to have violated this Rule 304(k). Any Participant subject to Commission Regulation 1.26- <i>Deposit of Instruments Purchased with Futures Customer Funds</i>- that violates Commission Regulation 1.26 shall be deemed to have violated this Rule 304(l). Any Participant subject to Commission Regulation 1.27- <i>Record of Investments</i>- that violates Commission Regulation 1.27 shall be deemed to have violated this Rule 304(m). Any Participant subject to Commission Regulation 1.28- <i>Appraisal of Instruments Purchased with Customer Funds</i>- that violates Commission Regulation 1.28 shall be deemed to have violated this Rule 304(n). Any Participant subject to Commission Regulation 1.29- <i>Gains and Losses Resulting from Investment of Customer Funds</i>- that violates Commission Regulation 1.29 shall be deemed to have violated this Rule 304(o). Any Participant subject to Commission Regulation 1.30- <i>Loans by Futures Commission Merchants; Treatment of Proceeds</i>- that violates Commission Regulation 1.30 shall be deemed to have violated this Rule 304(p). Any Participant subject to Commission Regulation 1.31- <i>Regulatory Records; Retention and Production</i>- that violates Commission Regulation 1.31 shall be deemed to have violated this Rule 304(q). Any Trading Privilege Holder subject to Commission Regulation 1.32- <i>Reporting of Segregated Account Computation and Details Regarding the Holding of Futures Customer Funds</i>- that violates Commission Regulation 1.32 shall be deemed to have violated this Rule 304(r).</p>
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<p>Core Principle 12 - Protection of Markets and Market Participants</p> <p>The board of trade shall establish and enforce rules:</p> <p>(A) to protect markets and market participants from abusive practices committed by any party, including abusive practices committed by a party acting as an agent for a participant; and</p> <p>(B) to promote fair and equitable trading on the contract market.</p>	<p>Chapter IV of the Rules protects the market and market participants from abusive, disruptive, fraudulent, noncompetitive and unfair conduct and trade practices. Improper conduct and trade practices will be investigated and adjudicated as described in Chapter VI of the Rules (Discipline and Enforcement). The Exchange will conduct a trade practice, market and financial surveillance monitoring program.</p> <p>The procedures for executing trades on the Trading Platform, as described in the Rules and in <u>Exhibit Q</u>, promote fair and equitable trading on the Exchange.</p> <p><i>See also</i> Core Principle 2.</p>
<p>Core Principle 13 - Disciplinary Procedures</p> <p>The board of trade shall establish and enforce disciplinary procedures that authorize the board of trade to discipline, suspend, or expel members or market participants that violate the rules of the board of trade, or similar methods for performing the same functions, including delegation of the functions to third parties.</p>	<p>Chapter VI of the Rules describes the disciplinary procedures of the Exchange that authorize the Exchange to discipline, suspend, or expel Participants that violate the Exchange's Rules.</p> <p>The Investigation Team will conduct inquiries and investigations relating to real-time surveillance, trade practice, market and financial surveillance. In the event such investigations result in further disciplinary proceedings, Rule 603.</p>
<p>Core Principle 14 - Dispute Resolution</p> <p>The board of trade shall establish and enforce rules regarding, and provide facilities for alternative dispute resolution as appropriate for, market participants and any market intermediaries.</p>	<p>Chapter VII of the Rules establishes rules concerning alternative dispute resolution, which provide for the resolution of disputes between or among Participants through NFA. Under Chapter VII, arbitration is available for all disputes, controversies, or claims among all Exchange users relating to Exchange activities, including Participants that may not be members of the National Futures Association.</p>

	<p>Arbitration will be conducted by an arbitrator operating in accordance with the provisions of NFA Streamlined Arbitration Rules and Procedures in effect at the time of filing of the claim for arbitration.</p>
<p>Core Principle 15 - Governance Fitness Standards</p> <p>The board of trade shall establish and enforce appropriate fitness standards for directors, members of any disciplinary committee, members of the contract market, and any other person with direct access to the facility (including any party affiliated with any person described in this paragraph).</p>	<p>Persons involved in the governance of, and persons trading on, the Exchange will be subject to fitness and eligibility criteria under the Rules. More specifically, Board members, individuals serving on a committee established by the Board, any Business Conduct Committee or Board of Appeals, as well as individuals holding a 10% or greater ownership interest in the Exchange, will be subject to fitness standards under Rule 204 while Participants will be subject to eligibility standards under Rule 303, and Authorized Users will be subject to eligibility standards provided in Rules 307.</p> <p><u>Exhibit C</u> provides additional information regarding the appropriate fitness standards for the Board of Directors.</p>
<p>Core Principle 16 - Conflicts of Interest</p> <p>The board of trade shall establish and enforce rules:</p> <p>(A) to minimize conflicts of interest in the decision making process of the contract market; and</p> <p>(B) to establish a process for resolving conflicts of interest described in subparagraph (A).</p>	<p>Rule 202(c) is aimed at minimizing conflicts of interest by requiring at all times not less than 35% of the Directors (but not fewer than two individuals) be Public Directors. In addition, Rule 207 establishes rules to minimize conflicts of interest and a process for resolving conflicts of interest. Rule 206(a) separately limits the use and disclosure of material non-public information gained in connection with a member's participation on the Board or any committee for any purpose other than the performance of his or her official duties as a member of the Board or committee.</p> <p>As described in more detail in Rule 205(d) and with respect to Core Principle 17 below, the Exchange will have a ROC that is composed solely of Public Directors. The ROC will oversee the Exchange's regulatory program on behalf of the Board, which role includes supervising the Chief Regulatory Officer (Rule 205(d)(iii)) in minimizing conflicts of interest (Rule 207).</p>

	<p>Business Conduct Committees involved in the enforcement and adjudication process are subject to rules under Rule 603(h) regarding composition to preclude any group or class of industry participants from dominating or exercising disproportionate influence. Under that Rule, the Business Conduct Committee will be chaired by an individual qualified to be a Public Director and may include Participants.</p> <p>Rule 605 provides for appeal of a Business Conduct Committee’s decision to a Board of Appeals. Under that Rule, the Board of Appeals will be chaired by an individual qualified to be a Public Director and may include Participants.</p>
<p>Core Principle 17 - Composition of Governing Boards of Contract Markets</p> <p>The governance arrangements of the board of trade shall be designed to permit consideration of the views of market participants.</p>	<p>Organizational documents, including the Limited Liability Company Agreement of Bitnomial Exchange LLC Agreement (the “Exchange LLC Agreement”), are provided in <u>Exhibit G</u>. Pursuant to the Exchange LLC Agreement, the Board of Directors shall consist of five directors, two of which will be Public Directors as defined in Commission Regulations. As such, 40% of the Board of Directors will be Public Directors.</p> <p>Pursuant to Rule 205(a), the Board has the three following standing committees: the Nominating Committee (Rule 205(b)), the Exchange Participant Committee (Rule 205(c)), and the Regulatory Oversight Committee (Rule 205(d)). The charters for these Committees are attached as <u>Exhibits C-1, C-2, and C-3</u>. As described in Rule 205(b), the Nominating Committee consists of at least 51% Public Directors and will be chaired by a Public Director. The Nominating Committee is responsible for (i) identifying individuals qualified to serve on the Board, consistent with criteria established by the Board and any composition requirement established by the Commission; and (ii) administering a process for the nomination of individuals to the Board.</p>

	<p>As described in Rule 205(c), the Exchange Participant Committee consists of at least 35% Public Directors. The Exchange Participant Committee is responsible for (i) determining the standards and requirements for initial and continuing Participant eligibility, (ii) reviewing appeals of staff denials of Participant applications, and (iii) approving Rules that would result in different categories or classes of Participants receiving disparate access to the Exchange. The Exchange Participant Committee may not, and may not permit the Exchange to, restrict access or impose burdens on access in a discriminatory manner, within each category or class of Participants or between similarly situated categories or classes of Participants.</p> <p>As described in Rule 205(d), the Regulatory Oversight Committee consists solely of Public Directors. The Regulatory Oversight Committee oversees the Exchange's regulatory program on behalf of the Board.</p> <p>The initial composition contemplated for the Board is described further in <u>Exhibit B</u>. Fitness standards applicable to members of the Board are described in <u>Exhibit C</u>.</p>
<p>Core Principle 18 - Recordkeeping</p> <p>The board of trade shall maintain records of all activities relating to the business of the contract market:</p> <p>(A) in a form and manner that is acceptable to the Commission; and</p> <p>(B) for a period of at least 5 years.</p>	<p>The Exchange's recordkeeping program satisfies the relevant criteria set forth in §1.31 of the Commission's Regulations. Under Rule 205(d)(i), the ROC will oversee all facets of the regulatory program, including compliance with recordkeeping requirements. Under Rule 208(a), the Exchange will keep, or cause to be kept, complete and accurate books and records of accounts of the Exchange, including all books and records required to be maintained pursuant to the CEA and Commission Regulations, and under Rule 208(b), retain all such books and records for at least five (5) years, making such books and records readily accessible for inspection by the Commission and the U.S. Department of Justice during the first two years of such five-year period. Under Rule 1003, the Exchange may record conversations and retain copies of electronic</p>

	<p>communications between Exchange Officials and Participants, their Authorized Users or other agents. Under Rule 501(b)(ii), the Exchange may adopt further procedures to record and account for Contracts.</p> <p><u>Exhibit S</u> describes the procedures for maintaining trade data for transactions on the Exchange. In addition, the Exchange maintains records of Board meetings in accordance with the Exchange LLC Agreement.</p>
<p>Core Principle 19 - Antitrust Considerations</p> <p>Unless necessary or appropriate to achieve the purposes of this Act, the board of trade shall not:</p> <p>(A) adopt any rule or taking any action that results in any unreasonable restraint of trade; or</p> <p>(B) impose any material anticompetitive burden on trading on the contract market.</p>	<p>The Exchange's Rules and policies have been designed to avoid unreasonable restraints of trade or the imposition of any material anticompetitive burden on trading.</p> <p>Under Rule 205(c), the Exchange Participant Committee may not, and may not permit the Exchange to, restrict access or impose burdens on access in a discriminatory manner, within each category or class of Participants or between similarly-situated categories or classes of Participants. Under Rule 504(g), the Exchange matching engine matches and awards orders based on an algorithm, without discrimination among different categories or classes of Participants. Moreover, pursuant to Rule 504(i), the Exchange will make public daily information on settlement prices, volume, open interest, and opening and closing ranges for actively traded contracts on the contract market. Trading information will be published on the Exchange website at the end of the day. <i>See</i> also Core Principle 8 and Core Principle 9.</p>
<p>Core Principle 20 - System Safeguards</p> <p>The board of trade shall:</p> <p>(A) establish and maintain a program of risk analysis and oversight to identify and minimize</p>	<p>The Exchange has developed a program of risk analysis and oversight to identify and minimize sources of operational risk, through the development of appropriate controls and procedures, and the development of automated systems that are reliable, secure, and have adequate scalable capacity as described in <u>Exhibit V-1</u>.</p> <p>This program is described in <u>Exhibit V</u>, which includes information regarding the</p>

<p>sources of operational risk, through the development of appropriate controls and procedures, and the development of automated systems, that are reliable, secure, and have adequate scalable capacity;</p> <p>(B) establish and maintain emergency procedures, backup facilities, and a plan for disaster recovery that allow for the timely recovery and resumption of operations and the fulfillment of the responsibilities and obligations of the board of trade; and</p> <p>(C) periodically conduct tests to verify that backup resources are sufficient to ensure continued order processing and trade matching, price reporting, market surveillance, and maintenance of a comprehensive and accurate audit trail.</p>	<p>security of those systems, the Exchange's risk assessment reviews, internal controls for operations, functional testing, security testing and capacity planning and testing.</p> <p>Section 8 of <u>Exhibit V-1</u> describes the Exchange's emergency plan and includes a description of the back-up systems and emergency procedures that include recovery time objectives. Under the emergency plan, the Exchange has procedures to conduct failover tests to ensure that backup resources are sufficient to ensure continued order processing and trade matching, price reporting, market surveillance, and maintenance of a comprehensive and accurate audit trail. In addition, during an emergency, Exchange Rule 501(c) authorizes the Exchange to implement temporary emergency procedures and rules. <i>See also</i> Core Principle 6.</p> <p><i>See <u>Exhibit V-1</u> – Technology Questionnaire.</i></p>
<p>Core Principle 21 - Financial Resources</p> <p>(A) <i>In General</i>. The board of trade shall have adequate financial, operational, and managerial resources to discharge each responsibility of the board of trade.</p> <p>(B) <i>Determination of Adequacy</i>. The financial resources of the board of trade shall be considered to be adequate if the value of the financial resources exceeds the total amount that would</p>	<p>(A) <i>In General</i> / (B) <i>Determination of Adequacy</i>. The Exchange has adequate financial, operational, and managerial resources to discharge each responsibility of the Exchange. As required by Commission Regulations, the financial resources of the Exchange exceed the total amount that would enable the Exchange to cover its operating costs for a 1-year period, as calculated on a rolling basis. <i>See <u>Exhibit I-1a</u> – Financial Information Overview, <u>Exhibit I-2</u> – Financial Resources, and <u>Exhibit I-3</u> – Financial Relationships.</i></p>

enable the contract market to cover the operating costs of the contract market for a 1-year period, as calculated on a rolling basis.	
<p>Core Principle 22 - Diversity of Board of Directors</p> <p>The board of trade, if a publicly traded company, shall endeavor to recruit individuals to serve on the board of directors and the other decision-making bodies (as determined by the Commission) of the board of trade from among, and to have the composition of the bodies reflect, a broad and culturally diverse pool of qualified candidates.</p>	Not applicable.
<p>Core Principle 23 - Securities and Exchange Commission</p> <p>The board of trade shall keep any such records relating to swaps defined in Section 1a(47)(A)(v) open to inspection and examination by the Securities and Exchange Commission.</p>	Not applicable.

EXHIBIT M

Rulebook

Attach as Exhibit M, a copy of the Applicant's rules (as defined in § 40.1 of the Commission's regulations) and any technical manuals, other guides or instructions for users of, or participants in, the market, including minimum financial standards for members or market participants. Include rules citing applicable federal position limits and aggregation standards in part 150 or part 151, as applicable, of the Commission's regulations and any exchange set position limit rules. Include rules on publication of daily trading information with regards to the requirements of Part 16 of the Commission's regulations. The Applicant should include an explanation, and any other forms of documentation the Applicant thinks will be helpful to its explanation, demonstrating how its rules, technical manuals, other guides or instructions for users of, or participants in, the market, or minimum financial standards for members or market participants as provided in this Exhibit M help support the designated contract market's compliance with the core principles.

Attached as Exhibit M-1 is a copy of the Exchange's Rulebook.

Bitnomial Exchange, LLC

Rulebook

February 2020

BY ACCESSING, OR ENTERING ANY ORDER INTO, THE EXCHANGE, AND WITHOUT ANY NEED FOR ANY FURTHER ACTION, UNDERTAKING OR AGREEMENT, EACH PARTICIPANT, AUTHORIZED USER AND, CUSTOMER AGREES: (I) TO BE BOUND BY, AND COMPLY WITH, THE RULES AND APPLICABLE LAW, IN EACH CASE TO THE EXTENT APPLICABLE TO IT, HIM OR HER, AND (II) TO BECOME SUBJECT TO THE JURISDICTION OF THE EXCHANGE WITH RESPECT TO ANY AND ALL MATTERS ARISING FROM, RELATED TO, OR IN CONNECTION WITH, THE STATUS, ACTIONS OR OMISSIONS OF SUCH PARTICIPANT, AUTHORIZED USER OR CUSTOMER.

TABLE OF CONTENTS

TABLE OF CONTENTS	2
CHAPTER I DEFINITIONS AND INTERPRETATIONS	6
Rule 101 Definitions.	6
Rule 102 Scope and Interpretation.	13
CHAPTER II GOVERNANCE	13
Rule 201 Ownership	13
Rule 202 Board.....	13
Rule 203 Officers	15
Rule 204 Qualifications of Directors; Eligibility/Fitness.....	15
Rule 205 Standing Committees.....	16
Rule 206 Confidentiality	17
Rule 207 Conflicts of Interest	18
Rule 208 Maintenance of Books and Records by the Exchange.....	20
Rule 209 Information-Sharing Arrangements.....	20
Rule 210 Regulatory Services Provider	21
Rule 211 Use of Proprietary Data and Personal Information.....	21
Rule 212 Reporting Requirements	21
CHAPTER III PARTICIPATION	21
Rule 301 Jurisdiction.....	21
Rule 302 Participants.....	22
Rule 303 Requirements for Participants.....	22
Rule 304 Compliance with Minimum Financial Requirements, Financial Reporting Requirements, and Requirements Relating to Protection of Customer Funds	24
Rule 305 Duties and Responsibilities of Participants	25
Rule 306 Authorized Users	27

Rule 307	Duties and Responsibilities of Authorized Users	27
Rule 308	Clearing Members Accessing the Exchange	28
Rule 309	Required Notices.....	28
Rule 310	Account Administrators	29
Rule 311	Access Requirements and Terms	29
Rule 312	Dues and Fees	30
Rule 313	Inspections by the Exchange.....	30
Rule 314	Liquidity Provider Program	30
CHAPTER IV BUSINESS CONDUCT AND TRADING PRACTICES		31
Rule 401	Business Conduct.....	31
Rule 402	General Trading Practices.....	31
Rule 403	Pre-Arranged, Pre-Negotiated and Noncompetitive Trades Prohibited	34
Rule 404	Disciplinary Procedures; Termination of Connection	35
Rule 405	Position Limits	35
Rule 406	Position Accountability.....	35
Rule 407	Reports of Large Positions.....	36
Rule 408	Aggregation of Positions	36
Rule 409	Reporting Levels, Position Accountability Levels and Position Limits	36
Rule 410	Information Disclosure and Documentation.....	36
Rule 411	Compliance	37
CHAPTER V MARKET OPERATIONS		37
Rule 501	Market Hours and Operation	37
Rule 502	Contracts Offered.....	40
Rule 503	User IDs	40
Rule 504	Exchange Trading.....	41
Rule 505	Block Trades [Reserved]	43

Rule 506	Exchange for Related Position [Reserved]	43
Rule 507	Position Transfers	43
Rule 508	Trade Cancellations; Trade Reviews	43
Rule 509	Settlement	44
Rule 510	Recordkeeping; Audit Trail	44
Rule 511	Information Regarding Orders.....	45
Rule 512	Disaster Recovery; Business Continuity.....	45
Rule 513	Exchange Messaging Policy	45
Rule 514	Self-Match Prevention	45
CHAPTER VI DISCIPLINE AND ENFORCEMENT		46
Rule 601	Disciplinary and Enforcement Procedures – General.....	46
Rule 602	Process Considerations	46
Rule 603	Disciplinary Matters	47
Rule 604	Summary Actions	54
Rule 605	Appeal from Hearing Panel Decisions and Summary Actions.....	57
Rule 606	Rights and Responsibilities After Suspension or Termination.....	59
Rule 607	Notice to the Respondent, the CFTC, and the Public.	59
CHAPTER VII ARBITRATION		59
Rule 701	In General	59
Rule 702	Exceptions.....	60
Rule 703	Penalties	60
CHAPTER VIII CLEARING		60
Rule 801	Submission to Clearing House.....	61
Rule 802	Clearing Members.....	61
Rule 803	Responsibility of Participants	62
Rule 804	Clearing Services	62

All Contracts shall be cleared through the Clearing House in accordance with Clearing House Rules and in conformity with all Exchange Rules.....	62
Rule 805 Rules of the Clearing House	62
Rule 806 Notice of Arbitration.....	62
Rule 807 Additional Terms Applicable to Clearing.....	62
CHAPTER IX [RESERVED]	63
CHAPTER X MISCELLANEOUS	63
Rule 1001 Trading by Exchange Officials Prohibited; Misuse of Material, Non-Public Information	63
Rule 1002 Market Data	64
Rule 1003 Recording of Communications	65
Rule 1004 Confidentiality	65
Rule 1005 Force Majeure	66
Rule 1006 Extension or Waiver of Rules	66
Rule 1007 Effect of Amendment, Repeal or New Rule	66
Rule 1008 Signatures.....	66
Rule 1009 Governing Law; Legal Proceedings	67
Rule 1010 LIMITATION OF LIABILITY; NO WARRANTIES	67

CHAPTER I DEFINITIONS AND INTERPRETATIONS

Rule 101 Definitions.

The following terms as used in the Rules have the meanings set forth in this Chapter, unless otherwise specifically provided elsewhere in the Rules or required by the context.

“Account Administrator” means an officer or employee of a Participant appointed pursuant to Rule 310.

“Affiliate” means a Person who directly or indirectly, controls, is controlled by, or is under common control with another Person.

“API” means Application Programming Interface, a programmatic software interface to the Exchange systems.

“Applicable Law” means, with respect to any Person, any statute, law, regulation, rule or ordinance of any governmental or self-regulatory authority applicable to such Person, including the CEA and CFTC Rules.

“Audit Trail” has the meaning set forth in Rule 510.

“Authorized User” means a natural person, authorized by the Exchange as an Authorized User in accordance with Rule 306, who is either employed by or is an agent of a Clearing Member or a Participant.

“Bitnomial Exchange” or “Exchange” means Bitnomial Exchange, LLC, a Delaware limited liability company designated by the CFTC as a contract market.

“Board” means the Board of Directors of Bitnomial Exchange, LLC.

“Board of Appeals” means a panel comprised of a chair and two individuals appointed by the Board to consider appeals under Chapter VI.

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

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

“CFTC” or “Commission” means the U.S. Commodity Futures Trading Commission or any successor agency.

“CFTC Rules” means the rules, regulations and orders of the CFTC, as amended from time to time.

“CPT” means Central Prevailing Time.

“Chairman” means the Chairman of the Board.

“Chief Executive Officer” means the individual appointed by the Board to serve as the Exchange’s chief executive officer.

“Chief Regulatory Officer” means the individual appointed by the Board to serve as the Exchange’s chief regulatory officer.

“Clearing House” means any clearing house registered with the CFTC as a Derivatives Clearing Organization with open access rules that the Exchange designates to provide clearing services with respect to any or all of the Contracts.

“Clearing Member” means an entity meeting the requirements of, and approved for, clearing membership at the Clearing House that is authorized pursuant to the Clearing House Rules to clear trades in any or all Contracts. Except for those Clearing Members that clear solely for their own proprietary accounts (each, an “Individual Clearing Member”), all other Clearing Members must be registered with the CFTC as FCMs (each, an “FCM Clearing Member”).

“Compliance Department” has the meaning set forth in Rule 602.

“Contract” means any contract, agreement, or transaction approved for trading on the Exchange and pursuant to the Rules.

“Contract Specifications” means the descriptions of the contractual items for each Contract as set forth in the document available on the Bitnomial Exchange website. Items described in the Contract Specifications referenced in this Rulebook include “Last Trading Day,” “Daily Settlement Price,” and “Final Settlement Price.”

“Customer” means any Person for whom a Participant carries an account (other than such Participant or any of its affiliates) or from whom a Participant solicits or accepts an order.

“Daily Settlement Price” has the meaning set forth in Rule 509.

“Director” means an individual serving on the Board.

“Disciplinary Action” has the meaning set forth in Rule 601.

“Disciplinary Committee” means a function of the Compliance Department to fulfill various adjudicative responsibilities and duties described in Rule 602.

“Emergency” means the occurrences or circumstances which, in the opinion of the Board, require immediate action to be taken in accordance with Rule 501, and which threaten, or may threaten, the fair and orderly trading in, or the settlement or integrity of, any Contract, including, without limitation, the following:

- (a) any circumstance that may materially affect the performance of a Contract, including failure of the Clearing House system;
- (b) any action taken by any United States or foreign regulatory, self-regulatory, judicial, arbitral, or governmental (whether national, state or municipal) or quasi-governmental authority, or any agency, department, instrumentality, or sub-division thereof; or other Person exercising, or entitled to exercise any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power; or any other contract market, clearing house, board of trade, or other exchange or trade association (foreign or domestic) that may have a direct impact on trading on the Exchange or the settlement legality or enforceability of any Contract;
- (c) any actual, attempted or threatened corner, squeeze, congestion, manipulative activity or undue concentration of positions in a Contract;
- (d) any circumstance that may have a severe, adverse effect upon the functions and facilities of the Exchange, including, but not limited to, acts of God, fire, flood or other natural disasters, bomb threats, acts of terrorism or war, severely inclement weather, or failure or malfunction of all or a portion of the Trading Platform, or other system breakdowns or interruptions such as power, computer, communication or transportation systems or the Internet;
- (e) the bankruptcy or insolvency of any Clearing Member or the imposition of any injunction or other restraint by any government agency, clearing house, court or arbitrator upon a Clearing Member which may affect the ability of a Clearing Member to trade in or perform on a Contract;
- (f) any circumstance in which it appears to the Board that a Clearing Member or any other Person:
 - i. has failed to perform on a Contract;
 - ii. is insolvent; or
 - iii. is in a financial or operational condition or is conducting business such that the Clearing Member or Person cannot be permitted to continue in business without jeopardizing the safety of Participants, other Clearing Members, the Exchange or the Clearing House; or
 - iv. any other unusual, unforeseeable or adverse circumstance as determined by the Exchange

“Exchange Official” means any Officer or employee of the Exchange and any member of the Board, a committee established by the Board, a Hearing Panel or Board of Appeals.

“Exchange Requirements” means the Rules; other requirements implemented by the Exchange pursuant to the Rules; each term of a Contract; and the participant documentation and other contractual obligations between a Participant (including its Authorized Users) and the Exchange.

“Exchange Transaction” means a Contract executed through the Trade Matching Engine.

“Exchange Website” means bitnomial.com.

“Expiry” means the Contract date of expiration.

“Final Settlement Price” means the price for each Contract supplied by the Exchange to the Clearing House as the final Settlement Price for the Expiry as specified in the Contract Specifications.

“FCM” means a futures commission merchant as defined in the CEA and CFTC Rules and registered with the CFTC as such.

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

“Investigation Team” means a group within the Compliance Department, whose function is to fulfill the investigative and enforcement responsibilities described in Rule 602.

“Insolvency” and “Insolvent” means the occurrence of any of the following events with respect to a Person:

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

official for the Person or for any substantial part of its property,

- (d) ordering the winding up or liquidation of the Person's affairs or (iv) consenting to the institution by the Person of proceedings to be adjudicated as a bankrupt or insolvent;
- (e) the filing by the Person of a petition, or any case or proceeding, seeking reorganization or relief under the Bankruptcy Code or any other applicable federal, state or other U.S. or non-U.S. law, including any bankruptcy, insolvency, reorganization, liquidation, dissolution or similar law, or the consent by the Person to the filing of any such petition, case or proceeding or to the appointment of a receiver, custodian, liquidator, provisional liquidator, administrator, provisional administrator, assignee, trustee, sequestrator or other similar official for the Person or for any substantial part of its property, or the making by the Person of an assignment for the benefit of its creditors, or the admission by the Person in writing of its inability to pay its debts generally as they become due, or the taking of corporate or similar action by the Person in furtherance of the foregoing.

"Last Trading Day" is the last day a Contract may be traded and is defined in the Contract Specifications.

"LLC Agreement" means the Limited Liability Company Agreement of the Exchange as amended or restated from time to time.

"NFA" means the National Futures Association.

"Officer" has the meaning given to it in Rule 203.

"Order" means any order to buy or sell a Contract on or subject to the Rules of the Exchange.

"Participant" means an entity that has signed the Participant Agreement for purposes of entering into Transactions for its own account or accesses the Exchange on behalf of a Customer. In addition, an FCM Clearing Member who does not enter into Transactions for its own account shall be deemed to be a Participant hereunder solely for the purpose of accessing the Exchange in order to liquidate Transactions and any resulting positions previously submitted to the Clearing House for the account of such FCM Clearing Member on behalf of a Participant that is in default for failure to perform its obligations to the Exchange or such FCM Clearing Member (to the extent applicable).

"Participant Agreement" means an agreement between Bitnomial Exchange and a Participant which must be signed in order for a Participant to have access to Bitnomial Exchange for the execution of trades involving commodity derivative products and related financial instruments.

"Person" has the meaning set forth in CEA Section 1a(38) and in the CFTC Rules.

“Position Transfer” means a transaction in a Contract(s) that is executed by Exchange personnel for administrative purposes outlined in Rule 507.

“Public Director” means a Director having the qualifications set out in Rule 202.

“Regulatory Services Agreement” means the agreement(s) between the Exchange and the Regulatory Service Provider(s) whereby certain functions mandated under the CEA, such as market monitoring and trade practice surveillance, are delegated to the Regulatory Services Provider(s).

“Regulatory Services Provider” means NFA and such other organizations, if any, that provide regulatory services to the Exchange, together with any such organization’s employees and agents.

“Respondent” means a Participant under investigation for alleged Rule violation(s) or against which charges have been filed.

“Rules” means any rule, interpretation, stated policy, or instrument corresponding to any of the foregoing, including these Rules, in each case as adopted from time to time by the Exchange.

“Self-Regulatory Organization” has the meaning given to such term in CFTC Rule 1.3(ee) and includes a derivatives clearing organization that is registered as such with the CFTC.

“Settlement Price” means the price for each Contract supplied by the Exchange to the Clearing House at the end of each trading day (Daily Settlement Price).

“Surveillance Team” means the group within the Compliance Department that is responsible for real-time and post-trade surveillance of the Exchange’s trading systems, as described in Rule 602.

“Trade Matching Engine” means the set of algorithms through which orders are matched.

“Trading Account” means a trading account to be separately tracked and margined by a Participant’s Clearing Member.

“Trading Account ID” means an Exchange assigned ID that represents a Trading Account for use by the Clearing House and its Clearing Members.

“Trading Platform” means the electronic trading facility operated by Bitnomial Exchange to provide Participants with the ability to execute Exchange Transactions from the interaction of multiple bids and multiple offers within a predetermined, nondiscretionary automated trade matching and execution algorithm.

“Transaction” means an Exchange Transaction.

“Trade Risk Limit” has the meaning set forth in Rule 504 of these Rules.

“Trading Hours” means, for any Business Day, the hours specified on the trading calendar at the Exchange Website.

“Website” means the Exchange Website.

Rule 102 Scope and Interpretation.

As used in any Rule, terms in the singular include the plural and vice versa and references to the masculine, feminine or neuter gender includes each other gender, unless the context expresses a clear contrary intention. As used in any Rule, time references are to Central Standard Time.

**CHAPTER II
GOVERNANCE**

Rule 201 Ownership

The Exchange is a Delaware limited liability company. The management and operation of the Exchange is governed by the LLC Agreement. All of the equity interests of the Exchange are owned by Bitnomial, Inc.

Rule 202 Board

(a) The Board shall manage the day to day business operations of the Exchange. The Board has the power and authority to call for review, and to affirm, modify, suspend or overrule, any and all decisions and actions of standing committees or special committees of the Board or any panel of the Officers related to the day to day business operations of the Exchange.

(b) The Board may act only by the decision of an absolute majority in number of the Directors by vote at a meeting, by unanimous written consent without a meeting, or as otherwise set forth in the LLC Agreement.

(c) At all times, at least 35% of the Directors shall be Public Directors. Each Director (including Public Directors) shall be appointed in accordance with the LLC Agreement, and shall serve until his or her successor is duly appointed, or until his or her earlier resignation or removal, with or without cause.

(d) Each Director is entitled to indemnification pursuant to the LLC Agreement with respect to matters relating to the Exchange.

(e) To qualify as a Public Director, an individual must be found, by action of the Board, to have no material relationship with the Exchange. The Board must make such finding upon the nomination or appointment of the Director and as often as necessary in light of all circumstances relevant to such Director, but in no case less than annually. A “material relationship” is one that reasonably could affect the independent judgment or decision-making of the Director. The Board need not consider previous service as a Director of the Exchange to constitute a “material relationship.” A Director shall be considered to have a “material relationship” with the Exchange if any of the following circumstances exist or have existed within the past year:

(i) such Director is or was an Officer or an employee of the Exchange, or

an officer or an employee of an Affiliate of the Exchange;

- (ii) such Director is or was a Participant or material owner of the Exchange;
- (iii) such Director is or was a director, an officer, or an employee of a Participant or owner of the Exchange;
- (iv) such Director is or was an officer of another entity, which entity has a compensation committee (or similar body) on which any Officer of the Exchange serves;
- (v) such Director, or an entity with which the Director is a partner, an officer, an employee, or a director, receives or has received more than \$100,000 in combined annual payments for legal, accounting, or consulting services from the Exchange or its Affiliate, any Participant, or any Affiliate of such Participant. Compensation for services as a Director of the Exchange or as a director of an Affiliate thereof does not count toward the \$100,000 payment limit, nor does deferred compensation for services rendered prior to becoming a Director, so long as such compensation is in no way contingent, conditioned, or revocable; or,
- (vi) in the case of a Public Director that is a member of the Regulatory Oversight Committee or the Exchange Participant Committee, such Public Director accepts or has accepted, directly or indirectly, any consulting, advisory, or other compensatory fee from the Exchange or its Affiliate or any Participant or any Affiliate of such Participant, other than deferred compensation for service rendered prior to becoming a member of the Regulatory Oversight Committee or the Exchange Participant Committee, provided that such compensation is in no way contingent, conditioned, or revocable.
- (vii) Any of the “material relationships” set forth above apply to the “immediate family” of such Director, i.e., spouse, parents, children, and siblings, in each case, whether by blood, marriage, or adoption, or any person residing in the home of the director or that of his or her immediate family.

(f) The compensation of the Public Directors and other non-executive members of the Board shall not be linked to the business performance of the Exchange.

(g) The Board shall have procedures, as may be further set forth in policies that the Exchange may adopt, to remove a member from the Board where the conduct of such member is likely to be prejudicial to the sound and prudent management of the Exchange.

(h) The Board shall establish arrangements to permit consideration of

Participants in connection with the functioning of the Exchange and with additions or amendments to the Rules and shall make a description of such arrangements available to the public and to the CFTC.

Rule 203 Officers

(a) Subject to the oversight of the Board, the Exchange shall appoint from time to time one or more individuals to serve as the Chief Executive Officer, Chief Regulatory Officer and may further appoint such other officers of the Exchange or any subsidiary of the Exchange (each, an “**Officer**”) as deemed necessary or appropriate, with such titles, duties, and authority as the Exchange shall approve, to carry out the business of the Exchange or any subsidiary of the Exchange, and upon such terms and conditions as the Board shall determine.

(b) Any Officer may also be a director, officer, partner or employee of the Exchange or of any of its Affiliates.

(c) The Officers shall have such powers and duties in the management of the Exchange as the Board may prescribe from time to time, subject to the terms of the LLC Agreement.

(d) Each Officer is entitled to indemnification pursuant to the LLC with respect to matters relating to the Exchange.

Rule 204 Qualifications of Directors; Eligibility/Fitness

(a) An individual may not serve as a Board member, or serve on a committee established by the Board, the Hearing Panel, or a Board of Appeals, or hold a 10% or more ownership interest in the Exchange, if the individual:

- (i) within the prior three (3) years has been found, by a final decision in any action or proceeding brought in a court of competent jurisdiction, the CFTC, or any Self-Regulatory Organization, to have committed a disciplinary offense;
- (ii) within the prior three (3) years has entered into a settlement agreement in which any of the findings or, in the absence of such findings, any of the acts charged, included a disciplinary offense;
- (iii) is currently suspended from trading on a Contract Market, is suspended or expelled from membership in a Self-Regulatory Organization, is serving any sentence or probation, or owes any portion of a fine or penalty related to either: (A) a finding of a disciplinary offense by a final decision in any action or proceeding brought in a court of competent jurisdiction, the CFTC, or any Self-Regulatory Organization; or (B) a settlement agreement in which any of the findings or, in the absence of such findings, any of the acts charged included a disciplinary offense;

- (iv) is currently subject to an agreement with the CFTC or Self-Regulatory Organization not to apply for registration with the CFTC or for membership in the Self-Regulatory Organization;
- (v) is currently, or within the past three (3) years has been, subject to a revocation or suspension of registration by the CFTC;
- (vi) has been convicted of a felony listed in Section 8a(2)(D)(ii) through (iv) of the CEA; or
- (vii) is currently subject to a denial, suspension or disqualification from serving on a disciplinary committee, arbitration panel or governing board of any Self-Regulatory Organization as that term is defined in Section 3(a)(26) of the Securities Exchange Act of 1934; or
- (viii) is subject to a statutory disqualification pursuant to Section 8a(2) of the CEA.
- (ix) For purposes of this Rule 204(a), the terms “disciplinary offense,” “final decision” and “settlement agreement” have the meaning given those terms in CFTC Rule 1.63(a).

(b) Prior to nomination to the Board, each individual shall certify he/she is not disqualified pursuant to Rule 204(a). Upon appointment, each member of the Board shall provide to the Exchange, where applicable, changes in registration information within 30 days and certification of compliance accordingly. In addition, each member will certify on at least an annual basis regarding their continued compliance with Rule 204(a). The Exchange shall verify information supporting Board compliance with eligibility criteria.

(c) In addition, to serve as a member of the Board, an individual must possess the ability to contribute to the effective oversight and management of the Exchange, taking into account the needs of the Exchange and such factors as the individual’s experience, perspective, skills and knowledge of the industry in which the Exchange operates. This shall include sufficient expertise, where applicable, in financial services, risk management, and clearing services.

Rule 205 Standing Committees

(a) The Board shall have at least the three following standing committees: the Nominating Committee, the Exchange Participant Committee, and the Regulatory Oversight Committee, each with the roles and responsibilities set out below.

(b) Nominating Committee. The Nominating Committee of the Board shall consist of at least 51% Public Directors. The Nominating Committee reports to the Board and shall be chaired by a Public Director. The Nominating Committee shall have authority and responsibility to (i) identify individuals qualified to serve on the Board, consistent with the criteria that the Board require and any composition requirement that the Commission promulgates; and (ii) administer a process for the nomination of

individuals to the Board.

(c) Exchange Participant Committee. The Exchange Participant Committee of the Board reports to the Board and shall consist of at least 35% Public Directors. The Exchange Participant Committee is responsible for (i) determining the standards and requirements for initial and continuing Participant eligibility, (ii) reviewing appeals of staff denials of Participant applications, and (iii) approving Rules that would result in different categories or classes of Participants receiving disparate access to the Exchange. The Exchange Participant Committee shall not, and shall not permit the Exchange to, restrict access or impose burdens on access in a discriminatory manner, within each category or class of Participants or between similarly-situated categories or classes of Participants.

(d) Regulatory Oversight Committee. The Regulatory Oversight Committee of the Board shall report to the Board and consist of 100% Public Directors. The Regulatory Oversight Committee shall oversee the Exchange's regulatory program on behalf of the Board with the authority to (i) monitor the regulatory program of the Exchange for sufficiency, effectiveness, and independence and (ii) oversee all facets of the regulatory program, including:

- (i) trade practice and market surveillance; audits, examinations, and other regulatory responsibilities with respect to Participants (including compliance with, if applicable, financial integrity, financial reporting, sales practice, recordkeeping, and other requirements); and the conduct of investigations;
- (ii) reviewing the size and allocation of the regulatory budget and resources, and the number, hiring, termination, and compensation of regulatory personnel;
- (iii) supervising the Chief Regulatory Officer of the Exchange, who will report directly to the Regulatory Oversight Committee;
- (iv) recommending changes that would ensure fair, vigorous, and effective regulation; and
- (v) reviewing all regulatory proposals prior to implementation and advising the Board as to whether and how such changes may impact regulation.

(e) In addition to the standing committees, the Board shall have the power and authority to create and terminate, in accordance with the LLC Agreement, special committees of the Board and designate their composition, responsibilities and powers.

Rule 206 Confidentiality

(a) No member of the Board or any committee established by the Board or by or pursuant to the Rules will use or disclose any material non-public information obtained

in connection with such member's participation in the Board or such committee for any purpose other than the performance of his or her official duties as a member of the Board or such committee.

(b) No officer, employee or agent of the Exchange will: (i) trade in any commodity interest if such officer, employee or agent obtained material non-public information concerning such financial instrument in connection with such employee's, officer's or agent's employment or (ii) disclose to any other Person material non-public information obtained in connection with such employee's, officer's or agent's employment, if such employee, officer or agent could reasonably expect that such information might assist another Person in trading any commodity interest.

Rule 207 Conflicts of Interest

(a) Named Party In Interest Conflict

- (i) No member of the Board, the Hearing Panel, any Board of Appeals or any other disciplinary committee of the Exchange will knowingly participate in such body's deliberations or voting in any matter involving a named party in interest where such member (A) is the named party in interest in the matter, (B) is an employer, employee or fellow employee of a named party in interest, (C) as any other significant, ongoing business relationship with a named party in interest, excluding relationships limited to Contracts, or (D) has a family relationship with a named party in interest.
- (ii) Prior to consideration of any matter involving a named party in interest, each member of the deliberating body who does not choose to abstain from deliberations and voting will disclose to the Chief Regulatory Officer whether such member has one of the relationships listed in clause (i) above with a named party in interest.
- (iii) The Chief Regulatory Officer will determine whether any member of the relevant deliberating body who does not choose to abstain from deliberations and voting is subject to a conflicts restriction under this paragraph (iii). Such determination will be based upon a review of the following information: (A) information provided by such member pursuant to clause (ii) above; and (B) any other source of information that is held by and reasonably available to the Exchange.

(b) Financial Interest in a Significant Action Conflict

- (i) No member of the Board, the Hearing Panel, any Board of Appeals or any other disciplinary committee of the Exchange will participate in such body's deliberations and voting on any significant action if such member has a direct and substantial financial interest in the result of the vote, as determined pursuant to clause (iii) below.

- (ii) Prior to consideration of any significant action, each member of the deliberating body who does not choose to abstain from deliberations and voting will disclose to the Chief Regulatory Officer any information that may be relevant to a determination of whether such member has a direct and substantial financial interest in the result of the vote.
 - (iii) The Chief Regulatory Officer will determine whether any member of the relevant deliberating body who does not choose to abstain from deliberations and voting is subject to a conflicts restriction under this paragraph (iii). Such determination will be based upon a review of the following information: (A) the most recent large trader reports and clearing records available to the Exchange; (B) information provided by such member pursuant to clause (ii) above; and (C) any other information reasonably available to the Exchange, taking into consideration the exigency of the significant action being contemplated.
 - (iv) Any member of the Board, the Hearing Panel, any Board of Appeals or any other disciplinary committee of the Exchange who would otherwise be required to abstain from deliberations and voting pursuant to clause (i) above may participate in deliberations, but not voting, if the deliberating body, after considering the factors specified below, determines that such participation would be consistent with the public interest; provided, however, that before reaching any such determination, the deliberating body will fully consider the information specified in clause (ii) above which is the basis for such member's substantial financial interest in the significant action that is being contemplated. In making its determination, the deliberating body will consider: (A) whether such member's participation in the deliberations is necessary to achieve a quorum; and (B) whether such member has unique or special expertise, knowledge or experience in the matter being considered.
- (c) The minutes of any meeting to which the conflicts determination procedures set forth in this Rule apply will reflect the following information:
- (i) the names of all members of the relevant deliberating body who attended such meeting in person or who otherwise participated in such meeting;
 - (ii) the name of any member of the relevant deliberating body who voluntarily recused himself or herself or was required to abstain from deliberations or voting on a matter and the reason for the recusal or abstention, if stated;
 - (iii) the information that was reviewed for each member of the relevant

deliberating body; and

- (iv) any determination made in accordance with clause (iv) of Rule 207(b) above.

Rule 208 Maintenance of Books and Records by the Exchange

(a) The Exchange shall keep, or cause to be kept, complete and accurate books and records of accounts of the Exchange, including all books and records required to be maintained pursuant to the CEA, and the CFTC Rules, including CFTC Rule 38.707(a)(6).

(b) The Exchange shall retain all such books and records for at least five (5) years, and shall make such books and records readily accessible for inspection by the CFTC and the U.S. Department of Justice during the first two (2) years of such five-year period.

Rule 209 Information-Sharing Arrangements

(a) The Exchange may enter into information-sharing agreements or other arrangements or procedures to coordinate surveillance with other markets on which financial instruments related to the Contracts trade. As part of any information-sharing agreements or other arrangements or procedures adopted pursuant to this Rule, the Exchange may:

- (i) provide market surveillance reports to other markets;
- (ii) share information and documents concerning current and former Participants with other markets;
- (iii) share information and documents concerning ongoing and completed investigations with other markets; or
- (iv) require its current or former Participants to provide information and documents to the Exchange at the request of other markets with which the Exchange has an information-sharing agreement or other arrangements or procedures.

(b) The Exchange may enter into any arrangement with any Person or body (including the CFTC, the NFA, any Self-Regulatory Organization, any exchange, market, or clearing organization, or foreign regulatory authority) if the Exchange considers such arrangement to be in furtherance of the Exchange's purpose or duties under the Rules or any law or regulation.

(c) The Exchange may provide information to a duly authorized foreign Governmental Authority, as directed by the CFTC, in accordance with an information-sharing agreement executed with the CFTC.

Rule 210 Regulatory Services Provider

(a) The Exchange may, in its sole discretion, contract with a Regulatory Services Provider to provide certain regulatory services to the Exchange pursuant to a Regulatory Services Agreement. In accordance with the relevant Regulatory Services Agreement, a Regulatory Services Provider may perform certain surveillance, investigative, and regulatory functions under the Rules and the Exchange may provide information to such Regulatory Services Provider in connection with the performance by such Regulatory Services Provider of those functions.

(b) Any of the powers or functions of the Exchange under the Rules may be delegated to a Regulatory Services Provider pursuant to the relevant Regulatory Services Agreement in such manner and on such terms as the Exchange and such Regulatory Services Provider may mutually agree; provided, however, that the Exchange shall retain ultimate decision-making authority with respect to any powers or functions that are delegated to such Regulatory Services Provider.

Rule 211 Use of Proprietary Data and Personal Information

(a) The Exchange may not use for business or marketing purposes any proprietary data or personal information collected or received, from or on behalf of any Person, for the purpose of fulfilling its regulatory obligations; provided, however, that the Exchange may use such data or information for such purposes with the consent of the Person from whom such data or information is collected or received.

(b) Notwithstanding the provisions of Rule 211(a), each Participant and Authorized User agrees that the Exchange may share such proprietary data and personal information with one or more registered entities (as such term is defined in CFTC Rules).

(c) Access to the Exchange may not be conditioned upon the use of proprietary data or personal information for business or marketing purposes.

Rule 212 Reporting Requirements

In the event the Board rejects a recommendation or supersedes an action of the Regulatory Oversight Committee or the Exchange Participant Committee, the Exchange shall submit a written report to the CFTC detailing: (1) the recommendation or action of the Regulatory Oversight Committee or the Participation Committee; (2) the rationale for such recommendation or action; (3) the rationale of the Board for rejecting such recommendation or superseding such action; and (4) the course of action that the Board decided to take contrary to such recommendation or action.

**CHAPTER III
PARTICIPATION**

Rule 301 Jurisdiction

(a) Any Person initiating or executing a transaction on or subject to the Rules

of the Exchange directly or through an intermediary, and any Person for whose benefit such a transaction has been initiated or executed, expressly consents to the jurisdiction of the Exchange and agrees to be bound by and comply with the Rules of the Exchange in relation to such transactions, including, but not limited to, rules requiring cooperation and participation in investigatory and disciplinary processes. Any FCM, Introducing Broker, Associated Person, or foreign Person performing a similar role that charges a commission or fee in connection with transactions on or subject to the Rules of the Exchange also expressly consent to the Exchange's jurisdiction.

(b) Any Participant, Authorized User or Customer whose right to access the Exchange is revoked or terminated pursuant to these Rules will remain bound by the Rules and Applicable Law, in each case to the extent applicable, and subject to the jurisdiction of the Exchange with respect to any and all matters arising from, related to, or in connection with, the status, actions or omissions of such Participant or Authorized User prior to such revocation or termination.

Rule 302 Participants

(a) Each Participant will have the right to access the Exchange, including the right to place Orders for each of its proprietary accounts. The access rights of a Participant hereunder may not be transferred, assigned, sold or leased.

(b) A Participant will not become a partner, shareholder or limited liability company member of the Exchange and will not obtain any equity, ownership or other interest in the Exchange, including voting rights or rights to receive any dividends or other distributions, whether arising from a dissolution, merger or consolidation involving the Exchange or otherwise.

Rule 303 Requirements for Participants

(a) A Participant must be admitted to the Exchange and deliver an executed Participant Agreement. To be eligible for admission, the Participant must demonstrate to the Exchange that it:

- (i) is of good reputation and business integrity;
- (ii) complies with the financial responsibility, recordkeeping and reporting requirements set out in Rule 304;
- (iii) is validly organized, in good standing, and authorized by its governing body and, if relevant, documents of organization, to trade Contracts;
- (iv) is not Insolvent;
- (v) is not prohibited from using the services of the Exchange for any reason whatsoever;
- (vi) holds all registrations required under Applicable Law, if any, including

any FCM, Supervisory Person and/or Associated Person registration, as applicable;

- (vii) is not subject to statutory disqualification under Section 8a(2) of the CEA;
- (viii) satisfies any other criteria that the Exchange may require from a Participant.

(b) As part of the application procedure, the Exchange may request such information and documentation as it may reasonably require in order to determine whether the Exchange's eligibility requirements have been satisfied. Any Participant organized or located outside of the United States shall enter into a written agreement acceptable to the Exchange appointing a third party as its U.S. agent for service of process for purposes of CFTC Rule 15.05, and shall provide the Exchange with a copy of the agreement.

(c) The Exchange may deny, condition, suspend, or terminate Participant status of any entity that:

- (i) is unable to satisfactorily demonstrate its ability to satisfy the eligibility criteria to become or remain compliant as a Participant;
- (ii) is unable to satisfactorily demonstrate its capacity to adhere to all applicable Rules;
- (iii) would bring the Exchange into disrepute as determined by the Exchange in its sole discretion; or
- (iv) shows such other cause as the Exchange may reasonably determine.

(d) If the Exchange decides to deny or condition an applicant's application, the Exchange shall promptly notify the applicant in writing to the address provided by the applicant on the Exchange application form.

(e) If the Participant is not itself a Clearing Member, the Participant must also be party to an agreement with a Clearing Member in accordance with Rule 802.

(f) A person approved as a Participant shall be subject to all of the Rules of the Exchange.

(g) Each applicant and each Participant agrees (i) promptly to provide, or procure the provision of, such information and documents as the Exchange may reasonably request, and (ii) that the Exchange, without being prevented by any duty of confidentiality by any holder of information, may obtain such information and documents from any Clearing Member or from the Clearing House.

(h) The Exchange shall grant access to independent software vendors that

meet the requirements for Participants set out in this Rule 303.

Rule 304 Compliance with Minimum Financial Requirements, Financial Reporting Requirements, and Requirements Relating to Protection of Customer Funds

Participants and Clearing Members shall comply with Commission Regulations relating to minimum financial requirements, financial reporting requirements, and protection of customer funds, including Commission Regulations 38.605 and 1.52 and those Commission Regulations specified herein.

(a) Any Participant or Clearing Member subject to Commission Regulation 1.10 - *Financial Reports of Futures Commission Merchants and Introducing Brokers*- that violates Commission Regulation 1.10 shall be deemed to have violated this Rule 304(a). A copy of any notice or written report that a Participant or Clearing Member is required to file with the Commission pursuant to Commission Regulation 1.10 must also be filed with the Exchange within the time periods proscribed for such filing or delivery in CFTC Regulation 1.10.

(b) Any Participant or Clearing Member subject to Commission Regulation 1.11 - *Risk Management Program for Futures Commission Merchants*- that violates Commission Regulation 1.11 shall be deemed to have violated this Rule 304(b).

(c) Any Participant or Clearing Member subject to Commission Regulation 1.12 - *Maintenance of Minimum Financial Requirements by Futures Commission Merchants and Introducing Brokers*- that violates Commission Regulation 1.12 shall be deemed to have violated this Rule 304(c). A copy of any notice or written report that a Participant or Clearing Member is required to file with the Commission pursuant to Commission Regulation 1.12 must also be filed with the Exchange within the time periods proscribed for such filing or delivery in CFTC Regulation 1.12.

(d) Any Participant or Clearing Member subject to Commission Regulation 1.17- *Minimum Financial Requirements for Futures Commission Merchants and Introducing Brokers*- that violates Commission Regulation 1.17 shall be deemed to have violated this Rule 304(d).

(e) Any Participant or Clearing Member subject to Commission Regulation 1.18- *Records for and relating to Financial Reporting and Monthly Computation by Futures Commission Merchants and Introducing Brokers*- that violates Commission Regulation 1.18 shall be deemed to have violated this Rule 304(e).

(f) Any Participant or Clearing Member subject to Commission Regulation 1.20 - *Futures Customer Funds to Be Segregated and Separately Accounted For*- that violates Commission Regulation 1.20 shall be deemed to have violated this Rule 304(f).

(g) Any Participant or Clearing Member subject to Commission Regulation 1.21- *Care of Money and Equities Accruing to Customers*- that violates Commission Regulation 1.21 shall be deemed to have violated this Rule 304(g).

(h) Any Participant or Clearing Member subject to Commission Regulation 1.22- *Use of Futures Customer Funds Restricted*- that violates Commission Regulation 1.22 shall be deemed to have violated this Rule 304(h).

(i) Any Participant or Clearing Member subject to Commission Regulation 1.23- *Interest of Futures Commission Merchants in Segregated Futures Customer Funds; Additions and Withdrawals*- that violates Commission Regulation 1.23 shall be deemed to have violated this Rule 304(i).

(j) Any Participant or Clearing Member subject to Commission Regulation 1.24- *Segregated Funds; Exclusions Therefrom*- that violates Commission Regulation 1.24 shall be deemed to have violated this Rule 304(j).

(k) Any Participant or Clearing Member subject to Commission Regulation 1.25- *Investment of Customer Funds*- that violates Commission Regulation 1.25 shall be deemed to have violated this Rule 304(k).

(l) Any Participant or Clearing Member subject to Commission Regulation 1.26- *Deposit of Instruments Purchased with Futures Customer Funds*- that violates Commission Regulation 1.26 shall be deemed to have violated this Rule 304(l).

(m) Any Participant or Clearing Member subject to Commission Regulation 1.27- *Record of Investments*- that violates Commission Regulation 1.27 shall be deemed to have violated this Rule 304(m).

(n) Any Participant or Clearing Member subject to Commission Regulation 1.28- *Appraisal of Instruments Purchased with Customer Funds*- that violates Commission Regulation 1.28 shall be deemed to have violated this Rule 304(n).

(o) Any Participant or Clearing Member subject to Commission Regulation 1.29- *Gains and Losses Resulting from Investment of Customer Funds*- that violates Commission Regulation 1.29 shall be deemed to have violated this Rule 304(o).

(p) Any Participant or Clearing Member subject to Commission Regulation 1.30- *Loans by Futures Commission Merchants; Treatment of Proceeds*- that violates Commission Regulation 1.30 shall be deemed to have violated this Rule 304(p).

(q) Any Participant or Clearing Member subject to Commission Regulation 1.31- *Regulatory Records; Retention and Production*- that violates Commission Regulation 1.31 shall be deemed to have violated this Rule 304(q).

(r) Any Participant or Clearing Member subject to Commission Regulation 1.32- *Reporting of Segregated Account Computation and Details Regarding the Holding of Futures Customer Funds*- that violates Commission Regulation 1.32 shall be deemed to have violated this Rule 304(r).

Rule 305 Duties and Responsibilities of Participants

- (a) Each Participant shall, and shall cause its Authorized Users to:
- (i) access the Exchange in a responsible manner and not for any improper purpose;
 - (ii) access the Exchange only to conduct business that is subject to the Rules and the Exchange Requirements and in a manner consistent with the Rules and the Exchange Requirements;
 - (iii) comply with the Rules and the Exchange Requirements and act in a manner consistent with the Rules and the Exchange Requirements;
 - (iv) comply with the rules of the Clearing House that accepts for clearing a Contract traded by the Participant on the Exchange, to the extent applicable to such Participant and such Contract;
 - (v) observe high standards of integrity, market conduct, commercial honor, fair dealing, and just and equitable principles of trade while conducting or seeking to conduct any business connected with or concerning the Exchange;
 - (vi) not knowingly mislead or conceal any material fact or matter in any dealings or filings with the Exchange or in connection with a Disciplinary Action;
 - (vii) cooperate promptly and fully with the Exchange in any investigation, inquiry, audit, examination or proceeding regarding compliance with the Rules or any Disciplinary Action or arbitration;
 - (viii) comply with any order issued by the Exchange;
 - (ix) employ practices to monitor and enforce compliance with risk limits
 - (x) keep all User IDs, account numbers and passwords related to the Exchange confidential; and
 - (xi) keep, or cause to be kept, complete and accurate books and records, including, without limitation, all books and records required to be maintained pursuant to the Applicable Law, for at least five (5) years, and make such books and records available for inspection by a representative of the Exchange, the CFTC or the U.S. Department of Justice.

(b) In addition to the requirements of Rule 305(a), each Participant shall employ practices to monitor and enforce compliance with its internal risk limits and shall be responsible for all Orders and Transactions effected on the Exchange by or for the account of such Participant, its Authorized Users or by any Person using its or their User IDs.

Rule 306 Authorized Users

- (a) All Participants must have at least one Authorized User.
- (b) A Participant who is not a natural Person must designate one of its employees as an Authorized User.
- (c) By agreeing to become an Authorized User, an individual agrees to be bound by the duties and responsibilities of an Authorized User set out in Rule 307 and to be subject to, and comply with Applicable Law and the Rules.
- (d) To designate an Authorized User, a Participant must follow the procedures established by the Exchange. The Exchange may establish criteria that individuals must fulfill to become an Authorized User. Without limiting the generality of the foregoing, each Participant will ensure on an ongoing basis that (i) none of its Authorized Users is subject to a disqualification pursuant to any Applicable Law (unless an appropriate exemption has been obtained with respect thereto) and (ii) each of its Authorized Users is technically proficient and conducts its business in a fair and equitable manner.
- (e) The Exchange will promptly notify a Participant in writing of the approval of designated Authorized User(s) or if the Exchange declines to approve the nomination of an Authorized User.
- (f) The Exchange will maintain a list of all designated Authorized Users for each Participant.
- (g) The Exchange may, in its sole discretion and/or pursuant to CEA Section 8a(2), revoke or suspend the designation of an individual as an Authorized User and shall promptly notify the Participant and its Clearing Member of such action.
- (h) To request the termination of the designation of an individual as an Authorized User, the Participant must follow the procedures established by the Exchange. The Exchange may, in its sole discretion, refuse to accept a request to terminate the registration of an Authorized User or may postpone the effective date of the termination of registration if the Exchange considers it necessary for the protection of the Participant or in the Exchange's best interest. Based on the information provided to, and other information gathered by, the Exchange regarding the request to terminate the registration of an Authorized User, the Exchange will determine whether to:
 - (i) accept the request to terminate such registration;
 - (ii) postpone the effective date of termination of the registration; and/or
 - (iii) impose any terms or conditions before or after the effective date of termination of the registration.

Rule 307 Duties and Responsibilities of Authorized Users

(a) By agreeing to act as an Authorized User, such Person agrees to be bound by the duties and responsibilities of an Authorized User and to be subject to, and comply with, the Rules.

(b) An Authorized User must:

- (i) ensure that activity conducted under its User ID complies with Applicable Law and the Rules;
- (ii) have the authority, at the Exchange's request, to adjust or withdraw any Order submitted under such User ID;
- (iii) have and maintain during all necessary regulatory approvals and/or licenses to operate as an Authorized User;
- (iv) cooperate promptly and fully with the Exchange in any investigation, inquiry, audit, examination or proceeding regarding compliance with the Rules or any Disciplinary Action or arbitration proceeding;
- (v) comply with any order issued by the Exchange; and
- (vi) agree to such other terms and conditions as may be established by the Exchange from time to time.

Rule 308 Clearing Members Accessing the Exchange

A Clearing Member may trade an account on behalf of a Participant hereunder solely for the purpose of liquidating Contracts and any resulting positions previously submitted to the Clearing House for the account of such Clearing Member on behalf of a Participant that has failed to perform its obligations to the Exchange or such Clearing Member (to the extent applicable).

Rule 309 Required Notices

(a) Each Participant shall immediately notify the Exchange upon becoming aware of any of the following events:

- (i) any material changes to the information provided to the Exchange by the Participant;
- (ii) any damage to, or failure or material inadequacy of, the systems, facilities or equipment of the Participant used to effect Transactions on the Exchange;
- (iii) any refusal of admission to, or withdrawal by the Participant of any application for membership in, any Self-Regulatory Organization;
- (iv) any denial or withdrawal of an application for registration or license by

or from any Governmental Authority, and any revocation, suspension or conditioning of a registration or license granted by any Governmental Authority;

- (v) the commencement of any judicial or administrative proceeding against the Participant by a Governmental Authority or the imposition of any fine, cease and desist order, denial of trading privileges, censure or other sanction or remedy (whether through an adverse determination, voluntary settlement or otherwise) imposed by any Governmental Authority;
- (vi) the indictment or conviction of, or any confession of guilt or plea of guilty or nolo contendere by, the Participant or any of its officers for 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; and
- (vii) the Insolvency of the Participant or any of its Affiliates.

(b) Each Participant that is not a natural person shall notify the Exchange at least ten business days prior to any merger, sale or transfer of substantially all of its assets, acquisition, consolidation, combination, sale or other material change of ownership.

(c) Nothing in this Rule 309 is intended to substitute for or limit any other reporting obligations that a Participant may have to the Exchange or any regulatory agency or Self-Regulatory Organization.

Rule 310 Account Administrators

(a) Each Participant shall appoint at least one Account Administrator, who shall (i) be responsible for monitoring the Participant's participation on the Exchange, the compliance of the Participant with the Rules and communication with the Exchange, and (ii) be entitled to access the Exchange for risk management, audit and other back-office purposes as specified by the Exchange from time to time.

(b) Account Administrators shall not have trading privileges on the Exchange.

(c) A Participant shall promptly notify the Exchange of a change in the identity of any of its Account Administrators.

Rule 311 Access Requirements and Terms

(a) Access to the Exchange will be Internet-based. Participant accounts will be issued User IDs, passwords, and digital certificates for secure access. The Participant is responsible for the security of these items, and any misuse is the responsibility of the Participant.

(b) Certificates, User IDs, and passwords are for the Participant's use only and shall not be shared with other parties.

(c) A Participant must notify the Exchange immediately upon any suspicion of theft of a password, User IDs or certificate, or any unauthorized access.

Rule 312 Dues and Fees

Exchange dues and fees are posted at the Exchange Website, which may be amended from time to time without advance notice to any person.

Rule 313 Inspections by the Exchange

(a) The Exchange and the Regulatory Services Provider, if any, shall have the right, in connection with determining whether the Rules are being, will be, or have been complied with by the Participant, to:

- (i) inspect systems, equipment and software operated by the Participant in connection with business that is or may be subject to the Rules, wherever located;
- (ii) access the systems, equipment, software, and the premises on which the systems, equipment, and software are located, any data stored in any of the systems or equipment, during the regular business hours of the Exchange, without prior notice to the Participant; and/or
- (iii) copy and/or reproduce any data to which the Exchange has access under this rule.

(b) Each Participant shall provide the Regulatory Services Provider with the same access as it would be required to provide to the Exchange.

(c) The Exchange may require a Participant to furnish such information concerning the Participant's business that is subject to the Rules of the Exchange as the Exchange deems necessary to enable the Exchange to perform its obligations under Applicable Law, including information relating to (i) Contracts executed on the Exchange and in related derivatives markets, including in the products underlying those Contracts, and (ii) information requested by a Governmental Authority relating to the Exchange's business as a designated contract market and/or the Exchange's compliance with Applicable Law that the Exchange believes is maintained by, or otherwise in the possession of, a Participant.

Rule 314 Liquidity Provider Program

At its discretion, Bitnomial Exchange may offer a liquidity provider program that provides incentives to Participants willing to supply substantial numbers of bids and offers or traded volume in the market. The liquidity provider program may offer reduced fees, amongst other incentives, for qualified liquidity providers as determined by the Exchange.

CHAPTER IV

BUSINESS CONDUCT AND TRADING PRACTICES

Rule 401 Business Conduct

(a) Regulatory Compliance. No Participant or any of its Authorized Users shall engage in conduct that is a violation of the CEA or CFTC Rules, the Rules of the Exchange or the rules of the Clearing House and will conduct its business in accordance with all applicable laws, regulations, tariffs and rules, and in good faith, with a commitment to honest dealing.

(b) Fraud. No Participant or any of its Authorized Users shall engage or attempt to engage in any fraudulent act or engage or attempt to engage in any scheme to defraud, deceive, trick or mislead in connection with or related to any Exchange or Clearing House activity.

(c) Good Faith. No Participant or any of its Authorized Users shall knowingly enter, or cause to be entered, bids or offers into the system other than in good faith for the purpose of executing bona fide transactions.

(d) Transaction Integrity. Participants and their Authorized Users shall honor the terms and conditions of the Participant Agreement and will transact in Contracts only for legitimate business purposes, such as managing business risk or that otherwise have economic substance.

(e) Antitrust. No Participant or any of its Authorized Users shall collude with other market participants to affect the price or supply of any commodity or Contracts, or otherwise unlawfully restrain competition.

(f) Risk Management. Participants shall adopt, adhere to and enforce risk management and other policies and structures that are designed to ensure that trading activities are conducted in accordance with the Rules.

Rule 402 General Trading Practices

(a) Skills. Each Participant and Authorized User is responsible for understanding all factors that influence the markets in Contracts in order to maintain a high level of competence in its trading.

(b) Rules. The Exchange will provide updates and amendments to these Rules and notices or advisories regarding the application and interpretation of these Rules. It is the obligation of each Participant and its Authorized User to ensure these documents are read and understood. It shall be prohibited for a Participant and its Authorized Users to violate any Rule or any agreement made with the Exchange, or to engage in fraud, dishonorable or dishonest conduct, or conduct which is inconsistent with just and equitable principles of trade, even where a Rule does not specifically reference “Participant” or “Authorized User.”

(c) Price Manipulation, Fictitious, Non-Competitive or Artificial Transactions. No Participant or Authorized User shall (i) effect or induce (or attempt to effect or induce) the purchase or sale of any Contract for the purpose of creating or inducing a false, misleading, or artificial appearance of activity in such Contract, or for the purpose of unduly or improperly influencing the market price of such Contract or for the purpose of making a price which does not reflect the true state of the market in such Contract, (ii) effect or induce (or attempt to effect or induce) any conduct proscribed by CEA section 9(a)(2) in any Contract. No Participant or Authorized User shall arrange and execute simultaneous offsetting buy and sell Orders in a Contract with the intent to artificially affect reported revenues, trading volumes or prices.

(d) Market Manipulation. No Participant or Authorized User shall (i) attempt to manipulate or manipulate the market in any Contract or (ii) engage in any conduct proscribed by CEA section 9(a)(2). No Participant or Authorized User shall directly or indirectly participate in or have any interest in the profit of a manipulative operation or knowingly manage or finance a manipulative operation. This includes any pool, syndicate, or joint account, whether in corporate form or otherwise, organized or used intentionally for the purposes of unfairly influencing the market price of any Contract.

(e) Market Disruption. Orders entered on the Exchange for the purpose of upsetting the equilibrium of the market in any Contract or creating a condition in which prices do not or will not reflect fair market values are prohibited, and any Participant or Authorized User who makes or assists in entering any such Order with knowledge of the purpose thereof or who, with such knowledge, in any way assists in carrying out any plan or scheme for the entering of any such Order, will be deemed to have engaged in an act detrimental to the Exchange.

(f) Disruptive Trading Practices.

(i) No Participant or Authorized User shall knowingly enter, or cause to be entered, bids, or offers into the Trading Platform other than in good faith for the purpose of executing bona fide transactions.

(ii) No Participant or Authorized User shall enter an order or market message, or cause an order or market message to be entered, with:

(A) The intent to cancel the order before execution, or modify the order to avoid execution;

(B) The intent to mislead other market participants;

(C) The intent to overload, delay, or disrupt the systems of the Exchange or other market participants;

(D) The intent to disrupt the orderly conduct of trading, or the fair execution of transactions; and/or

(E) Reckless disregard for the adverse impact of the order or

market message.

- (iii) No Participant or Authorized User shall knowingly enter any bid or offer for the purpose of making a market price which does not reflect the true state of the market, or knowingly enter, or cause to be entered bids or offers other than in good faith for the purpose of executing bona fide transactions.

(g) Prohibition on the Use or Attempted use of Manipulative and Deceptive Devices. No Participant or Authorized User shall:

- (i) use or employ, or attempt to use or employ, any manipulative device, scheme, or artifice to defraud;
- (ii) make, or attempt to make, any untrue or misleading statement of a material fact or to omit to state a material fact necessary in order to make the statements made not untrue or misleading;
- (iii) engage, or attempt to engage, in any act, practice, or course of business, which operates or would operate as a fraud or deceit upon any person; or
- (iv) deliver or cause to be delivered, or attempt to deliver or cause to be delivered a false or misleading or inaccurate report concerning market information or conditions that affect or tend to affect the price of any commodity in interstate commerce, knowing, or acting in reckless disregard of the fact that such report is false, misleading or inaccurate. Notwithstanding the foregoing, no violation of this subsection shall exist where the person mistakenly transmits, in good faith, false or misleading or inaccurate information to a price reporting service.

(h) Gratuities. Except with the prior written approval of the Chief Regulatory Officer, no Participant or Authorized User shall, directly or indirectly, give or permit to be given anything of value, including gifts and gratuities, to an Exchange Official in an amount that exceeds the maximum value permitted by the Exchange's gifts and entertainment policy.

(i) Rumors. No Participant or Authorized User shall knowingly circulate, in any manner, rumors of a character which might affect market conditions in any Contract; provided, however, that this shall not prohibit discussion of unsubstantiated information, so long as its source and unverified nature are disclosed.

(j) False Reports. No Participant or Authorized User shall make any knowing misstatement of a material fact to the Exchange, any Exchange Official, or any Board committee or Exchange panel.

(k) Wash Sales. No Participant or Authorized User shall place or accept buy

and sell Orders in the same product and expiration month, where known or reasonably should know that the purpose of the Orders is to avoid taking a bona fide market position exposed to market risk (transactions commonly known or referred to as wash sales). Buy and sell Orders by Participants or Authorized Users that are entered with the intent to negate market risk or price competition shall be deemed to violate the prohibition on wash trades. Additionally, no Participant or Authorized User shall knowingly execute or accommodate the execution of such Orders by direct or indirect means.

(l) Financial Condition. No trading will be conducted for the purpose of misrepresenting the financial condition of a Participant or Authorized User.

(m) Acts Detrimental to the Exchange. No Participant or Authorized User shall engage in any act that is detrimental to the Exchange.

(n) Misuse of Bitnomial Exchange. No Participant or Authorized User shall permit the unauthorized use of the Exchange, to assist any Person in obtaining unauthorized access to the Exchange, to trade on the Exchange without an agreement and an established account with a Clearing Member, to alter the equipment associated with the Exchange (except with the Exchange's consent), to interfere with the operation of the Exchange, to intercept or interfere with information provided thereby, or in any way to use the Exchange in a manner contrary to the Rules.

(o) Supervision. A Participant shall establish, maintain and administer reasonable supervisory procedures to monitor the compliance of Authorized Users and supervised persons with the Rules and any applicable provisions of the CEA and CFTC Rules and such Participant may be held accountable for the actions of such Authorized Users or supervised persons.

(p) Disclosing Order Information. No Participant or Authorized User shall disclose an Order to buy or sell, except to a designated Exchange Official or the CFTC or as necessary to efficiently execute the Order nor shall any Participant solicit or induce another Participant or Authorized User to disclose Order information. No Person shall take action or direct another to take action based on non-public Order information, however acquired. The mere statement of opinions or indications of the price at which a market may open or resume trading does not constitute a violation of this rule.

Rule 403 Pre-Arranged, Pre-Negotiated and Noncompetitive Trades Prohibited

(a) No Person shall prearrange or pre-negotiate any purchase or sale or noncompetitively execute any Transaction, except as provided in Rule 403(b).

(b) Participants and Authorized Users may engage in pre-execution communications with regard to transactions executed or to be executed on the Exchange if one party (the first party) wishes to be assured that a contra party (the second party) will take the opposite side of the first party's Order, subject to the following restrictions:

(i) A party may not engage in pre-execution communications with other market participants on behalf of another party unless the party for

whose benefit the trade is being made has previously consented to permit such communications.

- (ii) Parties to pre-execution communications shall not disclose to a non-party the details of such communications or enter an Order to take advantage of information conveyed during such communications except in accordance with this rule.
- (iii) The first party's Order must be entered into the Exchange first, and the second party's Order may not be entered into the Exchange until a period of fifteen (15) seconds has elapsed from the time entry of the first Order.

Rule 404 Disciplinary Procedures; Termination of Connection

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

(b) The Exchange, at its sole discretion, shall have the right to summarily terminate the connection of any Participant or the access of any Trading Account or User ID to the Exchange. Additionally, the Exchange, at its sole discretion, shall have the right to direct a Participant to immediately terminate access to the Exchange any of such Participant's Authorized Users.

Rule 405 Position Limits

(a) The Exchange may adopt and require Participants to adhere to position limits for Contracts. If so adopted, the Exchange may, in its sole discretion, grant exemptions from position limits for bona fide hedging transactions and positions in accordance with CFTC Rules. A Person seeking an exemption from position limits must apply to the Compliance Department in the form and manner required by the Exchange.

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

(c) The position limit levels for those Contracts with position limits are set forth in the product rules.

Rule 406 Position Accountability

A Person who holds or controls aggregate positions in a Contract in excess of the position accountability levels relating to that Contract set out in the product rules shall be subject to the following provisions:

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

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

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

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

Rule 407 Reports of Large Positions

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

(b) Each Clearing Member shall submit to the Exchange (i) a daily report of all positions that exceed the reportable position levels set forth in the product rules and (ii) a copy of the CFTC Form 102 filed by the Participant or Clearing Member with the CFTC for such Participant's or Clearing Member's Customers' reportable accounts. The Form 102 shall be submitted to the Exchange no later than the Business Day following the date on which the account becomes reportable.

(c) Positions in Exchange products at or above the reportable level set forth in the product rules trigger reportable status. For a Participant in reportable status, all positions, regardless of size, in relevant Exchange products must be reported to the Exchange, in addition to any regulatory obligations a Participant may have separate and apart from these Rules.

Rule 408 Aggregation of Positions

For purposes of Rule 405, Rule 406 and Rule 407, positions in Contracts shall be aggregated in accordance with CFTC Rules.

Rule 409 Reporting Levels, Position Accountability Levels and Position Limits

The reporting levels, position accountability levels and position limits for Contracts are found in the product rules.

Rule 410 Information Disclosure and Documentation

Markets depend on trust in the accuracy of market information provided by Participants and in the transparency of market behavior of all market participants.

Participant will act in accordance with these practices for information disclosure and

documentation with regard to its Exchange activity:

- (a) Provide information relating to Contracts to regulators in compliance with all applicable rules and requirements and continue to cooperate with regulators as reasonably necessary to assist in their understanding of the markets.
- (b) Ensure that any information disclosed to the Exchange is accurate and consistent. No existing or prospective Participant shall make any false statements or misrepresentations in any application, report or other communication to the Exchange.

Rule 411 Compliance

Each Participant will have a compliance program commensurate with the size and scope of its trading activities on the Exchange and designed to ensure appropriate, timely and ongoing review of trading practices and compliance with the Rules.

Participant will act in accordance with these practices for compliance and monitoring with regard to its Exchange activity:

- (a) Provide for proper training of personnel on the provisions of the Rules.
- (b) Maintain internal policies and procedures to promote compliance with the Rules.
- (c) Promptly disclose to the Exchange the details of any violations of the Rules involving Participant's activities on the Exchange or provision of market information to the Exchange or any of its Affiliates.
- (d) Provide an environment that encourages employees within the Participant's organization to engage in safe and confidential discussions and to disclose to senior management any trading practices that might violate the Rules.
- (e) Require any consultant, contractor and/or subcontractor to disclose all financial affiliations and conflict of interests with Participants, the Exchange and its affiliates. Ensure that consultants, contractors or subcontractors do not cause any disclosure of information in violation of any Rule and that confidentiality agreements are in effect where appropriate.
- (f) Establish clear lines of accountability for the Participant's trading practices, including provisions relating to the responsibilities of corporate officers, with appropriate oversight by the Participant's board of directors or other senior corporate management committee.

CHAPTER V MARKET OPERATIONS

Rule 501 Market Hours and Operation

(a) Market Hours. The Exchange will be open for trading on all business days during the market hours specified in the trading calendar, which is available at the Exchange Website.

(b) Procedures. With respect to trading on or through the Exchange, the Exchange may adopt, without limitation, procedures relating to Transactions in Contracts and trading on the Exchange, including procedures to:

- (i) disseminate the prices of bids and offers and the prices of trades in Contracts;
- (ii) record and account for Contracts;
- (iii) perform market surveillance and regulation on matters affecting Contracts;
- (iv) establish limits on the number and/or size of Orders that may be submitted by a Participant or Authorized User to the Exchange;
- (v) establish position limits on the number of Contracts that can be held by a Participant or customer on the Exchange;
- (vi) establish limits on the number of messages a Participant can send to the Exchange for a Contract in a given time frame;
- (vii) establish a limit on the maximum daily price fluctuations for any Contracts and provide for any related restriction or suspension of trading in such Contracts; and
- (viii) require a suspended or expelled Participant, or a Participant with restricted trading rights, to cause Contracts to be executed for such Participant's account to reduce or eliminate such Participant's open positions.

(c) Market Suspension and Emergencies. The Exchange reserves the right to adjust Trading Hours and suspend market activities for all or a subset of Contracts in the case of extenuating market circumstances which include, but are not limited to, any occurrence or circumstance which threatens or may threaten such matters as the fair and orderly trading in, or the liquidation of or delivery pursuant to, any Contracts, and which is determined by the Exchange to require immediate action.

During an Emergency, the Board may implement temporary emergency procedures and rules ("**Emergency Rules**"), subject to the applicable provisions of the CEA and CFTC Rules. Emergency Rules may require or authorize the Exchange, the Board, any committee of the Board, the Chief Executive Officer or, in his or her absence, any other Officer to take actions necessary or appropriate to respond to the Emergency, including, but not limited to, the following actions:

- (i) suspending or curtailing trading or limiting trading to liquidation only (in whole or in part);
- (ii) extending or shortening the last trading date for Contracts;
- (iii) providing alternative settlement mechanisms;
- (iv) ordering the liquidation or transfer of Transactions, the fixing of a Settlement Price, or the reduction of positions;
- (v) extending, limiting or changing the Trading Hours;
- (vi) temporarily modifying or suspending any provision of the Rules;
- (vii) requiring Participants to meet special margin requirements;
- (viii) imposing or modifying trading limits, price limits and/or position limits; and/or
- (ix) any other action as directed by the CFTC.

Before any Emergency Rule may be adopted and enforced, a required vote of the Board must approve the enforcement of such Emergency Rule at a duly convened meeting. Directors may attend such a meeting by teleconference. If the Chief Executive Officer, or another authorized Officer, determines that Emergency Rules must be implemented with respect to an Emergency before a meeting of the Board can reasonably be convened, then the Chief Executive Officer or such Officer shall have the authority, without Board action, to implement any Emergency Rules with respect to such Emergency that he or she deems necessary or appropriate to respond to such Emergency. In such circumstances, the Chief Executive Officer or such Officer must convene a meeting as soon as practicable.

Whenever the Exchange, the Board, any committee of the Board, the Chief Executive Officer or authorized Officer takes actions necessary or appropriate to respond to an Emergency a duly authorized representative of the Exchange, where possible, will post an announcement in a notice to Participants. When the Board, any committee of the Board, the Chief Executive Officer or other authorized Officer determines that the Emergency has been reduced sufficiently to allow the Exchange to resume normal functioning, any such actions responding to an Emergency will be terminated.

The Exchange will notify the CFTC prior to implementing, modifying or terminating an Emergency Rule. If such prior notification is not practicable, the Exchange will notify the CFTC at the earliest possible time after implementation, but in no event more than twenty-four hours after implementation.

Upon taking any action in response to an Emergency, the Exchange will document the decision-making process related to such action. Such documentation will be kept for at least five (5) years following the date on which the Emergency ceases to

exist or to affect the Exchange, and all such documentation will be provided to the CFTC upon request.

Rule 502 Contracts Offered

(a) Contracts/Expiries. Contract Specifications are set forth on the Exchange website. Contract Specifications are subject to revision or amendment from time to time. Revised Contract Specifications may be listed for trading by self-certification in accordance with CFTC Rule 40.2, sent electronically to the CFTC for receipt by the open of business on the business day preceding the contract's listing, which shall include: (i) a description of the Contract and its rules related to its terms and conditions, (ii) the intended listing date, (iii) certification by the Exchange that the Contract to be listed complies with the CEA and the CFTC Rules thereunder, (iv) a concise explanation and analysis of the product and its compliance with applicable provisions of the CEA, including core principles, and the CFTC Rules thereunder, including supporting documentation, and (v) certification that the Exchange posted a notice of pending product certification with the Commission on its website with a copy of the submission, with confidential treatment requests as appropriate. The Exchange will permit trading only in Contracts that are not readily susceptible to manipulation.

(b) To offer new products, the Exchange may request that the CFTC approve a new product prior to listing the product for trading. The submission to the CFTC shall be filed electronically in accordance with CFTC Rules 40.3 and include: (1) a description of the product with the rules that set forth the Contract's terms and conditions, (2) an explanation and analysis of the product and its compliance with applicable provisions of the CEA, including core principles, and the CFTC Rules thereunder, including documentation relied upon to establish the basis for compliance with the applicable law, or incorporate information contained in such documentation, with appropriate citations to data sources, (3) description of any agreements or contracts entered into with other parties that enable the Exchange to carry out its responsibilities, (4) certification that the Exchange posted on its website a notice of its request for CFTC approval of the new product with a copy of the submission, (5) a request for confidential treatment as permitted under CFTC Rule 40.8, if appropriate, and (6) the filing fee required in accordance with CFTC Rules. If requested by CFTC staff, the Exchange will provide evidence, information or data demonstrating that the Contract meets, initially or on a continuing basis, the requirements of the CEA, or other requirements for designation or registration under the CEA or the CFTC Rules thereunder. The Exchange shall submit the requested information by the open of business on the date that is two business days from the date of request by CFTC staff, or at the conclusion of such extended period agreed to by CFTC staff after timely receipt of a written request from the Exchange.

Rule 503 User IDs

(a) Each Participant must request one or more Trading Account ID as needed to accommodate the nature and volume of the Participant's business.

(b) Each Participant and its Authorized Users must have a unique, Exchange-assigned, registered User ID.

(c) Each Order entered will track to a User ID that identifies the Authorized User that entered the Order.

(d) No Person may use a User ID to place any Order except as permitted by these Rules, nor may any Person knowingly permit or assist the unauthorized use of a User ID. Each Participant and Authorized User shall ensure that no User ID is used by any Person not authorized by these Rules. Each Participant that is not an individual must have in place policies and procedures acceptable to the Exchange to ensure the proper use and protection of User IDs.

(e) Each Participant shall ensure the accuracy of the registration information of its Authorized Users at all times.

(f) Each Participant shall be solely responsible for controlling and monitoring the use of all User IDs issued to it and its Authorized Users of the Exchange.

(g) Each Participant shall notify the Exchange promptly upon becoming aware of:

- (i) any unauthorized disclosure or use of any User ID assigned to it or any of its Authorized Users and of any other reason for deactivating a User ID; and
- (ii) any unauthorized access to the Exchange by any Authorized User or by any Person using a User ID assigned to such Participant or Authorized User.

(h) Each Participant and its Authorized Users shall be bound by any actions taken through the use of a User ID assigned to such Participant or Authorized User (other than any such actions resulting from the fault or negligence of the Exchange), including the submission of Orders and/or execution of Transactions, whether or not such actions were taken or authorized by such Participant or Authorized User, as the case may be.

(i) Each Participant must be able to identify all Orders submitted under an Authorized User's respective User ID at all times.

Rule 504 Exchange Trading

(a) Order Requirements. To be valid, an Order must consist of the following information:

- (i) *Contract:* The Order must be submitted for a Contract for which Orders may be placed.
- (ii) *Order ID:* Must be present for identification purposes.

- (iii) *Side*: Must be either buy or sell.
 - (iv) *Quantity*: Number of Contracts to be traded. Must be a positive integer greater than zero and less than maximum Order Quantity as defined in Contract Specifications.
 - (v) *Price*: As defined by Contract Specification.
 - (vi) *Time-In-Force*: Day or Immediate-or-Cancel (“**IOC**”). Day orders are cancelled at the end of the day’s trading session. IOCs are Orders that are immediately executed against resting Orders. If the Order cannot be fully filled, the remaining Quantity is cancelled
- (b) Order Types. The following types of Orders are allowed on the Exchange.
- (i) *Limit Order*. Allows the buyer to define the maximum purchase Price and the seller to define the minimum sale Price for a Contract. If any portion of the Order can be matched, it will be immediately executed. Buy Limit Orders will only be executed at or below the limit Price. Sell Limit Orders will only be executed at or above the limit Price. If a Limit Order is not immediately executed, it will remain in the book at the limit Price until the Order is either executed, cancelled, or expires at the end of the trading session.
 - (c) Submission. Submission of an Order to the Trading Platform constitutes a representation by the submitting Participant that it is acting as principal in respect of such Order. Orders may be submitted to the Trading Platform via the Bitnomial Exchange API.

The Exchange reserves the right to temporarily or permanently defer processing Orders that may interfere with the proper functioning of the Exchange. For previously submitted Orders, additional validation checks may be run to ensure that the Order contents are still valid and that the submitting Participant has not been suspended.

The Exchange may not offer all Contracts and Expiries in a particular Contract.

- (d) Order Modification. Previously submitted Orders can be modified at any time prior to the Order being fully filled.
- (e) Order Cancellation.
 - (i) Orders can be cancelled at any time prior to being fully filled. Once an Order has been fully filled, an Order cannot be cancelled.
 - (ii) Orders can be cancelled individually through the Bitnomial Exchange API.

(f) Order Submission Period. The Exchange will accept Orders in the time period defined in the respective Contract Specification. The Exchange reserves the right to modify this schedule. All submissions, modifications or cancellations will receive acknowledgement after Exchange processing if they have been accepted.

(g) Trade Matching. The Trade Matching Engine matches and fills Orders using a central limit order book (“CLOB”) and a price-time priority algorithm. In the event of matching Orders with identical prices, Quantity is filled on a first-in-first-out (FIFO) basis.

(h) Clearing. All matched trades generated by the Trade Matching Engine after the application of Trade Risk Limits give rise to binding Exchange Transactions between the applicable Participants, which will be automatically submitted to the Clearing House for registration and novation, as described in Chapter VIII of these Rules. Further description of Clearing House procedures and rules can be found in the Clearing House rulebook. The Exchange reserves the right to cancel erroneous trades submitted to the Clearing House in accordance with Rule 508.

(i) Trading Information. The Exchange shall make public daily information on settlement prices, volume, open interest, and opening and closing ranges for actively traded contracts on the contract market. Trading information will be published on the Exchange Website at the end of the day.

Rule 505 Block Trades [Reserved]

Rule 506 Exchange for Related Position [Reserved]

Rule 507 Position Transfers

The Exchange may permit transfer trades to move positions between Trading Accounts for administrative purposes (“Position Transfers”) where no change in ownership is involved. Participants and Clearing Members must obtain approval from the Exchange for a Position Transfer; such approval to be granted at the sole discretion of the Exchange. Position Transfers will not contribute to any reported volume, price, or trading range.

Rule 508 Trade Cancellations; Trade Reviews

(a) Trade Cancellation Authority. The Exchange may adjust trade prices or cancel (bust) trades when such action is necessary to mitigate market disrupting events caused by the improper or erroneous use of the Exchange or by system defects or malfunctions. Notwithstanding any other provision of this Rule 508(a), the Exchange may adjust trade prices or cancel any trade if the Exchange determines that allowing the trade to stand as executed may have a material, adverse effect on the integrity of the market. Any decision of the Exchange with respect to an adjustment or cancellation subject to this Rule 508(a) shall be final.

(b) Review of Trades. The Exchange may review a trade based on its analysis

of market conditions or a request for review by a user of the Exchange. A request for review must be made within five minutes of the execution of the trade. The Exchange shall promptly determine whether the trade will be subject to review, and upon deciding to review a trade, the Exchange will promptly issue an alert to all Participants on the Exchange indicating that the trade is under review. In the case of Contracts determined by the Exchange to be illiquid, the Exchange may initiate a review up to one hour after the execution of the trade, and has the authority, but not the obligation, to review trades reported more than one hour following execution if it determines that the trade price was significantly out of line with fair value. In the course of its review of any trade, the Exchange may, but is not obligated to, inform any of the parties to the trade of the identity and contact information of any other party to the trade.

Rule 509 Settlement

(a) Daily Settlement. The Exchange will provide the Clearing House with Settlement Prices once per day. The Daily Settlement price shall be determined at the end of the Daily Settlement Period as defined by the Contract Specification.

(b) Final Settlement. The Exchange will provide the Clearing House with the Final Settlement Prices at the end of the Final Settlement Period on the expiration day of the Contract. Settlement Prices will be calculated as defined by the Contract Specification.

The Exchange reserves the right to adjust Daily and Final Settlement Prices as it deems necessary based on current market conditions or otherwise.

Rule 510 Recordkeeping; Audit Trail

(a) Each Clearing Member and Participant that accesses the Exchange electronically is responsible for maintaining or causing to be maintained a front-end audit trail for all electronic Orders, which shall include Order entry, modification, and cancellation (the “**Audit Trail**”) entered into the Bitnomial System by the Participant for which the Clearing Member is identified in the order or quote submission as the Clearing Member for the execution of the order or quote, including all related modifications and cancellations.

(b) Such Audit Trail shall include Orders submitted and the times of Order entry and of any Order modification or cancellation. Times that are so captured must not be capable of being modified by the Person entering the Order and must reflect all necessary data fields specified by the Exchange from time to time. For executed Orders, the Audit Trail must record the execution time of the trade along with all award information.

(c) Each Clearing Member and Participant shall maintain such Audit Trail information for a minimum of five (5) years and must have the ability to produce Audit Trail data in a standard format upon request of the Exchange. Notwithstanding anything to the contrary herein, each Participant is required to comply with the provisions of

Commission Regulation §1.35 as applicable to that Participant.

Rule 511 Information Regarding Orders

(a) The Exchange will make information regarding Orders (including prices bid or offered), trades and any other matters it may deem appropriate available to Participants and other Persons at such times and in such manner (whether through the Exchange, financial information services or otherwise) as it may consider necessary or advisable from time to time.

(b) Each Participant or other Person receiving any such information referred to in Rule 511(a) above shall not redistribute such information other than to the extent and in the manner as may be expressly permitted by the Exchange in writing from time to time.

Rule 512 Disaster Recovery; Business Continuity

(a) Each Participant shall have written disaster recovery and business continuity policies and procedures in place to ensure it is able to perform certain basic operational functions in the event of a significant internal or external interruption to its operations. At a minimum, the following areas must be addressed in the Participant's policies and procedures:

- (i) the Participant must have procedures in place to allow it to continue to operate during periods of stress or to transfer accounts to another fully operational Participant with minimal disruption to the Exchange.
- (ii) the Participant must perform periodic testing of disaster recovery and business continuity plans, duplication of critical systems at back up sites and periodic back-up of critical information and provide the Exchange with information regarding the foregoing upon request; and
- (iii) the Participant must maintain and, at the request of the Exchange, provide accurate and complete information for its key personnel. A Participant must inform the Exchange in a timely manner whenever a change to its key personnel is made.

(b) The Exchange may prescribe additional and/or alternative requirements for a Participant's compliance with this rule.

Rule 513 Exchange Messaging Policy

The Exchange enforces a Messaging Policy that limits the number of messages a Participant can submit to the Bitnomial Exchange API as defined by the Contract Specifications.

Rule 514 Self-Match Prevention

The Exchange enforces Self-Match Prevention ("SMP") to protect against self-trading

that violates the Exchange's Wash Trade prohibition set out in Rule 402(j). SMP prevents the matching of orders with the same Trading Account ID. The Exchange reserves the right to change behavior of SMP from time to time.

CHAPTER VI DISCIPLINE AND ENFORCEMENT

Rule 601 Disciplinary and Enforcement Procedures – General

All Participants, their Authorized Users, and any Person for whose benefit a transaction has been initiated or executed, are subject to the Exchange's jurisdiction. Any Participant or any other person using any of its User IDs that are alleged to have violated, to have aided and abetted a violation, to be violating, or to be about to violate, any Rule of the Exchange or applicable law for which the Exchange maintains disciplinary jurisdiction is subject to this Chapter VI. No Exchange Official will interfere with or attempt to influence the process or resolution of any inquiry, investigation, disciplinary proceeding, appeal from a disciplinary proceeding, summary imposition of fines, summary suspension or other summary action (collectively, "**Disciplinary Action**"), except to the extent provided under Exchange Rules with respect to a proceeding in which the director is a member of the relevant Board of Appeals. A Participant shall be entitled to appear personally and may be represented by counsel during any Disciplinary Action pursuant to this Chapter VI.

Rule 602 Process Considerations

(a) Compliance Department. The Compliance Department is appointed and authorized by the Chief Executive Officer of the Exchange to provide market surveillance, investigation and enforcement of trading activities on the Exchange to ensure compliance with Exchange Rules and applicable laws. The Compliance Department has three primary functions:

- (i) The Surveillance Team is responsible for real-time and post-trade surveillance of the Exchange's trading systems. Members of the Surveillance Team respond to real-time alerts to ensure the integrity of the markets. The Surveillance Team identifies actions or omissions that may indicate a possible basis for finding that a violation of Exchange Rules has occurred or will occur.
- (ii) Investigations and enforcement are conducted by the Investigation Team. The Investigation Team is comprised of Exchange employees and/or persons hired on a contract basis, except for Exchange Participants or other persons whose interests conflict with enforcement duties. The Investigation Team may not operate under the direction or control of any person(s) with trading privileges. The Investigation Team is authorized, among other things, to:
 - 1) initiate and conduct investigations;

- 2) prepare investigative reports and make recommendations concerning initiating disciplinary proceedings, including any charges to be issued;
 - 3) participate in settlement discussions with respondents and recommend settlement sanctions to the Disciplinary Committee; and
 - 4) prosecute alleged violations within the Exchange's disciplinary jurisdiction.
- (iii) The Disciplinary Committee is appointed by the Board at the recommendation of the Chief Regulatory Officer and shall be comprised of not less than three individuals from among Participants and other individuals with knowledge and experience in the financial markets, who are not involved in the conduct giving rise to the alleged Rule violations.
- (b) Third-Party Enforcement. The Exchange may delegate any of its rights and responsibilities herein to a Regulatory Services Provider.
- (c) Expense Liability. At the discretion of the Exchange, any Participant found in violation of the Rules may be required to pay to the Exchange any and all expenses incurred as a result of the investigation of the violation and prosecution of the Participant. This assessment is in addition to any monetary fines imposed for the Rule violation(s).

Rule 603 Disciplinary Matters

(a) Investigations. The Investigation Team will investigate any matter within the Exchange's jurisdiction of which it becomes aware. The Investigation Team will commence an investigation upon the receipt of a request from Commission staff or upon the discovery or receipt of information by the Exchange that, in the judgment of the Surveillance Team, indicates a possible basis for a finding that a violation has occurred or will occur. The Investigation Team shall determine the nature and scope of its investigations in its sole discretion and will operate independently of the commercial interests of the Exchange. Absent mitigating circumstances, the Investigation Team must complete its investigation within twelve (12) months after the date the investigation is opened. Permissible mitigating circumstances include the complexity of the investigation, the number of firms or individuals involved in as potential respondents, the number of potential violations to be investigate and the volume of documentation and data that must be analyzed.

Upon request by a member of the Investigation Team, a Participant, Authorized User and Customer:

- (i) is obligated to appear and testify and respond in writing to interrogatories within the specified time period in connection with:

- 1) the Rules;
 - 2) any inquiry or investigation; or
 - 3) any preparation by and presentation during a Disciplinary Action;
- (ii) is obligated to produce books, records, papers, documents or other tangible evidence in its, his or her possession, custody or control within the specified time period in connection with:
- 1) the Rules;
 - 2) any inquiry or investigation; or
 - 3) any preparation by and presentation during a Disciplinary Action;
- (iii) may not impede or delay any Disciplinary Action.

(b) Reports of Investigations. The Investigation Team will submit a written report of each investigation to the Disciplinary Committee and maintain a log of all investigations and their disposition. The written report of the investigation (the “**Investigation Report**”) will include the reasons for initiating the investigation, all relevant facts and evidence gathered, analysis and conclusions, the Participant’s disciplinary history at the Exchange, and will consist of one of the following recommendations:

- (i) closing the investigation without further action;
- (ii) settlement;
- (iii) summary action;
- (iv) the preparation and service of a notice of charges for instituting a disciplinary proceeding; or
- (v) resolving the investigation through an informal disposition, including the issuance of a warning letter. An informal disposition (including the issuance of a warning letter) will not constitute a finding of a violation or a sanction, however, the investigative report must include a copy of any warning letter and no more than one warning letter for the same potential violation may be issued to the same Participant during a rolling 12-month period.

(c) Review of Reports of Investigations. The Disciplinary Committee will determine whether a reasonable basis exists to believe that a violation within the Exchange’s jurisdiction has occurred or is about to occur. The Disciplinary Committee

will determine for each Respondent whether to authorize:

- (i) the informal disposition of the investigation (by issuing a warning letter or otherwise) because disciplinary proceedings are unwarranted; or
- (ii) the closing of the investigation without any action because no reasonable basis exists to believe that a violation within the Exchange's jurisdiction has occurred or is about to occur; or,
- (iii) the commencement of disciplinary proceedings because a reasonable basis exists to believe that a violation within the Exchange's jurisdiction has occurred or is about to occur.

(d) Opportunity to Respond. At the discretionary authority of the Disciplinary Committee, the Compliance Department may notify the Respondent(s) that formal disciplinary charges are recommended and allow the Respondent to submit, within the specified time period, an offer of settlement or a written statement explaining why disciplinary proceedings should not be instituted or why one or more of the charges should not be brought.

(e) Service of Notice of Charges. Once the Disciplinary Committee authorizes disciplinary proceedings, the Compliance Department will prepare and serve a notice of charges that will provide as follows:

- (i) state the acts, practices or conduct that the Respondent is alleged to have engaged in;
- (ii) state the Exchange Rule or provision of applicable law alleged to have been violated or about to be violated;
- (iii) state the proposed sanctions;
- (iv) advise the Respondent of its right to a hearing;
- (v) advise the Respondent that he or she has the right to be represented by legal counsel or any other representative of its choosing in all succeeding stages of the disciplinary process;
- (vi) state the period of time within which the Respondent can request a hearing on the notice of charges, which will not be less than fourteen (14) days after service of the notice of charges;
- (vii) advise the Respondent that any failure to request a hearing within the period stated, except for good cause, will be deemed to constitute a waiver of the right to a hearing; and
- (viii) advise the Respondent that any allegation in the notice of charges that

is not expressly denied will be deemed to be admitted.

The service of notice upon the Respondent shall be deemed complete via email to the contact as it appears on the books and records of the Exchange or in the Participant Agreement.

(f) Answer to Service of Notice of Charges. If the Respondent decides to answer a notice of charges, the Respondent must file answers within fourteen (14) days after being served with such notice, or within such other time period as stated in such notice of charges. The Respondent must answer the notice of charges in writing as follows:

- (i) specify the allegations that the Respondent denies or admits;
- (ii) specify the allegations that the Respondent does not have sufficient information to either deny or admit;
- (iii) specify any specific facts that contradict the notice of charges;
- (iv) specify any affirmative defenses to the notice of charges; and
- (v) sign and serve the answer on the Chief Regulatory Officer.

Failure by the Respondent to timely serve an answer to the notice of charges will be deemed to be an admission to the allegations in such notice. Any allegation in a notice of charges that the Respondent fails to expressly deny will be deemed admitted. A general denial by the Respondent, without more, will not satisfy the requirements herein.

(g) Settlement Offers. At any time after a notice of charges has been issued, a Respondent may at any time submit to the Compliance Department a written offer of settlement related to anticipated or instituted disciplinary proceedings. The Disciplinary Committee may, in its discretion, permit the Respondent to settle disciplinary proceedings without admitting or denying the rule violations if the Respondent consents to the entry of findings and sanctions imposed. If an offer of settlement is accepted, the Disciplinary Committee shall issue a written decision specifying the rule violations it has reason to believe were committed and any penalties imposed. All offers of settlement that have been accepted by the Disciplinary Committee may not be appealed.

If the offer of settlement is not accepted by the Disciplinary Committee, or fails to become final, or is withdrawn by the Respondent, the matter will proceed as if the offer had not been made such that the Respondent shall not be deemed to have made any admissions by reason of the settlement offer and shall not be otherwise prejudiced by having submitted the settlement offer.

(h) Hearing Panel.

- (i) Participants may request a formal hearing on charges denied in the Respondent's answer to the notice of charges per Rule 603(f). The

Hearing Panel, appointed by the Board at the recommendation of the Chief Regulatory Officer, shall be comprised of not less than three individuals from among Participants (consisting of one Public Director, one representative of the brokerage community and one representative of the trading community), and/or other individuals with knowledge and experience in the financial markets, who are not involved in the conduct giving rise to the alleged Rule violations. The individuals on the Hearing Panel will serve until the related proceedings are completed. The chair of the Hearing Panel will be an individual qualified to be a Public Director.

- (ii) The Respondent will be notified of the appointment of the Hearing Panel and must respond within 10 days by serving notice to the Chief Regulatory Officer if the Respondent seeks to disqualify any individual names to the Hearing Panel for reasonable grounds including that such individual has a financial interest in the matter. Legal counsel, other than the Chief Regulatory Officer, will decide the merits of any request for disqualification within his or her sole discretion. Such decision will be final and not subject to appeal.
- (iii) Prior to the commencement of the hearing, the Respondent will be given the opportunity to review all books, records, documents, transcripts of testimony and other tangible evidence in the possession or under the control of the Exchange to be used by the Compliance Department to support the allegations and proposed sanctions in the notice of charges, except for information protected by attorney-client privilege. The Compliance Department may redact, edit or code information that could adversely affect the competitive position of the person providing the information or if such information might compromise other investigations being conducted by the Compliance Department. However, the Compliance Department may not redact, edit or code information that would impair the Respondent's ability to defend against allegations or proposed sanctions in the notice of charges.
- (iv) The following rules shall apply in each case presented before the Hearing Panel:
 - 1) The Compliance Department shall prosecute the case.
 - 2) Formal rules of evidence do not apply.
 - 3) The Respondent shall be entitled to appear personally at the hearing and have the choice of being represented by legal counsel or another representative. The Respondent's representation is limited to two individuals.

- 4) The Respondent has the power to cross-examine witnesses and present documentary evidence.
 - 5) The burden of proof is on the Compliance Department.
 - 6) A majority vote of the Hearing Panel is needed to find a violation of the Rules.
- (v) No Person shall serve on the Hearing Panel unless that Person has agreed in writing that he or she will not publish, divulge, or make known in any manner, any facts or information regarding the business of any person or any other information which may be obtained while serving as a member of the Hearing Panel, except for disclosures when reporting to the Board, the Compliance Department, upon request by the Commission or other Governmental Authority, or when compelled to testify in a judicial or administrative proceeding. Furthermore, no Person shall serve on the Hearing Panel if such Person has already been involved in the Disciplinary Action for any reason. The hearing will be conducted privately and confidentially. Notwithstanding the confidentiality of the hearings, the Hearing Panel may appoint an expert to attend any hearing and assist in deliberations if such expert agrees to be subject to an appropriate confidentiality agreement.
- (vi) The chair of the Hearing Panel shall conduct the hearing as he or she may deem appropriate. The chair of the Hearing Panel will determine all procedural and evidentiary matters, including the admissibility and relevance of any evidence proffered. Legal counsel, other than the Chief Regulatory Officer, will provide guidance to the chair of the Hearing Panel on the conduct of the hearing. At the hearing, the Hearing Panel or the Compliance Department and each Respondent may:
- 1) present evidence and facts determined relevant and admissible by the chair of the Hearing Panel;
 - 2) call and examine witnesses; and
 - 3) cross-examine witnesses called by other parties.
- (vii) If the Respondent fails to file an answer, has filed a general denial, or if any or all of the allegations in the notice of charges are not expressly denied in the Respondent's answer, the chair of the Hearing Panel may limit evidence concerning any allegations not expressly denied in determining the sanctions to impose. If a Respondent fails to file an answer but appears at the hearing, the Respondent may not participate in the hearing (by calling or cross-examining witnesses, testifying in defense, presenting evidence concerning the notice of charges, or otherwise) unless the Hearing Panel determines that the Respondent

had a compelling reason for failing to timely file an answer. If the Hearing Panel determines that the Respondent had a compelling reason for failing to timely file an answer, the Hearing Panel will adjourn the hearing and direct the Respondent to promptly file a written answer.

- (viii) Reasonable notice, confirmed in writing, specifying the date, time, and place of the hearing will be given to persons entitled or required to appear before the Hearing Panel. The Hearing Panel may impose sanctions on any person that impedes or delays the progress of the hearing. Interlocutory appeals of rulings by the Hearing Panel or the chair of the Hearing Panel are not permitted.
- (ix) If the Respondent is found to have violated one or more Rules, the written decision shall state the disciplinary action to be taken by the Exchange as well as the effective date thereof. The Hearing Panel may in such a case:
 - 1) issue a warning letter;
 - 2) issue a cease and desist order;
 - 3) suspend the Participant's rights to engage in Exchange Transactions;
 - 4) expel the Participant from the Exchange; and/or
 - 5) impose any other sanction deemed appropriate under the circumstances.

All decisions will be subject to CFTC Rules 38.708(a)-(f).

- (x) The Respondent may appeal the Hearing Panel decision within fourteen (14) days of receiving the order by filing a written notice of appeal pursuant to Rule 604. The order of the Hearing Panel's decision will become final upon expiration of fourteen (14) days after the order is served on the Respondent.

(i) Settlement. At any time prior to the issuance of the written decision of the Hearing Panel, the Respondent may submit an offer of settlement to the Compliance Department for review. The Disciplinary Committee will determine whether to accept or reject the offer and forward the basis for its recommendation to the Hearing Panel for final determination. If the Hearing Panel agrees, the Chief Regulatory Officer will conditionally accept the settlement offer, which will become final upon the expiration of fourteen (14) days after the order of the Hearing Panel consistent with the terms of the settlement offer is served on the Respondent. The offer of settlement must detail the rule violations, including the basis for the Hearing Panel's conclusions and any sanction to be imposed, which must include full customer restitution where customer harm is demonstrated. If applicable, the decision must also include a statement that the

Respondent has accepted the sanctions imposed without either admitting or denying the rule violations. The acceptance of a settlement offer and the related final order by the Hearing Panel constitutes a waiver of the Respondent's right to notice, opportunity for a hearing and review, and appeal under Exchange Rules. If the settlement offer is not accepted, fails to become final, or is withdrawn by the Respondent, the matter will proceed as if the offer had not been made and the offer and all documents related to it will not become part of the record.

(j) Sanctions. After notice and opportunity for hearing in accordance with Exchange Rules, the Exchange will impose sanctions if any Participant, Authorized User, Person using any of the Participant's User IDs, or Customer is found to have violated or to have attempted to violate a Rule of the Exchange or provision of applicable law for which the Exchange possesses disciplinary jurisdiction. All sanctions must take into account the Respondent's disciplinary history. In the event of demonstrated customer harm, any sanction must also include full customer restitution. The Exchange may impose one or more of the following sanctions or remedies:

- (i) censure;
- (ii) limitation or restriction on trading privileges, access to the Exchange and other activities, functions or operations;
- (iii) suspension of trading privileges and access the Exchange;
- (iv) fine;
- (v) restitution;
- (vi) disgorgement;
- (vii) termination of trading privileges and access the Exchange; or
- (viii) any other sanction or remedy deemed to be appropriate.

The Exchange may impose a fine of up to \$1,000,000 for each violation of Exchange Rules or a provision of applicable law. If a fine or other amount is not paid within 30 days of the date that it becomes payable, then interest will accrue on the sum from the date that it became payable at the quoted prime rate plus three percent. The Exchange has sole discretion to select the bank on whose quotations to base the prime rate. Participant will be responsible for paying any fine or other amount imposed on, but not paid by, any of its traders, supervisors, or Customers.

Rule 604 Summary Actions

(a) Summary Suspensions. At any time, the Chief Regulatory Officer, in consultation with the Regulatory Oversight Committee of the Board, may summarily suspend, revoke, limit, or condition a Participant's privileges on the Exchange. The Chief Regulatory Officer must reasonably believe that the business, conduct or activities of the

Participant in question is not in the best interest of the Exchange or the marketplace, based on relevant circumstances including (but not limited to) any of the following reasons:

- (i) failure to satisfy applicable requirements under the CEA and/or the rules of the CFTC;
- (ii) failure to pay fees or fines or arbitration awards; and/or
- (iii) there is a reasonable basis for believing the best interest of the public or the Exchange is at risk and immediate action is necessary.

(b) Notice of Suspension. Any Participant that is suspended by the Chief Executive Officer as a result of a summary action is to be notified at the earliest possible opportunity as appropriate considering the best interest of the marketplace. Such notice shall state:

- (i) the exact action taken,
- (ii) the reasons for the action, and
- (iii) the time and date the action has or is to become effective as well as the duration of the action.

The Respondent may file a notice of appeal filed pursuant to Rule 604 seeking reinstatement within fourteen (14) days after the notice of action is served on the Respondent. Otherwise, the summary action becomes final fourteen (14) days after the notice of action is served on the Respondent. The Respondent shall have the right to be represented by legal counsel in all proceedings subsequent to summary action taken pursuant to Rule 604.

(c) Summary Imposition of Fines. The Compliance Department may summarily impose a fine, no less than \$1,000 and no more than \$15,000 for each violation, against any Participant for:

- (i) failure to cooperate with the Compliance Department as required by Exchange Rules;
- (ii) failure to make timely and accurate submissions to the Exchange of notices, reports or other information required by Exchange Rules;
- (iii) failure to keep any books and records required by Exchange Rules.

(d) Notice of Fines. The Compliance Department will give notice of any fine imposed that will specify:

- (i) the violation of the Exchange Rule for which the fine is being imposed;

- (ii) the date of the violation for which the fine is being imposed; and
- (iii) the amount of the fine.

Within 14 days of the service of the notice of the fine imposed, the Participant may either pay the fine or file a notice of appeal pursuant to Rule 605(a). Unless timely notice of appeal is filed, the fine will become final upon expiration of 14 days after the notice of fine is served on the Participant. The Respondent shall have the right to be represented by legal counsel in all proceedings subsequent to summary action taken pursuant to Rule 604.

(e) Summary Fine Schedule. The following is a list of the rule violations subject to, and the applicable fines that may be imposed by the Exchange pursuant, this Rule 604:

- (i) ***Failure to Comply with Minimum Financial Requirements, Financial Reporting Requirements, and Requirements Relating to Protection of Customer Funds (Rules 304(a); 304(b); 304(c); 304(d); 304(e); 304(f); 304(g); 304(h); 304(i); 304(j); 304(k); 304(l); 304(m); 304(n); 304(o); 304(p); 304(q); 304(r))***

Number of Cumulative Violations in Any Twelve (12) Month Rolling Period

First Offense.....Letter of Caution

Second Offense.....\$7,500

Third Offense.....\$15,000

Subsequent Offenses.....Referral to Disciplinary Committee

- (ii) ***Failure to Comply with Notice Provisions for Position Accountability. (Rule 406(a))***

Number of Cumulative Violations in Any Twelve (12) Month Rolling Period

First Offense.....Letter of Caution

Second Offense.....\$7,500

Third Offense.....\$15,000

Subsequent Offenses.....Referral to Disciplinary Committee

- (iii) ***Failure to Comply with Reporting Requirements for Ownership and Control Reports and Reportable Positions. (Rules 407(a); 407(b); 407(c))***

Number of Cumulative Violations in Any Twelve (12) Month Rolling Period

First Offense.....Letter of Caution

Second Offense.....\$7,500

Third Offense.....\$15,000

Subsequent Offenses.....Referral to Disciplinary Committee

(iv) ***Failure to Enter Valid Orders. (Rule 504(a))***

Number of Cumulative Violations in Any Twelve (12) Month Rolling Period

First Offense.....Letter of Caution

Second Offense.....\$2,500

Third Offense.....\$10,000

Subsequent Offenses.....Referral to Disciplinary Committee

(v) ***Failure to Maintain Audit Trail Information. (Rules 510(a); 510(b); 510(c))***

Number of Cumulative Violations in Any Twelve (12) Month Rolling Period

First Offense.....Letter of Caution

Second Offense.....\$2,500

Third Offense.....\$10,000

Subsequent Offenses.....Referral to Disciplinary Committee

(vi) ***Failure to Cooperate with the Compliance Department; Failure to Provide Records Within Designated Time Frame. (Rule 603(a))***

Number of Business Days Beyond Due Date of Request

Up Until 15 Business Days.....\$1,000

Subsequent Offenses.....Referral to Disciplinary Committee

Rule 605 Appeal from Hearing Panel Decisions and Summary Actions

(a) Appeal Procedures. A Respondent found by the Hearing Panel to have violated an Exchange Rule or applicable law or who is subject to any summary action imposed pursuant to Rule 604 may appeal the decision within fourteen (14) days of receiving the order of the Hearing Panel decision or notice of summary action by filing a notice of appeal with the Chief Regulatory Officer. Except for summary suspensions imposed pursuant to Rule 604(a) and (b), Hearing Panel decisions and summary imposition of fines shall be suspended while the appeal is pending.

The notice of appeal must state in writing the grounds for appeal, including the findings of fact, conclusions or sanctions to which the Respondent objects. The Respondent may give notice of appeal on the grounds that:

- (i) the order or decision was arbitrary, capricious, an abuse of discretion, or not in accordance with Exchange Rules;
- (ii) the order or decision exceeded the authority or jurisdiction of the Hearing Panel, the Disciplinary Committee or the Exchange;

- (iii) the order or decision failed to observe required procedures;
- (iv) the order or decision was unsupported by the facts or evidence; or
- (v) the imposed sanctions, remedies or costs are inappropriate or unsupported by the record.

The Chief Regulatory Officer will forward copies of any notice of appeal received by it to all parties to the disciplinary proceeding or summary action, as the case may be, except the appellant. On or before the 14th day after filing a notice of appeal, the appellant must file with the Chief Regulatory Officer and serve on the Compliance Department a brief supporting the notice of appeal and documents supporting the brief. On or before the 14th day after the date on which the appellant serves supporting brief, the appellee must file and serve its brief in opposition with the Compliance Department.

Within 30 days after the last submission filed, the Board will appoint a Board of Appeals at the recommendation of the Chief Regulatory Officer, which shall be composed of not less than three individuals from among Participants (consisting of one Public Director, one representative of the brokerage community and one representative of the trading community), and/or other individuals with knowledge and experience in the financial markets, who did not participate in any prior stage of the disciplinary proceeding. No member may serve on the Board of Appeals if such person or any person or firm with whom such person is affiliated has a financial, personal, or other direct interest in the matter. The individuals on the Board of Appeals will serve until the related proceedings are completed. The chair of the Board of Appeals will be an individual qualified to be a Public Director.

(b) Review by the Board of Appeals. The Board of Appeals will hold a hearing to allow parties to present oral arguments. Except for good cause shown, the review by the Board of Appeals shall only consider the record before the Disciplinary Committee, the written exceptions filed by the parties, and the oral and written arguments of the parties.

Upon completing its review, the Board of Appeals may affirm, modify or reverse the Hearing Panel decision or summary action under appeal. Modifications by the Board of Appeals may include increasing, decreasing or eliminating any sanction or remedy imposed, imposing any other sanction or remedy authorized by Exchange Rules, remanding the matter to the same or a different Hearing Panel for further disciplinary proceedings, or ordering a new hearing.

As promptly as reasonably possible following its review, the Board of Appeals will issue a written decision based on the weight of the evidence before the Board of Appeals. The decision of the Board of Appeals will include a statement of findings of fact and conclusions for each finding, sanction, remedy and cost reviewed on appeal, including each specific Exchange Rule and provision of applicable law that the Respondent is found to have violated, if any, and the imposition of sanctions, remedies and costs, if any, and the effective date of each sanction, remedy or cost. The order by the

Board of Appeals will be the final action of the Exchange and will not be subject to further appeal within the Exchange.

Rule 606 Rights and Responsibilities After Suspension or Termination

(a) When the Participant's right to access the Exchange, or the association of an Authorized User with a Participant, is suspended for a period of 12 months or less, none of its rights (including the right to hold oneself out to the public as a Participant; enter orders into the Exchange; and receive Participant rates for fees, costs, and charges) will apply during the period of the suspension, except for the right of the Participant or Authorized User in question to assert claims against others as provided in the Rules. Any such suspension will not affect the rights of creditors under the Rules or relieve the Participant or Authorized User in question of its, his, or her obligations under the Rules to perform any Transactions entered into before the suspension, or for any Exchange fees, costs, or charges incurred during the suspension. The Exchange may discipline a suspended Participant or Authorized User under this Chapter VI for any violation of Applicable Law committed by the Participant before, during, or after the suspension.

(b) When the Participant's right to access the Exchange, or the association of an Authorized User with a Participant, is terminated, all of its rights will terminate, except for the right of the Participant or Authorized User in question to assert claims against others, as provided in the Rules. Any such termination will not affect the rights of creditors under the Rules. A terminated Participant or Authorized User may only seek to reinstate its right to access the Exchange by filing an application in accordance with Chapter III of the Rules. The Exchange will not consider the application of a terminated Participant or Authorized User if such Participant or Authorized User continues to fail to appear at Disciplinary Actions without good cause, or continues to impede the progress of Disciplinary Actions.

(c) A suspended or terminated Participant or Authorized User remains subject to the Rules and the jurisdiction of the Exchange for acts and omissions prior to the suspension or termination, and must cooperate in any inquiry, investigation, Disciplinary Actions, appeal of Disciplinary Actions, summary suspension, or other summary action as if the suspended or terminated Participant or Authorized User still had the right to access the Exchange, or was still associated with a Participant, as the case may be.

Rule 607 Notice to the Respondent, the CFTC, and the Public.

The Exchange will provide written notice of Disciplinary Actions to the parties and the CFTC consistent with CFTC Rules. Whenever the Exchange suspends, expels, fines, or otherwise disciplines, or denies any Person access to the Exchange, the Exchange will make the public disclosures required by CFTC Rules.

**CHAPTER VII
ARBITRATION**

Rule 701 In General

(a) Participants and Customers shall arbitrate through the NFA in accordance with the NFA's Code of Arbitration and the NFA's Member Arbitration Rules. All disputes, controversies or claims between or among themselves that relate to or arise out of any Contract or otherwise arise out of one or more Transactions made or to be made on the Exchange or subject to the Rules and that are based upon facts and circumstances that occurred at a time when the parties were Participants or Customers.

(b) Any arbitration filing must satisfy the timeliness requirements set forth in the NFA's Code of Arbitration and the NFA's Member Arbitration Rules.

(c) The arbitration will be conducted in Chicago, Illinois, by an arbitrator operating in accordance with the provisions of the NFA in effect at the time of filing of the claim for arbitration. The arbitrator shall have the authority to award any remedy or relief that a court of competent jurisdiction could order or grant, including the issuance of an injunction.

(d) The fees and expenses of such arbitration shall be borne by the non-prevailing Party, as determined by such arbitration, and in accordance with the NFA's Code of Arbitration and the NFA's Member Arbitration Rules.

(e) Except as necessary in court proceedings to enforce this arbitration provision or an award rendered hereunder, or to obtain interim relief, neither a Party nor an arbitrator may disclose the existence, content or results of any arbitration hereunder without the prior written consent of the Parties. For the purposes of this section, the NFA is not considered a Party.

Rule 702 Exceptions

This Chapter VII does not apply to disputes between Participants that: (a) such Participants are required by the rules of a Self-Regulatory Organization to submit to the dispute resolution procedures of that Self-Regulatory Organization; or (b) that such Participants have, by valid and binding agreement, committed to negotiate or litigate in a forum other than the NFA.

Rule 703 Penalties

(a) Any failure on the part of a Participant to arbitrate a dispute subject to this Chapter VII, or the commencement by any such person of a suit in any court prior to arbitrating a case subject to this Chapter VII, violates the Rules and shall subject such Participant to Disciplinary Action pursuant to Chapter VI.

(b) The Exchange may summarily suspend, pursuant to Rule 604, a Participant that fails to timely satisfy an arbitration award rendered in any arbitration pursuant to this Chapter VII. If a case settles before an award has been issued, the Exchange will enforce the agreed upon settlement.

CHAPTER VIII CLEARING

Rule 801 Submission to Clearing House

(a) Exchange Transactions. Immediately upon execution of an Exchange Transaction as provided in Rule 504(h), such Exchange Transaction shall be discharged and novated in accordance with the rules of the Clearing House.

Rule 802 Clearing Members

(a) All Participants must be an Individual Clearing Member or have an agreement with an FCM Clearing Member that establishes an account for the Participant for the purpose of clearing the Participant's Transactions through the Clearing House.

(b) A Clearing Member may at any time revoke any authorization granted and guarantee made by it to any Participant in accordance with the preceding paragraph, by providing written notice of such revocation to the Exchange. The guarantee will remain in effect until the Participant has liquidated or transferred its positions and funds to another Clearing Member.

(c) For clearing purposes, the Participant must specify Trading Accounts that it wishes to be separately tracked and margined by its Clearing Member. The Exchange will give each of these accounts a Trading Account ID for use by the Clearing House and its Clearing Members.

(d) The Clearing Member will set risk limits for each of the Participant's Trading Account IDs, and has the right to suspend trading by a Participant on the Exchange.

(e) Each Clearing Member shall develop and implement a written compliance program approved in writing by senior management of such Clearing Member that is reasonably designed to achieve and monitor the Clearing Member's compliance with all applicable requirements of the Bank Secrecy Act (31 U.S.C. § 5311 et seq.), the International Emergency Economic Powers Act (50 U.S.C. § 1701 et seq.) ("IEEPA"), the Trading with the Enemy Act (50 U.S.C. App. § 1 et seq.) ("TWEA"), and the Executive Orders and regulations issued pursuant thereto, including the regulations issued by the U.S. Department of the Treasury and, as applicable, the Commodity Futures Trading Commission. The compliance program shall, at a minimum:

- (i) establish and implement policies, procedures and controls reasonably designed to assure compliance with all applicable provisions of the Bank Secrecy Act, IEEPA, TWEA, and all applicable Executive Orders and regulations issued pursuant thereto;
- (ii) provide for independent testing for compliance to be conducted by Clearing Member personnel or by a qualified outside party;
- (iii) designate an individual or individuals responsible for implementing and monitoring the day-to-day operations and internal controls of the program; and

- (iv) provide ongoing training for appropriate personnel.

Rule 803 Responsibility of Participants

Each Participant must assist its FCM Clearing Member, if any, and the Clearing House in the clearing of its Transactions in Contracts. Without limiting the generality of the foregoing, each Participant must: provide its FCM Clearing Member, if any, a telephone number so that such Participant may be reached at any time during the day in the event that there is a discrepancy in the clearing of its Transactions; If neither the Participant nor any such representative is present at the time specified above, such Participant's FCM Clearing Member, if any, will be authorized to resolve any discrepancy in the manner it deems appropriate, but such resolution will not be relevant to the determination of the liability of any party to the trade.

Rule 804 Clearing Services

All Contracts shall be cleared through the Clearing House in accordance with Clearing House Rules and in conformity with all Exchange Rules.

Rule 805 Rules of the Clearing House

(a) The clearing services provided by the Clearing House with respect to any Contract, and the rights and obligations of purchasers and sellers under cleared Contracts (including rights and obligations in respect of clearing and settlement, variation payments and performance at maturity), will be governed by the Rules of the Clearing House, except as otherwise provided in the Rules or Notices issued from time to time by the Exchange.

(b) Open positions in any Contract may only be offset by opposite Transactions in the same Contract that are executed on the Exchange.

Rule 806 Notice of Arbitration

In any arbitration concerning an alleged failure of any Participant to honor a trade in any Contract, each party to such arbitration must promptly provide copies of all documents filed or received in such arbitration by such party to the Clearing Member that guaranteed such party's Transactions in Contracts when the trade allegedly took place.

Rule 807 Additional Terms Applicable to Clearing

(a) The Clearing House shall have the right to reject Contracts that arise from Transactions and to suspend clearing of such Transactions without notice, in accordance with the rules of the Clearing House; and

(b) A Clearing Member may transfer a Contract to another Clearing Member only upon notice to the Exchange and in accordance with the rules of the Clearing House.

**CHAPTER IX
[RESERVED]**

**CHAPTER X
MISCELLANEOUS**

Rule 1001 Trading by Exchange Officials Prohibited; Misuse of Material, Non-Public Information

(a) Terms used in this Rule 1001 and not otherwise defined in the Rules shall have the meanings set forth in CFTC Rules 1.3 and 1.59.

(b) No Exchange Official may trade, directly or indirectly, (i) any Contract traded on or subject to the Rules or any related financial instrument, or (ii) any Contract or financial instrument where such Exchange Official has access to material nonpublic information concerning such Contract or financial instrument.

(c) The Chief Regulatory Officer (or, in the case of the Chief Regulatory Officer, the Board) may grant exemptions from the provisions of paragraph (a) to Exchange Officials on a case-by-case basis under circumstances which are not contrary to the purposes of this rule and CFTC Regulation 1.59. Such circumstances may include, but are not necessarily limited to:

- (i) participation in pooled investment vehicles where such Exchange Official has no direct or indirect control over Transactions effected by or for the account of the pool;
- (ii) service by such Exchange Official as an executor or administrator of an estate;
- (iii) service by such Exchange Official in any other fiduciary capacity, such as an officer of a charitable organization, in which such Exchange Official receives no pecuniary benefit from the trading of Contracts or other financial instruments;
- (iv) trading in Contracts or financial instruments executed on or subject to the rules of a swap execution facility, a designated contract market or a national securities exchange under circumstances in which such Exchange Official's access to material non-public information in respect of such financial instruments is sufficiently minimal or attenuated so as to be insignificant; and
- (v) such other circumstances as the Chief Regulatory Officer (or, in the case of the Chief Regulatory Officer, the Board) may determine.

(d) For the avoidance of doubt, participation by an Exchange Official in a retirement plan sponsored by the Exchange shall not be deemed to constitute trading directly or indirectly in a Contract or financial instrument, notwithstanding such plan's

trading of Contracts or financial instruments.

(e) Any Exchange Official that has received an exemption under Rule 1001(c) must:

- (i) furnish to the Exchange (or, in the case of the Chief Regulatory Officer, to the Board) account statements and other documents relevant to the trading activities that are so exempted; and
- (ii) inform the Chief Regulatory Officer (or, in the case of the Chief Regulatory Officer, the Board) within one business day of any material change of information that may affect such Exchange Official's qualification for such exemption.

(f) Exchange Officials, agents and independent contractors of the Exchange are prohibited from disclosing material non-public information obtained as a result of their employment, agency relationship or engagement with the Exchange where the Exchange Official, agent or independent contractor expected or should have reasonably expected that the information disclosed may assist a Person in trading any Contract, any Contract traded on another designated contract market or other market, or any related underlying commodity or security.

Rule 1002 Market Data

(a) Each Participant, on behalf of itself and each of its Affiliates, Authorized Users and other Persons affiliated with any of the foregoing, hereby acknowledges and agrees that the Exchange owns and shall retain all right, title and interest in and to the Exchange, all components thereof, including without limitation all related applications, all application programming interfaces, user interface designs, software and source code and any and all intellectual property rights therein, including, without limitation all registered or unregistered, as applicable (i) copyright, (ii) trade mark, (iii) service mark, (iv) trade secret, (v) trade name, (vi) data or database rights, (vii) design rights, (viii) moral rights, (ix) inventions, whether or not capable or protection by patent or registration, (x) rights in commercial information or technical information, including know-how, research and development data and manufacturing methods, (xi) patent, and (xii) other intellectual property and ownership rights, including applications for the grant of any of the same, in or to the Exchange and all other related proprietary rights of the Exchange and/or any of its Affiliates (together, with any and all enhancements, corrections, bug fixes, updates and other modifications to any of the foregoing and any and all data or information of any kind transmitted by means of any of the foregoing, including, without limitation, the market data, the "**Proprietary Information**"). Each Participant, on behalf of itself and each of its Affiliates, Registered Users and other Persons affiliated with any of the foregoing, further acknowledges and agrees that the Proprietary Information is the exclusive, valuable and confidential property of the Exchange. Each Participant acknowledges and agrees that it shall not and shall not permit its Affiliates, Authorized Users and other Persons affiliated with any of the foregoing to, reverse engineer, copy, bug fix, correct, update, transfer, reproduce, republish, broadcast,

create derivative works based on or otherwise modify, in any manner, all or any part of the Exchange or the Proprietary Information. Each Participant, further agrees to and to cause each of its Affiliates, Authorized Users and other Persons affiliated with any of the foregoing to, keep the Proprietary Information confidential and not to transfer, rent, lease, loan, sell or distribute, directly or indirectly, all or any portion of the Exchange or any Proprietary Information.

(b) Notwithstanding any other provision of this Rule 1002, each Participant retains such rights as it may enjoy under applicable law with respect to market data solely in the form such market data was submitted to the Exchange by such Participant and its Authorized Users.

(c) Subject to the provisions of paragraph (a), all Participants, Authorized Users and other Persons affiliated with either of the foregoing hereby acknowledge and agree that the Exchange is the owner of all rights, title and interest in and to all intellectual property and other proprietary rights (including all copyright, patent, trademark or trade secret rights) in market data, and all derivative works based thereon, and further agree not to distribute, create derivative works based on, or otherwise use or commercially exploit market data and any such derivative works, provided that Participants, Registered Users and such other Persons may use market data for their own internal business purposes. Without limiting the generality of the foregoing, Participants, Authorized Users and other Persons affiliated with any of the foregoing may not distribute, sell or retransmit market data Exchange to any third party.

(d) Each Participant hereby grants the Exchange a non-exclusive, perpetual, freely transferable, world-wide and royalty-free license to use, distribute, sub-license, disclose and sell market data, in any manner, media and jurisdiction, for the benefit of the Exchange and/or its Affiliates; provided that, except as may otherwise be required by law or permitted by Rule 208 or in any written agreement between the Exchange and such Participant, the Exchange shall not disclose market data other than on an aggregated basis that does not directly or indirectly identify individual Participants.

Rule 1003 Recording of Communications

The Exchange or the Regulatory Services Provider may record conversations and retain copies of electronic communications between Exchange Officials and Participants, their Authorized Users or other agents. Any such recordings may be retained by the Exchange or the Regulatory Services Provider in such manner and for such periods of time as required by Applicable Law.

Rule 1004 Confidentiality

Except as provided in this Rule 1004, all information provided by a Participant to the Exchange shall be held in confidence and shall not be made known to any other Person except as follows:

- (a) with the consent of the Participant providing such information;

- (b) to a Governmental Authority, if the Exchange is requested or legally required to do so by such government agency;
- (c) pursuant to legal process;
- (d) to a Clearing House of which such Participant is a member or in connection with the clearing of a Contract;
- (e) subject to appropriate confidentiality requirements, to any Person providing services to the Exchange, including but not limited to the Regulatory Services Provider;
- (f) to the Board, any committee, Exchange Officials, attorneys and auditors, and to agents and independent contractors that have been engaged by the Exchange who require such information in connection with the discharge of their duties to the Exchange; and
- (g) as otherwise permitted under the Rules.

Rule 1005 Force Majeure

Notwithstanding any other provision of the Rules, the Exchange shall not be obligated to perform its obligations under the rules or any agreement with a Participant, or to compensate any Person for losses occasioned by any delay or failure of performance, to the extent a delay or failure of performance is the result of circumstances that the Exchange determines, in its sole discretion, may have an adverse effect upon the functions and facilities of the Exchange, including, but not limited to, acts of God, fire or other natural disasters, inclement weather, embargos, bomb threats, pressure waves, disruption of electricity, communication outages or delays, acts or threats of terrorism, riots, commotions, strikes, war, invasions, hostilities (whether declared or not), and contaminations.

Rule 1006 Extension or Waiver of Rules

The Exchange may, in its sole discretion, waive, or extend the time period for performing, any act or acts designated by the rules, but only to the extent such waiver or extension is not inconsistent with Applicable Law.

Rule 1007 Effect of Amendment, Repeal or New Rule

The Exchange may, in compliance with the CEA and CFTC Rules, amend or repeal any rule and/or adopt new Rules. Any such amendment or repeal of a Rule or adoption of a new Rule, shall, upon the effective date of such amendment, repeal or adoption, as applicable, be binding on all Persons subject to the jurisdiction of the Exchange (regardless of when any such Person became subject to the Exchange's jurisdiction) and all Contracts (regardless of whether any such contract was entered into before, on or after such effective date).

Rule 1008 Signatures

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

Rule 1009 Governing Law; Legal Proceedings

(a) The rules, and the rights and obligations of the Exchange and Participants under the rules, shall be governed by, and construed in accordance with, the laws of the State of Illinois applicable to contracts executed and performed wholly within the State of Illinois without regard to any provisions of Illinois law that would apply the substantive law of a different jurisdiction.

(b) Any action, suit or proceeding against the Exchange, its officers, directors, limited liability company members, employees, agents, or any member of any committee must be brought with in one (1) year from the time that a cause of action has accrued. Any such action, suit or proceeding shall be brought in the State or Federal courts located within the City of Chicago, Illinois. Each Participant expressly consents, for itself and its Authorized Users, to the jurisdiction of any such court, waives any objection to venue therein, and waives any right it may have to a trial by jury.

(c) In the event that a Participant or an Affiliate of such Participant who fails to prevail in a lawsuit or other legal proceeding instituted by such Participant or such Affiliate against (i) the Exchange or (ii) any Affiliate of the Exchange or any of their respective officers, directors, equity holders, employees, agents, or any member of any committee, and related to the business of the Exchange, such Participant shall pay to the Exchange all reasonable expenses, including attorneys' fees, incurred by the Exchange in the defense of such proceeding. This paragraph (b) shall not apply to Exchange disciplinary actions, appeals thereof, or an instance in which the Board has granted a waiver of the provisions hereof.

Rule 1010 LIMITATION OF LIABILITY; NO WARRANTIES

PARTICIPANT'S USE OF THE SERVICES, THE SYSTEM, THE BITNOMIAL EXCHANGE PROPERTY AND ANY OTHER INFORMATION AND MATERIALS PROVIDED BY BITNOMIAL EXCHANGE, IS AT PARTICIPANT'S OWN RISK, AND THE SERVICES, THE BITNOMIAL EXCHANGE PROPERTY AND ANY OTHER INFORMATION AND MATERIALS PROVIDED BY BITNOMIAL EXCHANGE HEREUNDER ARE PROVIDED ON AN "AS IS" AND "AS AVAILABLE" BASIS, WITHOUT WARRANTIES OR REPRESENTATIONS OF ANY KIND, EXPRESS OR IMPLIED, BY STATUTE, COMMON LAW OR OTHERWISE INCLUDING ALL IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND NON- INFRINGEMENT AND ANY WARRANTIES ARISING FROM A COURSE OF DEALING, USAGE OR TRADE PRACTICE. BITNOMIAL EXCHANGE DOES NOT GUARANTEE THAT (i) THE BITNOMIAL EXCHANGE PROPERTY OR THE SERVICES WILL OPERATE IN AN ERROR FREE, SECURE OR UNINTERRUPTED MANNER, OR

(ii) ANY INFORMATION OR MATERIALS PROVIDED BY BITNOMIAL EXCHANGE OR ACCESSIBLE THROUGH THE BITNOMIAL EXCHANGE PROPERTY WILL BE ACCURATE, COMPLETE, RELIABLE, OR TIMELY, OR (iii) THE BITNOMIAL EXCHANGE PROPERTY OR ANY ASPECTS OF THE SERVICES WILL BE FREE FROM VIRUSES OR OTHER HARMFUL COMPONENTS. NEITHER BITNOMIAL EXCHANGE NOR ITS AFFILIATES SHALL HAVE ANY LIABILITY FOR THE CREDITWORTHINESS OF ANY PARTICIPANT OR FOR THE ACTS OR ANY ASPECT OF THE SERVICES OR SYSTEM. PARTICIPANT IS SOLELY RESPONSIBLE FOR THE SECURITY AND INTEGRITY OF THE PARTICIPANT TECHNOLOGY. PARTICIPANT ACKNOWLEDGES THAT PARTICIPANT'S ACCESS TO THE SYSTEM AND THE SERVICES IS INTERNET-BASED AND THAT BITNOMIAL EXCHANGE HAS NO CONTROL OVER THE INTERNET OR PARTICIPANT'S CONNECTIONS THERETO. PARTICIPANT FURTHER ACKNOWLEDGES THAT THE INTERNET, COMPUTER NETWORKS, AND COMMUNICATIONS LINKS AND DEVICES NECESSARY TO ENABLE PARTICIPANT TO ACCESS AND USE THE SYSTEM AND THE SERVICES ARE INHERENTLY INSECURE AND VULNERABLE TO ATTEMPTS AT UNAUTHORIZED ENTRY AND THAT NO FORM OF PROTECTION CAN ENSURE PARTICIPANT'S DATA, HARDWARE, OR SOFTWARE OR THE SYSTEM OR OTHER BITNOMIAL EXCHANGE PROPERTY WILL BE FULLY SECURE. FURTHERMORE, BITNOMIAL EXCHANGE SHALL HAVE NO OBLIGATION TO MONITOR OR VERIFY ANY INFORMATION DISPLAYED THROUGH THE SYSTEM.

EXCLUDING ANY LIABILITY FOR SUCH PARTY'S WILLFUL MISCONDUCT OR GROSS NEGLIGENCE, AND EXCLUDING, IN THE CASE OF PARTICIPANT, PARTICIPANT'S INDEMNIFICATION OBLIGATIONS PURSUANT TO SECTION 11 OF THE PARTICIPANT AGREEMENT, EACH PARTY AGREES THAT IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR ANY INDIRECT, SPECIAL, PUNITIVE, EXEMPLARY OR CONSEQUENTIAL DAMAGES, INCLUDING DAMAGES FOR LOSS OF PROFITS, LOSS OF REVENUE, LOSS OR CORRUPTION OF DATA, TRADING LOSSES OR BUSINESS INTERRUPTION AND THE LIKE, ARISING IN ANY MANNER WHATSOEVER OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR ANY USE (WHETHER OR NOT AUTHORIZED) OR INABILITY TO USE THE BITNOMIAL EXCHANGE PROPERTY OR ANY OTHER INFORMATION OR MATERIALS PROVIDED TO PARTICIPANT BY BITNOMIAL EXCHANGE OR ACCESSIBLE THROUGH THE SERVICES, INCLUDING THE ACCURACY, COMPLETENESS, RELIABILITY, TIMELINESS, QUALITY, SECURITY, PERFORMANCE, OR PRICING OF THE SERVICES OR ANY FAILURES, DEGRADATIONS OR DELAYS ASSOCIATED THEREWITH, REGARDLESS OF WHETHER SUCH DAMAGES ARISE IN TORT, CONTRACT, OR OTHERWISE, AND EVEN IF IT HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. NOTWITHSTANDING THE FOREGOING, IF A COURT OR OTHER TRIBUNAL OF COMPETENT JURISDICTION SHOULD FIND BITNOMIAL EXCHANGE OR ANY OF ITS AFFILIATES LIABLE FOR ANY LOSS, DAMAGE OR EXPENSES UNDER THIS AGREEMENT, THE AGGREGATE LIABILITY OF BITNOMIAL EXCHANGE OR ITS AFFILIATES UNDER THE AGREEMENT, REGARDLESS OF THE FORM OF ACTION, SHALL IN NO EVENT EXCEED THE GREATER OF (i) \$10,000 AND (ii) THE TOTAL COMMISSIONS, FEES, OR OTHER AMOUNTS (EXCLUDING ANY APPLICABLE TAXES AND DUTIES) PAID TO

BITNOMIAL EXCHANGE BY PARTICIPANT DURING THE SIX MONTHS PRECEDING THE DATE ON WHICH THE EVENTS GIVING RISE TO SUCH LIABILITY AROSE.

ANY CLAIM FOR REDRESS OR DAMAGES HEREUNDER SHALL BE FILED IN A COURT OF COMPETENT JURISDICTION WITHIN TWO (2) YEARS OF THE DATE ON WHICH SUCH CLAIM ALLEGEDLY AROSE. FAILURE TO INSTITUTE LITIGATION WITHIN SUCH TIME PERIOD SHALL BE DEEMED TO BE A WAIVER OF SUCH CLAIM AND THE CLAIM SHALL BE OF NO FURTHER FORCE OR EFFECT. THE ALLOCATIONS OF LIABILITY IN THIS RULE 1010 REPRESENT THE AGREED AND BARGAINED FOR UNDERSTANDING OF THE PARTIES, AND EACH PARTY ACKNOWLEDGES THAT THE OTHER PARTY'S RIGHTS AND OBLIGATIONS HEREUNDER REFLECT SUCH ALLOCATIONS. THE PARTIES AGREE THAT THEY WILL NOT ALLEGE THAT THIS REMEDY FAILS ITS ESSENTIAL PURPOSE.

PARTICIPANT FURTHER AGREES THAT THE PROVISIONS OF THE RULES OF THE CLEARING HOUSE LIMITING THE LIABILITY OF THE CLEARING HOUSE TO ITS MEMBERS SHALL APPLY TO PARTICIPANT AS FULLY AS IF PARTICIPANT WERE A MEMBER OF THE CLEARING HOUSE MUTATIS MUTANDIS.