

**LMX Labs, LLC**  
**Coinbase Derivatives**  
**Rulebook**

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## **CHAPTER 1: DEFINITIONS**

### **RULE 101. DEFINITIONS**

When used in this Rulebook the following terms shall have the respective meanings as follows:

“Affiliate” means, with respect to any Person, any Person who, directly or indirectly, Controls, is Controlled by, or is under common Control with, such other Person.

“Appeal Panel” means a panel comprised of a chair and two individuals appointed by the Board to consider appeals under Chapter 7.

“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 Regulations.

“Authorized Broker” means a person who is either employed or is an agent of a Broker Firm and who is authorized to utilize the Exchange pursuant to the applicable Authorized Broker User ID Request Form.

“Authorized Representative” means any natural person who is employed and authorized by a Participant to represent the Participant in Exchange matters pursuant to Rule 308.

“Authorized Trader” means a person who is either employed or is an agent of a Clearing Firm or a Participant Firm and who is authorized to utilize the Exchange pursuant to the applicable User ID Request Form.

“Block Trade” means a privately negotiated futures or options transaction in a Contract that meets (i) certain quantity thresholds and (ii) is permitted to be executed off the centralized market pursuant to these Rules.

“Board” means the Board of Managers of the Exchange, which manages the Exchange and is constituted from time to time in accordance with the Operating Agreement.

“Broker Firm” means a person who is acting as a broker or performing an equivalent agency function on behalf of another person. The Clearing Firm is responsible for approving Broker Firms for such person pursuant to the applicable User ID Request Form.

“Business Day” means, in a given commodity, any day on which a settlement price is determined.

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

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

successor regulatory body.

“CFTC Regulations” means the rules and regulations promulgated by the CFTC, as amended.

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

“Clearing Firm” 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 of the Contracts and that meets the qualification of the Exchange pursuant to Rule 902. A Clearing Firm may also be a Participant where it is authorized to access the Exchange to effect transactions. As a Participant, a Clearing Firm may trade for its own proprietary account or an account on behalf of its Customer (e.g., as a broker). As a Participant, a Clearing Firm may trade on behalf of a Customer with an account at a different Clearing Firm acting as a broker or performing an equivalent agency function. The different Clearing Firm is responsible for approving the Clearing Firm for such Customers pursuant to the applicable form to the Clearing Firm Agreement. The term “Clearing Firm” collectively refers to all Authorized Traders of a Clearing Firm authorized to utilize the Exchange. A Clearing Firm that carries Customer accounts must be a CFTC-registered FCM.

“Clearing House” means the clearing organization(s) as the Exchange may designate to provide clearing services with respect to any or all of its Contracts. To the extent that the Exchange designates multiple clearing organizations to provide clearing services at any given time, the term Clearing Houses shall refer to any clearing organization designated to provide such services with respect to the Contract or Clearing Firm in question.

“Clearing House Rules” means the Certificate of Incorporation, the By-laws and any rule, interpretation, stated policy, or instrument corresponding to any of the foregoing, in each case as adopted or amended from time to time by the Clearing House.

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

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

“Contract Market” has the meaning set forth in CFTC Regulation 1.3.

“Contract Specifications” means, with respect to any Contract, the rules or other trading protocols containing specifications for such Contract, as adopted, amended, supplemented or otherwise modified from time to time by the Exchange.

“Control” means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of securities, by

contract, or otherwise. The terms “controlling” or “controlled” shall have meanings correlative to the foregoing.

“Customer” means a person who is, but is not limited to, a customer of a Clearing Firm, Participant Firm, or Broker Firm.

“Customer Account” means an account carried by a Clearing Firm on behalf of a Participant or Customer.

“Daily Settlement Price” or “Settlement Price” means the official daily closing price for a Contract calculated each Business Day, as determined in accordance with Rule 906, and used for all open positions at the close of the daily settlement cycle.

“Derivatives Clearing Organization” has the meaning attributed to such term by Section 1a(9) of the CEA.

“Director” means any member of the Board.

“Disciplinary Panel” means the panel appointed by the Board at the recommendation of the Chief Regulatory Officer to act in an adjudicative role and fulfill various adjudicative responsibilities and duties described in Chapter 7.

“Eligible Contract Participant” has the meaning set forth in Section 1a(18) of the CEA, as amended.

“Emergency” means the occurrences or circumstances which, in the opinion of the Board, require immediate action, 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 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 Exchange Trading System, 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 Firm or the imposition of any injunction or other restraint by any government agency, clearing house, court or arbitrator upon a Clearing Firm which may affect the ability of a Clearing Firm to trade in or perform on a Contract;
  - (f) any circumstance in which it appears to the Board that a Clearing Firm or any other Person:
    - (A) has failed to perform on a Contract;
    - (B) is insolvent; or
    - (C) is in a financial or operational condition or is conducting business such that the Clearing Firm or Person cannot be permitted to continue in business without jeopardizing the safety of Customer funds, Participants, other Clearing Firms, the Exchange or the Clearing House; or
  - (g) any other unusual, unforeseeable or adverse circumstance as determined by the Exchange.

“Emergency Rules” has the meaning set forth in Rule 212(a).

“Exchange” means LMX Labs, LLC, or any successor thereto.

“Exchange Activity” means business for which a Clearing Firm, FCM-Broker, Participant, Participant-Broker, is subject to the Exchange Rules, which is purportedly conducted subject to the Exchange Rules, or which should have been conducted subject to the Exchange Rules.

“Exchange of Derivatives for Related Positions” or “EDRP” or “Exchange of Futures for Related Positions” or “EFRP” has the meaning set forth in Rule 602.

“Exchange Official” means any Director or Officer of, or individual employed directly by, the Exchange or any individual rendering similar services to the Exchange under an administrative or similar agreement.

“Exchange Practices Committee” means the committee of the Board constituted in accordance with Rule 210.

“Exchange Proceeding” and “Exchange Proceedings” have the meanings attributed to such terms in Rule 213(a).

“Exchange” means LMX Labs, LLC, or any successor thereto.

“Exchange Control Center” or “ECC” means the Exchange Control Center, a technical support center established and maintained by the Exchange to provide technical support and control over the operations of the Exchange Trading System.

“Future” means any Contract for the purchase or sale of any commodity for future delivery.

“Futures Commission Merchant” or “FCM” has the meaning set forth in Section 1a(28) of the CEA.

“Government Agency” means any governmental entity (including the United States, a State, or a foreign government).

“Holdings” means the holding company of LMX Labs, LLC, the “Exchange” or any successor thereto.

“Independent Software Vendor” or “ISV” means any Person that offers services that provide access to the Exchange Trading System. In order to provide access to the Exchange Trading System the ISV must enter into a Participant Firm Agreement with the Exchange and be approved by the Exchange.

“Interested Person” has the meaning attributed to such term in Rule 213(a).

“Introducing Broker” or “IB” has the meaning set forth in Section 1a(31) of the CEA and includes a Broker Firm.

“Joint Audit Committee” means a voluntary, cooperative organization comprised of representatives of U.S. futures exchanges and regulatory organizations, including the Exchange. The Joint Audit Committee’s primary responsibility is to oversee the implementation and functioning of all terms and conditions of the Joint Audit Agreement and to determine the practices and procedures to be followed by each Designated Self-Regulatory Organization in the conduct of audits and financial reviews of FCMs.

“Joint Compliance Committee” means an information sharing organization whose members include compliance officials from all U.S. Designated Contract Markets, including the Exchange.

“Liquidity Provider” means a Participant that has entered into a Liquidity Provider Agreement.

“Lead Market Maker” means a Participant Firm that has entered into a Lead Market Maker Agreement.

“Exchange Rules,” or “Rulebook” means all rules adopted, all Notices to Participants published by the Exchange, and the Clearing Firm Agreement, the Participant Firm Agreement, the Broker Firm Access Agreement, interpretations, orders, resolutions, advisories, statements of policy, decisions, manuals and directives of the Exchange, and all amendments thereto.

“Exchange Trading System” means the Exchange electronic trade execution system that is used for trading Contracts, including any licensed software that is a part thereof from time to time,

and any successor electronic trading system thereto.

“Market Maker” means a Participant Firm that has entered into a Market Maker Agreement.

“Market Regulation Department” means all Exchange Officials and/or agents of the Exchange that assist the Exchange in the implementation, surveillance and enforcement of the Exchange Rules and other Obligations.

“NFA” means the National Futures Association.

“Notice to Participants” means a communication sent by or on behalf of the Exchange to all Participants as described in Rule 309.

“Obligation” means each Rule of the Exchange, order or procedure issued by the Exchange, including Notice to Participants, and other requirement implemented by the Exchange under the Exchange Rules, including each term of a Contract, as well as any contractual obligations between a Clearing Firm, Participant, Broker Firm, and the Exchange, including the Participant Documentation.

“Officer” has the meaning attributed to such term in Rule 203.

“Other Trading Hours” or “OTH” means the times available for trading block trades and EDRPs when the public auction market is closed.

“Operating Agreement of LMX” or “Operating Agreement” means the Amended and Restated Limited Liability Company Agreement of LMX Labs LLC, dated as of February 26, 2020, as the same may be amended from time to time.

“Option” means any Option to buy or sell any Contract traded subject to the Exchange Rules.

“Order” means either a bid or an offer for a Contract. The following Order types are available on the Exchange Trading System and may be amended from time to time:

- (i) Market means a simple order to buy or sell immediately executed at the best price currently available in the system.
- (ii) Limit means a simple order executed when a specific price is met.
- (iii) Stop means a market order whose activation is dependent upon a specific rate being reached or surpassed (e.g., a stop order to buy becomes a market order in the system when the market rate is at or above the stop price, while a stop order to sell becomes a market order in the system when the market rate is at or below the stop price).
- (iv) Stop Limit means an order that is similar to Stop Loss order with a difference that it activates a Limit order when market rate condition of the stop price is met.

“Order Qualifiers” means the following order duration qualifiers supported by the Exchange

Trading System. An Order eligible to be entered into the Exchange Trading System that does not contain a duration qualifier will be cancelled if not filled during the trading day in which it was received or, if it was received between trading days, during the next trading day. An Order may specify one of the following duration qualifiers:

- (i) “Good Till Cancel” (GTC) means an Order that will remain in the market until executed or manually cancelled.
- (ii) “Immediate or Cancel” (IOC) means an Order that will either be immediately executed or cancelled.
- (iii) “Good Till Date” (GTD) type of order that is active until its specified date.

“Participant” means a Clearing Firm, Broker Firm, or Participant Firm; any person who is either employed or is an agent of a Clearing Firm, Broker Firm, or Participant Firm; an ISV; or any Person initiating or executing a transaction on or subject to the Rules of the Exchange directly or through an intermediary, or any person who is authorized to access or utilize the Exchange pursuant to the applicable User ID.

“Participant Documentation” means the agreements (together with any applicable schedules, exhibits or appendices thereto required by the Exchange) in form and substance acceptable to the Exchange, that are required to be executed and delivered to the Exchange before a Person may access the Exchange Trading System, including, but not limited to the Participant Firm Agreement; Clearing Firm Agreement; the Broker Firm Access Agreement; and the User ID Request Form, as applicable and amended from time to time by the Exchange.

“Participant Firm” means a person that is authorized under a Participant Firm Agreement (the “Participant Firm Agreement”) to have access to the Exchange (e.g., a customer of a Clearing Firm enters orders directly into the Exchange’s trade matching system for execution through the use of a user identification in the Participant Firm’s name). A Participant Firm may trade for its own proprietary account. In certain cases, a Participant Firm may trade for an account on behalf of its Customer. A Participant Firm may also trade on behalf of a Customer with an account at a Clearing Firm other than the Participant Firm’s Clearing Firm acting as a broker or performing an equivalent agency function. The Clearing Firm is responsible for approving Participant Firms for such Customers pursuant to the applicable form to the Clearing Firm Agreement. The term “Participant Firm” collectively refers to all Participants and Authorized Traders of a Participant Firm authorized to utilize the Exchange.

“Person” means a natural person or an entity.

“Privileges of Membership,” for purposes of NFA Bylaw 1301, shall be granted to any Participant as set forth in Rule 305.

“Proprietary Account” has the meaning ascribed to it by CFTC Regulation § 1.3.

“Public Director” means an individual with the qualifications set forth in Rule 202(e).

“Public Individual” means an individual that is determined by the Board or Chief Regulatory Officer, as applicable, to have no “material relationship” with the Exchange, as such term is used in Rule 202(e).

“Regular Trading Hours” or “RTH” means those hours designated for public auction trading of the relevant product as determined by the Exchange from time to time.

“Regulatory Oversight Committee” means the committee of the Board constituted in accordance with Rule 208.

“Rule” or “Rules” means the Participant Documentation, Rulebook, interpretations, orders, resolutions, advisories, notices, statements of policy, decisions, manuals, and directives of the Exchange.

“Self-Regulatory Organization” shall, unless otherwise provided, have the meaning attributed to such term in CFTC Regulation § 1.3 and, in addition, shall include a Contract Market, Derivatives Clearing Organization, and registered futures association.

“Supervised Persons” means any directors, officers, employees or agents of any Participant, including but not limited to Authorized Traders and Authorized Brokers.

“Technology Services Agreement” means the agreement(s) between the Exchange and the Technology Services Provider whereby technology services are provided to the Exchange.

“Technology Services Provider” means the organization, if any, which provides technology services to the Exchange pursuant to a Technology Services Agreement

“Trade” means any purchase or sale of any Contract made on the Exchange.

“Trading Hours” means, for any Business Day, the hours as may be published by the Exchange in a Notice to Participants from time to time.

“Trading Privileges” means the right granted to a Participant to transmit Orders for certain or all Contracts through the Exchange Trading System.

“Transaction” means any purchase or sale of any Contract made on the Exchange.

“User ID” means the credentials assigned to a Participant Firm or Clearing Firm, through the User ID Request Form, for accessing and utilizing the Exchange.

“Write,” “Written” or “Writing” means printing, lithography, photography, and other modes of representing or reproducing words or data in a visible form, including electronic transmissions. The following rules of construction shall apply to the Exchange Rules:

- (i) the headings are for convenience only and do not affect the construction of the Exchange Rules;
- (ii) all references to time are to local time in Chicago, Illinois except where expressly provided otherwise;
- (iii) words denoting a singular number include the plural number where the context permits and vice versa;
- (iv) where the context permits or requires, any pronoun shall include the corresponding masculine, feminine and neuter forms;
- (v) references to statutory provisions include those provisions as amended, and any rules or regulations promulgated thereunder.

## CHAPTER 2: EXCHANGE OWNERSHIP AND GOVERNANCE

### **RULE 201. Ownership**

The Exchange is a Delaware Limited Liability Company. The Operating Agreement governs the management and operation of the Exchange. The equity interest in the Exchange is owned by a holding company.

### **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 Operating 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 Operating 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 Operating Agreement with respect to matters relating to the Exchange or otherwise relating to Holdings.
- (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. In making the finding specified in this Rule, 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:

- (1) Such Director is an Officer or an employee of the Exchange, or an officer or an employee of an Affiliate of the Exchange;
- (2) Such Director is a Participant or Owner of the Exchange;
- (3) Such Director is a director, an officer, or an employee of a Participant or Owner of the Exchange;
- (4) Such Director is an officer of another entity, which entity has a compensation committee (or similar body) on which any Officer of the Exchange serves;
- (5) Such Director, or an entity with which the Director is a partner, an officer, an employee, or a director, receives more than \$100,000 in combined annual payments for legal, accounting, or consulting services from the Exchange or its Affiliate, any member of the Exchange, or any Affiliate of such member. 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,
- (6) Notwithstanding Rule 202(e)(5), 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, directly or indirectly, any consulting, advisory, or other compensatory fee from the Exchange or its Affiliate or any member of the Exchange or the member's Affiliate, other than deferred compensation for service rendered prior to becoming a member of the Regulatory Oversight Committee or the Exchange Committee, provided that such compensation is in no way contingent, conditioned, or revocable. This Rule 202(e)(6) does not apply to compensation received in the public director's capacity as a member of the Regulatory Oversight Committee or Exchange Participant Committee.
  - (f) Any of the relationships set forth in Rule 202(e)(1) through Rule 202(e)(6) 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."
  - (g) A Public Director of any Exchange specified in Rule 202 may also serve as a public director of an Affiliate of the Exchange if he or she otherwise meets the requirements set forth in Rule 202(e)(1) through Rule 202(e)(6).

#### **RULE 203. Officers**

- (a) The Board shall appoint a Chief Executive Officer, a Chief Regulatory Officer, and such other officers of the Exchange (all of the foregoing, collectively, the "Officers") as it may deem necessary or appropriate from time to time, in accordance with the Operating Agreement.
- (b) Any Officer may also be a director, officer, partner or employee of the Exchange or 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.
- (d) Each Director and Officer is entitled to indemnification pursuant to the Operating Agreement with respect to matters relating to the Exchange or otherwise relating to Holdings.

#### **RULE 204. Qualifications of Directors, Disciplinary Panel Members, Appeal Panel Members, Committee Members, Owners and Officers**

- (a) This rule sets out the required qualifications of Directors, Disciplinary Panel Members, Appeal Panel Members, Committee Members, Owners and Officers.
- (b) A Director or Officer must meet the qualifications set forth from time to time in the Operating Agreement.
- (c) An individual may not serve as a Director or an Officer, or serve on a committee established by the Board, a Disciplinary Panel or an Appeal Panel, or hold a 10% or more ownership interest in the Exchange, if the individual:



- (1) 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;
  - (2) 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;
  - (3) 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:
  - (4) 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
  - (5) 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;
  - (6) 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;
  - (7) is currently, or within the past three (3) years has been, subject to a revocation or suspension of registration by the CFTC;
  - (8) is subject to any of the conditions set forth in section 8a(2) of the CEA;
  - (9) has been convicted of a felony listed in section 8a(2)(D)(ii) through (iv) of the CEA; or
  - (10) 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.
- (d) Any Director, Officer, member of a committee established by the Board, any member of a Disciplinary Panel, or Appeal Panel, any individual nominated to serve in any such role, or any individual authorized by the Market Regulation Department to take summary action shall immediately notify the Chief Executive Officer if such individual meets one or more of the criteria in Rule 204(b).
- (e) For purposes of Rule 204(b), the terms “disciplinary offense,” “final decision,” and “settlement agreement” have the meanings set forth in CFTC Regulation § 1.63(a).

**RULE 205. Standing Committees**

- (a) The Board shall initially have four standing committees: the “Nominating Committee,” the “Exchange Participant Committee,” “Regulatory Oversight Committee,” and the Exchange Practices Committee.” The Board may from time to time constitute and appoint in accordance with the Operating Agreement, such additional standing committees of the Board as it may from time to time deem necessary or advisable.
- (b) Each member of such standing committees must be a Director, one of whom the Board shall designate as the chairperson of each standing committee.
- (c) Each standing committee shall assist in the supervision, management and control of the affairs of the Exchange within its particular area of responsibility, subject to the authority of the Board.

- (d) Subject to the authority of the Board, each standing committee shall determine the manner and form in which its proceedings shall be conducted. Each standing committee may act only by the decision of an absolute majority in number of the members of such committee, by vote at a meeting or by unanimous written consent without a meeting. The Board has the authority to overrule the decisions of a standing committee.

**RULE 206. Nominating Committee**

- (a) The Nominating Committee of the Board shall consist of three Directors appointed from time to time by the Board, two of which shall be Public Directors (i.e., at least 51% Public Directors). The Nominating Committee shall be chaired by a Public Director.
- (b) The Nominating Committee shall have the authority to:
  - (1) 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
  - (2) Administer a process for the nomination of individuals to the Board.
- (c) The Nominating Committee reports to the Board.

**RULE 207. Exchange Participant Committee**

- (a) The Exchange Participant Committee of the Board shall consist of three Directors appointed from time to time by the Board, two of which shall be Public Directors (i.e. at least 35% Public Directors).
- (b) The Exchange Participant Committee shall:
  - (1) Determine the standards and requirements for initial and continuing Participant eligibility;
  - (2) Review appeals of staff denials of Participant applications; and
  - (3) Approve rules that would result in different categories or classes of Participants receiving disparate access to the Exchange.
- (c) In reviewing appeals of staff denials of Participant applications, the Exchange Participation Committee shall not uphold any staff denial if the relevant application meets the standards and requirements that such Committee sets forth.
- (d) 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.
- (e) The Exchange Participant Committee reports to the Board.

**RULE 208. Regulatory Oversight Committee**

- (a) The Regulatory Oversight Committee of the Board shall consist of two Public Directors appointed from time to time by the Board (i.e. 100% Public Directors).
- (b) Each member of the Regulatory Oversight Committee shall serve for a term of two calendar years from the date of their appointment or for the remainder of their term as a Public Director, and until the due appointment of his or her successor, or until his or her earlier resignation or removal, with or without cause, as a member of the Regulatory

Oversight Committee or as a Public Director. A member of the Regulatory Oversight Committee may serve for multiple terms.

- (c) The Regulatory Oversight Committee shall oversee the Exchange's regulatory program on behalf of the Board. The Board shall delegate sufficient authority, dedicate sufficient resources, and allow sufficient time for the Regulatory Oversight Committee to fulfill its mandate. It shall make such recommendations to the Board as will, in its judgment, best promote the interests of the Exchange. The Regulatory Oversight Committee shall also have such other powers and perform such other duties as set forth in the Rules and as the Board may delegate to it from time to time.
- (d) Without limiting the generality of the foregoing, the Regulatory Oversight Committee shall have authority to:
  - (1) Monitor the regulatory program of the Exchange for sufficiency, effectiveness, and independence;
  - (2) 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.
    - (vi) Require the preparation of an annual report assessing the Exchange's self-regulatory program for the Board and the Commission, which sets forth the regulatory program's expenses, describes its staffing and structure, catalogues disciplinary actions taken during the year, and reviews the performance of disciplinary committees and panels, and incorporates the responses to the technology questionnaire and an assessment of the policies and procedures for internal audits, among other areas.
    - (vii) Prepare an annual report assessing the contract market's self-regulatory program for the board of directors and the Commission, which sets forth the regulatory program's expenses, describes its staffing and structure, catalogues disciplinary actions taken during the year, and reviews the performance of disciplinary committees and panels.
- (e) The Regulatory Oversight Committee reports to the Board.

**RULE 209. Chief Regulatory Officer**

- (a) It shall be the duty of the Chief Regulatory Officer to enforce the Rules.
- (b) The Chief Regulatory Officer shall have available to it at all times the resources of the Market Regulation Department and such other Exchange resources as may be necessary to conduct investigations of alleged rule violations and market conditions.
- (c) The Chief Regulatory Officer shall report to, and shall be supervised by, the Regulatory Oversight Committee.
- (d) The Chief Regulatory Officer shall have the authority to inspect the books and records of all Participants and the authority to require any Participant to appear before him or her and produce its books and records and answer questions regarding alleged violations of Exchange Rules, at the time, place and in the manner it designates. The Chief Regulatory Officer may also delegate such authority to staff of the Market Regulation Department.

**RULE 210. Exchange Practices Committee**

- (a) The Exchange Practices Committee of the Board shall consist of four Directors appointed from time to time by the Board, two of which shall be Public Directors (i.e. at least 35%).
- (b) The Exchange Practices Committee shall be responsible for:
  - (1) establishing and modifying from time to time Contract specifications and trading protocols and conventions for the Exchange,
  - (2) establishing and modifying position limits,
  - (3) designating and modifying from time to time products eligible for listing on the Exchange.
- (c) In addition, the Exchange Practices Committee shall have such other powers and perform such other duties as set forth in the Exchange Rules and as the Board may delegate to it from time to time.

**RULE 211. Additional Board Committees and Exchange Panels**

- (a) In addition to the standing committees, the Board may from time to time constitute and appoint, in accordance with the Operating Agreement, special committees of the Board and designate their composition, responsibilities and powers. Each member of such special committees must be a Director and at least 35% of the members shall be Public Directors.
- (b) The Exchange may create panels of the Exchange, for such purposes as may from time to time be necessary or advisable. Members of each such panel may be Directors, Participants (if individuals) or any of a Participants Supervised Persons (if an entity) or such other individuals as may be qualified to serve on such panel.
- (c) Except as otherwise specifically provided in the Rules, the members of any additional committee or panel shall be appointed as determined by the Board. The Board shall designate the chairperson of such additional committee or panel.
- (d) Each additional committee or panel shall assist in the supervision, management and control of the affairs of the Exchange within its particular area of responsibility.
- (e) Subject to the authority of the Board, each additional committee or panel shall

determine the manner and form in which its proceedings shall be conducted. Each additional committee or panel may act only by the decision of an absolute majority in number of the members of such committee or panel, either by vote at a meeting or by unanimous written consent without a meeting.

#### **RULE 212. Emergency Rules**

- (a) During an Emergency, the Board may implement temporary emergency procedures and rules (“Emergency Rules”), subject to the 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:
- (1) suspending or curtailing trading or limiting trading to liquidation only (in whole or in part);
  - (2) extending or shortening the last trading date for Contracts;
  - (3) providing alternative settlement mechanisms;
  - (4) ordering the liquidation of Contracts, the fixing of a Settlement Price, or the reduction of positions;
  - (5) extending, limiting or changing the Trading Hours;
  - (6) temporarily modifying or suspending any provision of the Exchange Rules or Obligations;
  - (7) requiring Participants to meet special margin requirements;
  - (8) imposing or modifying price limits;
  - (9) imposing or modifying position limits;
  - (10) ordering the transfer of open positions and margin of any Contract;
  - (11) altering any Contract’s settlement terms or conditions; and/or
  - (12) carrying out any Emergency actions through the Exchange’s agreements with its third-party provider of clearing.
- (b) 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 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 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 must convene a meeting as soon as practicable.
- (c) Whenever the Exchange, the Board, any committee of the Board, or the Chief Executive 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 or the Chief Executive 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.
- (d) The Exchange will use reasonable efforts to notify the CFTC prior to implementing, modifying or terminating an Emergency Rule. If such prior notification is not possible or

practicable, the Exchange will notify the CFTC as soon as possible or reasonably practicable, but in all cases such notification will take place no later than twenty-four hours after the implementation, modification, or termination of an Emergency Rule. Notwithstanding the foregoing, the Exchange will certify any Emergency Rule to the Commission.

- (e) Upon taking any action in response to an Emergency, the Exchange will document the decision-making process related to such action, including how any conflicts of interest were managed and minimized, including the extent to which the DCM considered the effect of its emergency action on the underlying markets and on markets that are linked or referenced to the contract market and similar markets on other trading venues. Such documentation will be kept for at least five 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 213. Conflicts of Interest and Misuse of Material, Non-Public Information**

- (a) No Director, Officer, Disciplinary Panel member or other Person authorized to exercise the Exchange's authority concerning any inquiry, investigation, disciplinary proceeding or any appeal from a disciplinary proceeding, summary suspension, other summary actions, "disciplinary committee" or "oversight panel" (both as defined in Commission Regulation 1.69) (any such action, an "Exchange Proceeding" and, collectively, "Exchange Proceedings"), significant action, or Emergency action taken pursuant to Rule 212 (each such Exchange Proceeding or Emergency action, a "Self-Regulatory Action") will knowingly participate in such body's deliberations or voting in any matter involving a Self-Regulatory Action where such member has a "material conflict of interest" (each, an "Interested Person"), except as described in Rule 213(d). For purposes of this Section 213(a), the term "significant action" means (1) any action or Rule change that addresses a specific Emergency or (1) any change in margin level that is designed to respond to extraordinary market conditions or that otherwise is likely to have a substantial effect on prices in any Contract.
- (b) For purposes of Rule 213(a), a "material conflict of interest" means a Director, Officer, Disciplinary Panel Member or other Person:
  - (1) being named as a respondent or potential respondent in the Self-Regulatory Action;
  - (2) being an employer, employee, fellow employee or an Affiliate of a respondent or potential respondent in the Self-Regulatory Action;
  - (3) having any significant, ongoing business relationship with a respondent or potential respondent in the Self-Regulatory Action, excluding relationships limited to executing Contracts opposite each other or to clearing Contracts through the same Clearing Firm;
  - (4) having a family relationship with a respondent or potential respondent in a Self-Regulatory Action (including the individual's spouse, co-habitator, former spouse, parent, step-parent, child, step-child, sibling, step-brother, step-sister, grandparent, grandchild, uncle, aunt, nephew, niece, father-in-law, mother-in-law, brother-in-law or sister-in-law);
  - (5) having a direct and substantial financial interest in the result of the deliberations or vote based upon either exchange or non-exchange positions (as referenced in Section 1.69 of the CFTC Regulations), other than a direct or indirect equity or other interest in Holdings, that could reasonably be expected to be affected

- by the action, as determined pursuant to Rule 213(c)(2) below. A direct and substantial financial interest includes positions in Contracts in accounts of, controlled by, or affiliated with the Interested Person or in any other types of direct and substantial financial positions of the Interested Person that are reasonably expected to be affected by the deliberations or vote; and/or
- (6) any other circumstance that gives rise to a conflict between the Director's, Officer's, Disciplinary Panel Member's or Other Person's exercise of authority concerning any Self-Regulatory Action and his or her personal interests.
- (c) Disclosure, Procedure, and Determination
- (1) Prior to consideration of any Self-Regulatory Action, each member of the deliberating body who chooses to participate in any deliberations or vote will disclose to the Chief Regulatory Officer whether such member has one of the relationships listed in Rule 213(b) above.
  - (2) In addition to the information set forth in Rule 213(c)(1) above, for any matter involving the relationship set forth in Rule 213(b)(5), each member of the deliberating body who chooses to participate in any deliberations or vote will disclose to the Chief Regulatory Officer position information (including information regarding positions held by such member, positions held by individuals of such member's family and positions held by a firm with which such member is affiliated) that is known to such member with respect to any particular month or months that are under consideration, and any other positions which the deliberating body reasonably expects could be affected by the significant action, as follows:
    - i. gross positions held at the Exchange in such member's personal accounts or "controlled accounts," as defined in Commission Regulation 1.3(j);
    - ii. gross positions held at the Exchange in proprietary accounts, as defined in Commission Regulation 1.17(b)(3), at such member's affiliated firm;
    - iii. gross positions held at the Exchange in accounts in which such member is a principal, as defined in Commission Regulation 3.1(a);
    - iv. net positions held at the Exchange in Customer accounts, as defined in Commission Regulation 1.17(b)(2), at such member's affiliated firm; and
    - v. any other types of positions, whether maintained at the Exchange or elsewhere, held in such member's personal accounts or the proprietary accounts of such member's affiliated firm, that the Exchange reasonably expects could be affected by the significant action.
  - (3) The Chief Regulatory Officer will determine whether any member of the relevant deliberating body who chooses to participate in any deliberations or vote in a Self-Regulatory Action is subject to a conflicts restriction under this Rule 213(a).
    - i. For any matter involving the relationships listed in Rule 213(b) above, such determination will be based upon a review of the following information:
      - a. information provided by such member pursuant to Rule 213(c)(1); and

- b. any other source of information that is held by and reasonably available to the Exchange.
- (4) In addition to the review of the information set forth in Rule 213(c)(3) above, for any matter involving the relationship set forth in Rule 213(b)(5), such determination will be based upon a review of the following information:
  - i. the most recent large trader reports and clearing records available to the Exchange;
  - ii. information provided pursuant to Rule 213(c)(2); and,
  - iii. any other source of information that is held by and reasonably available to the Exchange taking into consideration the exigency of the significant action being contemplated.
- (d) Any Interested Person who would be required otherwise to abstain from deliberations and voting pursuant to Rule 213(a) as a result of having a direct and substantial financial interest in the result of the deliberations and vote may participate in deliberations, prior to a vote on the matter, 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 position information specified in Rule 213(c)(2) above which is the basis of such member's substantial financial interest in the Self-Regulatory Action that is being contemplated. In making its determination, the deliberating body will consider:
  - (1) whether such member's participation in the deliberations is necessary to achieve a quorum; and;
  - (2) whether such member has unique or special expertise, knowledge or experience in the matter being considered.
- (e) The minutes of any meeting to which the conflicts determination procedures set forth in this Rule 213 apply will reflect the following information:
  - (1) the names of all members of the relevant deliberating body who attended such meeting in person or who otherwise participated in such meeting
  - (2) 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;
  - (3) information on the position information that was reviewed for each member of the relevant deliberating body; and
  - (4) any determination made in accordance with Rule 213(d) above.
- (f) If a determination is made that all Directors are Interested Persons with respect to a matter subject to a vote by the Board, the Chief Executive Officer will appoint a panel of individuals who are not Interested Persons with respect to such matter, which will have the same authority and powers over such matter that the Board would have if the Directors were not Interested Persons with respect to such matter.
- (g) No Director, Officer or member of any committee or panel established by the Board shall use or disclose for any purpose other than the performance of his or her official duties and responsibilities as a Director, Officer or committee or panel member any material, non-public information obtained as a result of the individual's duties and responsibilities as a Director, Officer or committee or panel member. No Director, Officer or committee or panel member shall, directly or indirectly, disclose or use at any time, either during his or her association with the Exchange or thereafter, any confidential information of which the Board member or committee or panel member becomes aware. Each Director, Officer or



committee or panel member in possession of confidential information shall take all appropriate steps to safeguard the information and to protect it against disclosure, misuse, espionage, loss and theft.

- (h) Notwithstanding Rule 213(g), a Director, Officer or committee or panel member may disclose confidential information if required by law or a court order to be revealed to the United States Department of Justice or the CFTC.
- (i) For the purposes of Rule 213(g), the terms “material information” and “nonpublic information” shall each have the meaning set forth in CFTC Regulation 1.59(a).

#### **RULE 214. 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, without limitation, all books and records required to be maintained pursuant to the CEA, and the CFTC Regulations.
- (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 United States Department of Justice during the first two (2) years of such five-year period.

#### **RULE 215. Information-Sharing Agreements**

- (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:
  - (1) provide market surveillance reports to other markets;
  - (2) share information and documents concerning current and former Participants with other markets;
  - (3) share information and documents concerning ongoing and completed investigations with other markets; and/or
  - (4) 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, without limitation, the CFTC, the NFA, any Self-Regulatory Organization, any exchange, market, or clearing organization, foreign regulatory authority, the Joint Audit Committee, or the Joint Compliance Committee) 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 disclose to any Person or entity information concerning or associated with a Participant or other Person that the Exchange believes is necessary and appropriate in exercising a legal or regulatory function, whether or not a formal arrangement governing the disclosure exists or a request for information was made.

#### **RULE 216. [RESERVED]**

#### **RULE 217. Services Agreement with a Technology Services Provider**

- (a) The Exchange may contract with a Technology Services Provider to provide certain technology services to the Exchange pursuant to a Technology Services Agreement. In accordance with a Technology Services Agreement, a Technology Services Provider

may perform certain functions under the Exchange Rules and the Exchange may provide information to the Technology Services Provider in connection with the performance by the Technology Services Provider of those functions. The Exchange conducts reviews to verify that the Technology Services Provider is performing certain technology services to the Exchange pursuant to a Technology Services Agreement.

- (b) The Exchange shall retain ultimate decision-making authority with respect to any functions that are contracted to a Technology Services Provider.

## CHAPTER 3: PARTICIPANTS

### **RULE 301. Criteria for Becoming a Participant Firm**

- (a) To be eligible for admission as a Participant Firm (and as a Participant), an applicant must demonstrate to the satisfaction of the Exchange that it:
  - (1) is of good reputation and business integrity;
  - (2) maintains adequate financial resources and credit;
  - (3) is of the age of majority in the individual's state of residence (if an individual);
  - (4) is validly organized, in good standing, and authorized by its governing body and, if relevant, documents of organization, to trade Contracts (if an entity);
  - (5) has not filed for bankruptcy;
  - (6) is not prohibited from using the services of the Exchange for any reason whatsoever;
  - (7) holds all registrations, including any Introducing Broker, Futures Commission Merchant, Supervisory Person and/or Associated Person registration and meets the minimum financial standards required under Applicable Law, including, but not limited to the requirements set forth in CFTC Regulation 1.17 any Introducing Broker, Futures Commission Merchant, Supervisory Person and/or Associated Person registration, as applicable if any;
  - (8) is not subject to statutory disqualification under Section 8a(2) of the CEA; and
  - (9) satisfies any other criteria that the Exchange may require from a Participant.
- (b) Once admitted, the Participant Firm shall continue to comply with all applicable eligibility criteria in Rule 301(a). The Exchange evaluates and monitors a Participant Firm's compliance with the criteria set forth in this Rule 301.
- (c) To the extent a Participant Firm is a Participant on the Exchange that is or was an Exempt Board of Trade subject to the CFTC's jurisdiction, then such Participant Firm shall be a Participant Firm on the Exchange, as long as such Participant Firm complies with Rule 301(b).
- (d) Each Participant Firm must establish a clearing relationship with a Clearing Firm and shall immediately notify the Exchange if it ceases to be a clearing customer of such Clearing Firm. Participant understands that it will be denied access to the Exchange Trading System unless Participant has obtained and delivered to the Exchange the applicable documentation from an authorized signatory of such Clearing Firm. Participant Firm also understands that the Exchange may restrict, suspend or terminate Participant Firm's access to the Exchange or the Exchange Trading System at the direction of the Clearing Firm. Participant Firm also understands that it may be permitted direct electronic access (i.e., a customer of a Clearing Firm enters orders directly into the Exchange's trade matching system for execution through the use of a user identification in the Participant Firm's name) and the Exchange provides the Clearing Firm with and requires the Clearing Firm to use pre-trade controls that enable the Clearing Firm to implement appropriate financial risk limits.

### **RULE 302. Participant Firm Application Process**

- (a) Any Person who desires to become a Participant Firm shall:
  - (1) enter into a Participant Firm Agreement;
  - (2) establish a clearing relationship with a Clearing Firm;
  - (3) ensure that a Clearing Firm has submitted such documentation as set forth in

Rule 902;

- (4) agree to abide by the Rules and Applicable Law;
  - (5) provide such information and documentation as may be requested by the Exchange, and follow the procedures established by the Exchange for admission; and,
  - (6) any Participant Firm 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 Regulation 15.05, and shall provide the Exchange with a copy of the agreement.
- (b) In considering an application from a potential Participant Firm, the Exchange may require additional information from the applicant, or conduct an investigation to verify information submitted by the applicant, or both.
  - (c) If the Exchange decides to admit an applicant as a Participant Firm, it shall promptly notify the applicant and state in such notice the date on which the applicant shall become a Participant Firm.
  - (d) The Exchange may deny, condition or terminate Participant Firm status of any Person:
    - (1) If such Person is unable to satisfactorily demonstrate its ability to satisfy the eligibility criteria to become or remain a Participant Firm;
    - (2) If such Person is unable to satisfactorily demonstrate its capacity to adhere to all applicable Rules;
    - (3) If such Person would bring the Exchange into disrepute as determined by the Exchange in its sole discretion; or,
    - (4) for such other causes as the Exchange may reasonably determine.
  - (e) If the Exchange decides to decline or condition an application for admission as a Participant Firm, or terminate a Person's status as a Participant Firm, the Exchange shall promptly notify such Person (the "Affected Person") thereof in a writing sent to the address provided by the applicant in the Exchange application form or maintained in the Exchange registry of Participant Firms. Such Affected Person may, within seven (7) calendar days, request in writing that the Exchange provide the reasons for the denial, conditioning or termination of Participant Firm status. Within fourteen (14) calendar days after receiving such written request, the Exchange shall send a written response to the Affected Person setting forth the reasons for the denial, conditioning or termination. Within fourteen (14) calendar days of receiving the Exchange's written response, the Affected Person may request in writing that the Exchange Participant Committee reconsider the determination.
  - (f) Within twenty-eight (28) calendar days of receiving either the request for reconsideration, the Exchange Participant Committee shall either confirm, reverse or modify the denial, conditioning or termination of the Affected Person as a Participant Firm, and shall promptly notify the Affected Person accordingly in writing. The Exchange Participant Committee may, within its discretion, schedule a hearing (in-person or by teleconference); request additional information from the Affected Person; or, establish any other process that it believes is necessary and appropriate to consider the request for reconsideration.
  - (g) The Exchange Participant Committee's decision is the final action of the Exchange and is not subject to appeal within the Exchange.

### **RULE 303. Trading Privileges of a Participant Firm, Clearing Firm, Broker Firm**

- (a) A Participant (i.e., a Participant Firm, Clearing Firm, and Broker Firm) must execute such

Participant Documentation as required from time to time by the Exchange, and such Participant Documentation must remain in effect for the Participant to maintain its Trading Privileges.

- (b) Admission as a Participant only entitles the Participant to the Trading Privileges and does not confer any right of ownership in, or right to attend or vote at meetings of, the Exchange, or right to share in the profits, of the Exchange. A Participant may not transfer or assign its status as a Participant without the prior written consent of the Exchange, and any purported transfer or assignment without the Exchange's prior consent is not binding on the Exchange.
- (c) All rights and privileges of a Participant terminate upon, and all obligations of a Participant shall survive, the death or incapacity of the Participant (if an individual) or the dissolution of the Participant (if an entity).

#### **RULE 304. Limitations on Access to the Exchange Trading System**

- (a) The Exchange may at any time revoke, suspend, limit, condition, restrict or qualify a Participant's Trading Privileges and/or ability to access the Exchange Trading System, if in the sole discretion of the Exchange, such action is in the best interests of the Exchange. Specifically, the Exchange may revoke, suspend, limit, condition, restrict or qualify a Participant's Trading Privileges and/or ability to access the Exchange Trading System, if the Participant fails to meet the criteria set forth in Rule 301.
- (b) A Clearing Firm may at any time revoke the authorization of any Participant guaranteed by it with or without prior notice to such Participant. Provided however that the Clearing Firm's guarantee will remain in effect until the Participant has liquidated its positions or transferred its positions and funds to another Clearing Member. For purposes of the relationship between the relevant Clearing Firm and the Exchange, and the obligations of such Clearing Firm to the Exchange, any such revocation shall become effective upon the receipt of written notice thereof by the Exchange. Upon such receipt, the Trading Privileges of the Participant subject thereto shall be automatically terminated, and such Participant must obtain another guarantee from a Clearing Firm before its Trading Privileges will be reinstated.

#### **RULE 305. Dues, Assessments and Fees**

- (a) The Exchange shall have the authority to set the amounts and times of payment for any dues, assessments or fees (including the Exchange Trading System fees, clearing fees, brokerage and/or any transaction surcharges) to be paid by Participants.
- (b) Each Participant agrees to pay such dues, assessments, and fees as are published by the Exchange in a Fee Circular, on the Exchange's website or as otherwise agreed between the Exchange and a Participant. Each Participant agrees to pay such dues, assessments, and fees when due. The Exchange may change fees charged to Participant without notice.
- (c) If a Participant fails to pay when due any such dues, assessments or fees levied on such Participant, and such payment obligation remains unsatisfied for thirty days after its due date, the Exchange may suspend, revoke, limit, condition, restrict or qualify the Participant's Trading Privileges and/or ability to otherwise access the Exchange Trading System as it deems necessary or appropriate.
- (d) Participants are hereby granted the "Privileges of Membership," for purposes of NFA Bylaw 1301. A Participant with the "Privileges of Membership" shall not be responsible for FCM Assessments to NFA as set forth in NFA Bylaw 1301(b).

### **RULE 306. Authorized Traders and Authorized Brokers**

- (a) Each Participant who is not a natural Person shall designate one or more Authorized Trader(s) or Authorized Broker (s), who will be responsible for Exchange Activity conducted on behalf of the Participant. An Authorized Trader may also be a Participant in his or her individual capacity, but may not knowingly act as a counterparty in any capacity to any Order that he or she has placed as an Authorized Trader or Authorized Broker on behalf of another Participant or in his or her individual capacity.
- (b) By agreeing to become an Authorized Trader, an individual agrees to be bound by the duties and responsibilities of an Authorized Trader and to be subject to, and comply with, the Exchange Rules and Obligations. Among other duties and responsibilities that the Exchange may impose, an Authorized Trader must:
  - (1) have the authority, at the Exchange's request, to adjust or withdraw any Order submitted under any user ID assigned to him or her; and
  - (2) ensure that any Exchange Activity conducted under any user ID assigned to him or she complies with all Exchange Rules and Obligations.
- (c) To designate an Authorized Trader or Authorized Broker, a Participant must follow the procedures established by the Exchange. The Exchange may establish criteria that individuals must fulfill to become an Authorized Trader.
- (d) By agreeing to become a Broker Firm that person agrees to be bound by the duties and responsibilities of a Broker Firm, agrees to be subject to, and comply with, the Exchange Rules and Obligations, agrees that it will obtain an agreement from each other Authorized Broker that it will comply with and be subject to, the Exchange Rules when accessing the Exchange, and Broker Firm shall be responsible to the Exchange for any failures to comply with Exchange Rules by any Authorized Broker, to the same extent that Broker Firm would be liable. Among other duties and responsibilities that the Exchange may impose, a Broker Firm:
  - (1) must enter into the applicable Participant Documentation;
  - (2) must agree to effect transactions for the account of a Participant or Customer in Contracts via the Exchange Trading System;
  - (3) must have the authority, at the Exchange's request, to adjust or withdraw any Order submitted under any user ID assigned to him or her;
  - (4) must ensure that any Exchange Activity conducted under any user ID assigned to him or her complies with all Exchange Rules and Obligations;
  - (5) must have and maintain during all necessary regulatory approvals and/or licenses to operate as Broker Firm or as an Authorized Broker on the Exchange, including any Introducing Broker, Futures Commission Merchant, Supervisory Person and/or Associated Person registrations, and compliance with the minimum financial standards required under Applicable Law as applicable; and,
  - (6) agree to such other terms and conditions as may be established by the Exchange from time to time.
- (e) The Exchange will promptly notify a Participant Firm or Clearing Firm in writing of the approval of designated Authorized Trader(s) or Authorized Broker(s) or if the Exchange declines to approve the nomination of an Authorized Trader or Authorized Broker.]
- (f) The Exchange will maintain a list of all designated Authorized Traders, Broker Firms or Authorized Brokers for each Participant.
- (g) The Exchange may, in its sole discretion revoke or suspend the designation of an individual as Authorized Trader, Authorized Broker, or Broker Firm and shall promptly notify the Participant or Clearing Firm of such action.

- (h) To request the termination of the designation of an individual as Authorized Trader or, Authorized Broker, or Broker Firm, 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 Trader, Authorized Broker, or Broker Firm, or may postpone the effective date of the termination of registration if the Exchange considers it necessary for the protection of Participant's 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 Trader, Authorized Broker, or Broker Firm, the Exchange will determine whether to:
- (1) accept the request to terminate the designation
  - (2) postpone the effective date of termination of the designation, and/or
  - (3) impose any terms or conditions before or after the effective date of termination of the designation.

### **RULE 307. [RESERVED]**

### **RULE 308. Recording of Communications**

The Exchange may record conversations and retain copies of electronic communications between Exchange Officials, on one hand, and Participants, their Authorized Traders, Supervised Persons, Authorized Brokers or other agents, on the other hand. Any such recordings may be retained by the Exchange in such manner and for such periods of time as the Exchange may deem necessary or appropriate. The Exchange will retain such recording in compliance with CFTC Regulations.

### **RULE 309. Notices to Participants, Information Available on the Exchange Website and Other Communications**

- (a) The Exchange shall publish a notice with respect to each addition to, modification of, or clarification of, the Exchange Rules or of any action to implement any Exchange Rules on the Exchange's website or via an electronic mail distribution to enable each Participant to become aware of and familiar with, and to implement any necessary preparatory measures to be taken by it with respect to, such addition or modification, prior to the effective date thereof (each a "Notice to Participants"). For purposes of publication in accordance with the first sentence of this Rule 310, it shall be sufficient (without limiting the discretion of the Exchange as to any other reasonable means of communication) if a Notice to Participants is published on the Exchange's website.
- (b) Any Notice to Participants shall also be deemed to have been made to all Authorized Traders, Broker Firms, and Supervised Persons.
- (c) For the avoidance of doubt, the following information will be made available on the Exchange website: (1) the rules, regulations and mechanisms for executing transactions on or through the facilities of the DCM, and the rules, regulations and mechanisms for executing transactions on or through the facilities of the DCM; (2) Rule amendments or other changes to previously-disclosed information; (3) the Rules and specifications describing the operation of the Exchange's: (i) electronic matching platform or (ii) trade execution facility; and (4) regulatory submissions.
- (d) Any communication with the CFTC and any information required to be transmitted or made available to Participants and the public, including information on the Exchange's Website or otherwise, will to the best of the belief and knowledge of the Exchange be

- accurate and complete and will not omit material information.
- (e) The Exchange will confirm that the Rulebook posted on its Website is accurate, complete, current and readily accessible to the public. In addition, the Exchange will publish or post in its Rulebook, all new or amended rules, both substantive and non-substantive, on the date of implementation of such new or amended rule, on the date a new product is listed, or on the date any changes to previously-disclosed information take effect.
  - (f) The Exchange, in making available on its Web site information pertaining to new product listings, new rules, rule amendments or other changes to previously-disclosed information, must place such information and submissions on its Web site concurrent with the filing of such information or submissions with the Secretary of the Commission.
  - (g) To the extent that the Exchange requests confidential treatment of any information filed with the Secretary of the Commission, the Exchange will post on its Web site the public version of such filing or submission.

#### **RULE 310. Communications between the Exchange and Participants**

- (a) Each Participant must provide the Exchange with its current electronic mail address and telephone number and the electronic mail address and telephone number of any of its Authorized Traders and immediately (and in any event within 24 hours) update this information whenever it changes.
- (b) Each Broker Firm must provide the Exchange with its current electronic mail address and telephone number and the electronic mail address and telephone number of any of its Authorized Traders and immediately (and in any event within 24 hours) update this information whenever it changes.
- (c) All communications between the Exchange and the Participant or Broker Firm will be transmitted by electronic mail and/or posted on the Exchange's website, except as otherwise specified by the Exchange.
- (d) The Participant shall be responsible for conveying such communications to all Authorized Traders, Supervised Persons, and Broker Firms.
- (e) The Broker Firm shall be responsible for conveying such communications to all Authorized Broker.
- (f) Each Participant will be responsible for promptly reviewing and, if necessary, responding to all electronic communications from the Exchange to the Participant or any of its Authorized Traders, its other Supervised Persons, or Broker Firm.
- (g) Each Broker Firm will be responsible for promptly reviewing and, if necessary, responding to all electronic communications from the Exchange to the Broker Firm or any of its Authorized Broker.
- (h) All communications made to Participants shall also be deemed to have been made to all Authorized Traders and Supervised Persons.
- (i) All communications made to Broker Firms shall also be deemed to have been made to all Authorized Brokers.

#### **RULE 311. Application of Rules and Jurisdiction**

- (a) By becoming a Participant and by accessing, or entering any Order or submitting any Contract into the Exchange Trading System, and without any need for any further action, undertaking or agreement, a Participant, its Authorized Traders, Supervised Persons, Broker Firms, and Authorized Broker agree:
  - (1) to be bound by, and comply with, the Exchange Rules and obligations, the



- Clearing House Rules and Applicable Law, in each case to the extent applicable to it;
- (2) to become subject to the jurisdiction of the Exchange and the Clearing House with respect to any and all matters arising from, related to, or in connection with, the status, actions or omissions of such Person, and
  - (3) to assist the Exchange in complying with its legal and regulatory obligations, cooperate with the Exchange and the CFTC in any inquiry, investigation, audit, examination or proceeding, and authorizes the Exchange to provide information regarding it to the CFTC or any Self-Regulatory Organization.
- (b) Any Participant whose Trading Privileges and/or ability to otherwise access the Exchange Trading System are revoked or terminated shall remain bound by the Exchange Rules, the Clearing House Rules and Applicable Law, in each case to the extent applicable to it, and subject to the jurisdiction of the Exchange and the Clearing House with respect to any and all matters arising from, related to, or in connection with, the status, actions or omissions of such Participant prior to such revocation or termination.
- (c) An Authorized Trader or Authorized Broker who is suspended for any period remains subject to the Exchange Rules, the Obligations and the Exchange's jurisdiction throughout the period of suspension. After revocation or termination of the designation of an Authorized Trader or Authorized Broker, the Authorized Trader or Authorized Broker remains subject to the Exchange Rules, the Obligations and the jurisdiction of the Exchange for acts done and omissions made while registered as an Authorized Trader. Any Exchange Proceeding relating to an Authorized Trader or Authorized Broker shall occur as if the Authorized Trader or Authorized Broker were still registered as such.

**RULE 312. Description of Participant's or Broker Firm's Status**

A Participant shall ensure that the form, content and context of any description of the Participant's status on the Exchange to Customers is not inconsistent with, and does not misrepresent, the Participant's capacity on the Exchange under the Exchange Rules or the Participant's registration, if any, under the CEA, or under any other Applicable Law.

**RULE 313. Withdrawal of Participant**

- (a) To withdraw from the Exchange, a Participant must notify the Exchange following the procedures established by the Exchange.
- (b) The Exchange may, in its reasonable discretion, refuse to accept a Participant's withdrawal request or may postpone the effective date of withdrawal of a Participant if the Exchange considers it necessary for the protection of other Participants or otherwise in the interests of the Exchange.
- (c) Based on the information provided to, and other information gathered by, the Exchange regarding a Participant's withdrawal request, the Exchange will determine whether to (i) accept the withdrawal request; (ii) postpone the effective date of the withdrawal; and/or (iii) impose any terms or conditions before or after the effective date of withdrawal.
- (d) If the Exchange refuses to accept a Participant's withdrawal request or postpones the effective date of withdrawal of a Participant, the Exchange may waive the obligation to pay some or all of the fees, costs and charges that the Exchange would have imposed during the period after the date on which the requested withdrawal would have otherwise taken effect.
- (e) When the Exchange accepts the withdrawal of a Participant, all rights and privileges of

such Participant terminate (including, without limitation, the Trading Privileges and ability to access the Exchange Trading System). The accepted withdrawal of a Participant shall not affect the rights of the Exchange under the Exchange Rules or relieve the former Participant of its Obligations under the Exchange Rules, to perform all contracts involving any Contracts entered into by such, or to pay any Exchange fees, costs, or charges incurred, before the withdrawal. Notwithstanding the accepted withdrawal of a Participant, the withdrawn Participant remains subject to the Exchange Rules, the Obligations and the jurisdiction of the Exchange for acts done and omissions made while a Participant, and must cooperate in any Exchange Proceeding under Chapter 7 as if the withdrawn Participant were still a Participant.

**RULE 314. Consent to Exchange Jurisdiction**

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.

## CHAPTER 4: OBLIGATIONS OF PARTICIPANTS

### **RULE 401. Duties and Responsibilities of Participants**

- (a) Each Participant (i.e., Participant Firm and Clearing Firm) shall (and shall cause all of its Authorized Traders, Authorized Brokers, and Supervised Persons):
- (1) use the Exchange Trading System in a responsible manner and not for any improper purpose;
  - (2) use the Exchange Trading System only to conduct Exchange Activity;
  - (3) conduct all Exchange Activity in a manner consistent with the Exchange Rules and Obligations;
  - (4) comply with all Exchange Rules and Obligations and act in a manner consistent with each Rule of the Exchange and Obligation;
  - (5) comply with all Clearing House Rules, to the extent applicable to it, and act in a manner consistent with the Clearing House Rules, to the extent applicable;
  - (6) comply with all NFA Rules, to the extent applicable to it, and act in a manner consistent with the NFA Rules, to the extent applicable;
  - (7) observe high standards of integrity, market conduct, commercial honor, fair dealing, and just and equitable principles of trade while conducting or attempting to conduct any Exchange Activity, or any aspect of any business connected with or concerning the Exchange;
  - (8) not knowingly mislead or conceal any material fact or matter in any dealings or filings with the Exchange or in response to any Exchange Proceeding;
  - (9) keep any User IDs, account numbers and passwords related to the Exchange Trading System confidential;
  - (10) be fully liable for: all trading losses, all Orders, all transactions in Contracts effected by Participant, all transactions effected on the Exchange and for any use of the Exchange Trading System made by Participant or Participant's Authorized Traders, and all trades even if the Orders received via the Exchange Trading System: (1) were entered as a result of a failure in the security controls and/or credit controls, other than due to the gross negligence of the Exchange, or (2) were entered by an unknown or unauthorized user;
  - (11) use the Exchange's pre-trade controls that enable the Clearing Firm to implement appropriate financial risk limits for Participant Firms;
  - (12) employ practices to monitor and enforce compliance with risk limits;
  - (13) be responsible for promptly informing the Exchange of any material changes to the information provided to the Exchange by the Participant pursuant to Rule 301;
  - (14) keep, or cause to be kept, complete and accurate books and records, including, without limitation, trading records in underlying commodity and derivatives markets related to the Exchange Contract, records of and documents related to data submitted by the Market Participant or Affiliate to an instrument or index to which an Exchange contract settles, all books and records required to be maintained pursuant to the CEA, the CFTC Regulations or the Exchange Rules, for at least five (5) years, and make such books and records readily accessible

- for inspection by a representative of the Exchange, the CFTC or the United States Department of Justice during the first two (2) years of such five-year period; and
- (15) operate any electronic trading system and conduct any activity on the Exchange through an electronic trading system in a manner that is reasonably intended to prevent, detect, and mitigate market disruptions or system anomalies associated with such electronic trading.
- (b) Each Broker Firm shall (and shall cause all of its Authorized Brokers to):
- (1) use the Exchange Trading System in a responsible manner and not for any improper purpose;
  - (2) use the Exchange Trading System only to conduct Exchange Activity;
  - (3) conduct all Exchange Activity in a manner consistent with the Exchange Rules and Obligations;
  - (4) comply with all Exchange Rules and Obligations and act in a manner consistent with each Rule of the Exchange and Obligation;
  - (5) comply with all Clearing House Rules, to the extent applicable to it, and act in a manner consistent with the Clearing House Rules, to the extent applicable;
  - (6) comply with all NFA Rules, to the extent applicable to it, and act in a manner consistent with the NFA Rules, to the extent applicable;
  - (7) observe high standards of integrity, market conduct, commercial honor, fair dealing, and just and equitable principles of trade while conducting or attempting to conduct
  - (8) any Exchange Activity, or any aspect of any business connected with or concerning the Exchange;
  - (9) not knowingly mislead or conceal any material fact or matter in any dealings or filings with the Exchange or in response to any Exchange Proceeding;
  - (10) keep any User IDs, account numbers and passwords related to the Exchange Trading System confidential;
  - (11) be responsible for promptly informing the Exchange of any material changes to the information provided to the Exchange by the Participant pursuant to Rule 307; and,
  - (12) keep, or cause to be kept, complete and accurate books and records, including, without limitation, trading records in underlying commodity and derivatives markets related to the Exchange Contract, records of and documents related to data submitted by the Market Participant or Affiliate to an instrument or index to which an Exchange contract settles, all books and records required to be maintained pursuant to the CEA, the CFTC Regulations or the Exchange Rules, for at least five (5) years, and make such books and records readily accessible for inspection by a representative of the Exchange, the CFTC or the United States Department of Justice during the first two (2) years of such five-year period.
- (c) The Exchange will conduct annual reviews of compliance with the Exchange's audit trail and recordkeeping requirements set forth in the Rules by all Participants that are responsible for, or in control of, the creation of audit trail records.

- (1) Such Participants will be subject to investigation for possible disciplinary action pursuant to the Rules, including sanctions for audit trail violations.
- (2) Annual reviews will be conducted by the Market Regulation Department in accordance with Commission Regulations and will include, but will not be limited to, reviews of randomly-selected samples of front end audit trail data for order routing systems; a review of the process by which user identifications are assigned and user identification records are maintained; a review of usage patterns associated with user identifications to monitor for violations of user identification rules; and reviews of account numbers and customer type indicator codes in trade records to test for accuracy and improper use.

**RULE 402. Required Disclosures to the Exchange**

- (a) Each Participant that is not registered with the CFTC as an FCM or IB that have obligations pursuant to Rule 404 shall immediately notify the Market Regulation Department upon becoming aware of any of the following events:
  - (1) any material change to the contact information provided to the Exchange;
  - (2) any damage to, or failure or inadequacy of, the systems, facilities or equipment of the Participant to effect transactions pursuant to the Exchange Rules or to timely perform the Participant's financial obligations under or in connection with Contracts;
  - (3) any refusal of admission to, or withdrawal by the Participant of any application for membership in, any Self-Regulatory Organization, Contract Market or Derivatives Clearing Organization;
  - (4) any expulsion, suspension or fine in excess of \$5,000 (whether through an adverse determination, voluntary settlement or otherwise) imposed on the Participant by any Self-Regulatory Organization;
  - (5) any denial or withdrawal of any application for any registration or license by or from any Governmental Agency, and any revocation, suspension or conditioning of any registration or license granted by any Governmental Agency;
  - (6) the commencement of any judicial or administrative proceeding against the Participant 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 Agency;
  - (7) any indictment or conviction of, or any confession of guilt or plea of guilty or nolo contendere by, the Participant or (or, if the Participant is an entity, by any of its principals or senior officers) for any felony or misdemeanor involving, arising from, or related to, the purchase or sale of any commodity, Futures contract, Option, security, securities futures product or other financial instrument, or involving or arising from fraud or moral turpitude;
  - (8) the Participant becoming the subject of a petition for bankruptcy;
  - (9) the appointment of a receiver, trustee or administrator for the Participant;
  - (10) the presentment of a petition, or the passing of a resolution, for the winding-up of Participant;

- (11) the commencement of proceedings for the dissolution of Participant; or
- (12) the occurrence of an event of insolvency with respect to the Participant.

#### **RULE 403. Inspections by the Exchange**

- (a) The Exchange ( or other authorized representatives), shall have the right, in connection with determining whether all Exchange Rules and Obligations are being, will be, or have been complied with by the Participant, to:
  - (1) inspect systems, equipment and software operated by the Participant in connection with Exchange Activity, wherever located;
  - (2) 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 and the Trading Hours of the Exchange, without prior notice to Participants; and/or
  - (3) copy or reproduce any data to which the Exchange has access under this Rule.
- (b) [RESERVED].
- (c) The Market Regulation Department may require a Participant to furnish (periodically or on a particular occasion) information concerning the Participant's Exchange Activity. For a Participant, such information includes but is not limited to, the Participant's open trading positions or Contracts to which the Participant is a party.

#### **RULE 404. Minimum Financial and Related Reporting Requirements**

- (a) Each Participant, which includes an FCM, IB or any Clearing Firm, that is registered with any Government Agency, including the CFTC and the U.S. Securities and Exchange Commission, or a Self- Regulatory Organization shall comply with CFTC Regulation 1.17, applicable Clearing House Rules and other Applicable Law, including but not limited to the rules and regulations such Government Agency imposes on a Participant, which includes an FCM, IB or any Clearing Firm, relating to minimum financial and related reporting and recordkeeping requirements.
- (b) Each Participant who is registered with the CFTC as an FCM must comply with CFTC Regulation 1.11.
- (c) A copy of any notice or written report that a Participant, which includes an FCM, IB or any Clearing Firm, is required to file with the CFTC pursuant to CFTC Regulations 1.10 and 1.12 shall be concurrently provided to the Exchange.
- (d) The Exchange conducts surveillance related to Rule 404.
- (e) Upon request by the Exchange, Participant shall produce such records related to this Rule 404(a).
- (f) A Participant that violates any provision of Applicable Law (including CFTC Regulations) referenced in this Rule 404 shall be deemed to have violated this Rule 404.

#### **RULE 405. Confidentiality of Financial and Other Information**

All information and data obtained or received by the Market Regulation Department from inspections of accounting and other records, quarterly balance sheets and declarations or reports on financial condition will be treated as confidential by the Exchange; however, this Rule does not supplant Rule 213 and the Rules in Chapter 7, or any other requirement of legal process or law.

#### **RULE 406. Authority to Impose Restrictions**

Whenever a Participant is subject to the early warning requirements set forth in CFTC

Regulation § 1.12, the Exchange may impose such conditions or restrictions on the business and operations of such Participant or as the Exchange may deem necessary or appropriate for the protection of Customers, other Participants, or the Exchange.

#### **RULE 407. Customers**

- (a) No Participant shall carry an account for a Customer unless the Participant has entered into a written agreement with the Customer containing such terms as may from time to time be prescribed in these Rules.
- (b) Without prejudice to the generality of paragraph (a) of this Rule 407, each written agreement with a Customer must incorporate into every Contract carried for the Customer all the terms of the Exchange Rules insofar as they are applicable to that Contract.
- (c) No Person shall engage in soliciting or accepting an Order for the Contract for a Participant or Customer unless the has entered into a written agreement with the Participant or Customer obtaining such terms as may from time to time be prescribed in these Rules.

#### **RULE 408. Treatment of Customer Funds and Securities**

Each Participant that is required to be registered with any Government Agency, including the CFTC and the U.S. Securities and Exchange Commission, or Self-Regulatory Organization shall comply with the provisions of Applicable Law, including but not limited to the rules and regulations such Government Agency imposes on a Participant relating to the treatment of Customer funds and the maintenance of books and records with respect thereto. Specifically, each Clearing Firm must comply with the regulations of the applicable Government Agency and the rules of the Clearing House, including, but not limited to rules related to the protection of customer funds, including the segregation of customer and proprietary funds, the custody of customer funds, the investment standards for customer funds, intermediary default procedures and related recordkeeping. This includes, but is not limited to CFTC Regulations 1.20 through 1.32. This Rule 408 shall apply to non-carrying or non-clearing firm FCMs to the extent that such FCMs hold Customer funds related to products traded on the Exchange. The Exchange conducts surveillance related to this Rule 408, including through its membership in the Joint Audit Committee. Any Participant that violates any of the aforementioned CFTC Regulations, Clearing House Rules, and other Applicable Law shall be deemed to have violated this Rule 408.

#### **RULE 409. Disclosure Requirements**

Each Participant must comply with all disclosure requirements set forth in applicable CFTC and NFA Rules and Regulations. Any such disclosure may be combined with a disclosure regarding the existence of financial interests held by the Participant in the Exchange or any other exchange.

#### **RULE 410. 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 Trading System, a ticker, 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 through the Exchange Trading System may redistribute such information only to such extent and in such manner as may be permitted by the Exchange from time to time.



## **CHAPTER 5: TRADING PRACTICES AND BUSINESS CONDUCT**

### **RULE 501. Scope**

This Chapter 5 applies to all transactions in Contracts, except as otherwise specifically provided in Chapter 6.

### **RULE 502. Procedures**

- (a) With respect to trading on or through the Exchange Trading System, the Exchange may adopt, without limitation, procedures relating to transactions in Contracts and trading on the Exchange Trading System, including procedures to:
- (1) determine the Daily Settlement Price of a Contract;
  - (2) disseminate the prices of bids and offers on, and trades in, Contracts;
  - (3) record, and account for, Contracts and Exchange Activity;
  - (4) perform market surveillance and regulation on matters affecting Contracts and Exchange Activity;
  - (5) establish limits on the number and/or size of Orders that may be submitted by a Participant through the Exchange Trading System;
  - (6) establish limits on the number of Contracts that may be held by a Customer or Participant;
  - (7) establish a limit on the maximum daily price fluctuations for any Contract and provide for any related restriction or suspension of trading in the Contract; and,
  - (8) require a suspended or expelled Participant, or a Participant with restricted trading rights, to have Contracts executed for the Participant to reduce or eliminate any open position or exposure to future price changes for the Participant in any Contract.
- (b) The Exchange may, in its discretion and at any time, amend any procedures adopted pursuant to Rule 502(a), and will publish the amendments in a Notice to Participant or in any other manner determined appropriate by the Exchange.

### **RULE 503. Business Days and Trading Hours**

Except as provided in Rule 212 with respect to Emergencies, the Exchange shall determine and publish a Notice to Participants listing the Business Days and Holidays of the Exchange and the Trading Hours for each Contract.

### **RULE 504. Rule Violations**

It shall be a violation for a Participant (or any of its Authorized Traders, Authorized Brokers, or Supervised Persons) to violate any Rule or any agreement made with the Exchange, or to engage in fraud, dishonorable or dishonest conduct, or in conduct which is inconsistent with just and equitable principles of trade.

### **RULE 505. Fraudulent Acts Prohibited**

No Participant (or any of its Authorized Traders, Authorized Brokers, or Supervised Persons) shall engage in any fraudulent act or engage in any scheme to defraud, deceive, trick or mislead in connection with or related to any Exchange Activity or other activity related to the Clearing House.

**RULE 506. Fictitious, Wash or Non-Competitive Transactions Prohibited**

No Participant (or any of its Authorized Traders, Authorized Brokers, or Supervised Persons) shall create fictitious transactions, wash transactions, or non-competitive transactions except, in the case of noncompetitive transactions, as otherwise authorized by the Exchange Rules, or execute any such Order with knowledge of its nature as a fictitious transaction, wash transaction, or non-competitive transaction.

**RULE 507. Market Disruption Prohibited**

Orders entered into the Exchange Trading System 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 any of its Authorized Traders, Authorized Brokers, or Supervised Persons) 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.

**RULE 508. Market Manipulation Prohibited**

No Participant (or any of its Authorized Traders, Authorized Brokers, or Supervised Persons) shall attempt to manipulate or manipulate the market in any Contract. The Exchange prohibits any other manipulative or disruptive trading practices prohibited by the Act or by the Commission pursuant to CFTC Regulations.

**RULE 509. Disruptive Trading Practices Prohibited**

No Participant (or any of its Authorized Traders, Authorized Brokers, or Supervised Persons) shall engage in any trading, practice, or conduct that constitutes a “disruptive practice,” as such term is defined by the CEA or CFTC Regulations.

No Participant (or any of its Authorized Traders, Authorized Brokers, or Supervised Persons) shall engage in: front-running, wash trading, pre-arranged trading (except for certain transactions specifically permitted under part 38 of the CFTC Regulations), fraudulent trading, money passes, spoofing, accommodation trading, conduct that violates bids or offers or demonstrates intentional or reckless disregard for order execution during the closing period, and any other trading practices that the Exchange deems to be abusive or disruptive.

**RULE 510. Prohibition of Misstatements**

No Participant (or any of its Authorized Traders, Authorized Brokers, or Supervised Persons) shall make any knowing misstatement of a material fact to the Exchange, any Exchange Official, or any Board committee or Exchange panel.

**RULE 511. Acts Detrimental to Welfare of Exchange Prohibited**

No Participant (or any of its Authorized Traders, Authorized Brokers, or Supervised Persons) shall engage in any act that is detrimental to the Exchange.

**RULE 512. Adherence to Law**

No Participant (or any of its Authorized Traders, Authorized Brokers, or Supervised Persons) shall engage in conduct that is a violation of the Act or CFTC Regulations.

**RULE 513. Supervision**

A Participant shall establish, maintain and administer reasonable supervisory procedures to monitor the compliance of Authorized Traders, Authorized Brokers, and Supervised Persons with the Exchange Rules and any applicable provisions of the Act or CFTC and such Participant may be held accountable for the actions of such Authorized Traders or Supervised Persons.

**RULE 514. Orders of Other Clearing Firms**

No Clearing Firm shall accept or submit any Order for or on behalf of another Clearing Firm, without the prior written consent of such other Clearing Firm. If such Order results in a transaction, the Clearing Firm accepting the Order must send promptly a duplicate confirmation of the transaction to the Clearing Firm from whom the prior written consent is required pursuant to this Rule.

**RULE 515. Misuse of the Exchange Trading System**

Misuse of the Exchange Trading System is strictly prohibited. It shall be deemed an act detrimental to the Exchange to permit unauthorized use of the Exchange Trading System, to assist any Person in obtaining unauthorized access to the Exchange Trading System, to trade on the Exchange Trading System without an agreement and an established account with a Clearing Firm, to alter the equipment associated with the Exchange Trading System (except with the Exchange's consent), to interfere with the operation of the Exchange Trading System, to intercept or interfere with information provided thereby, or in any way to use the Exchange Trading System in a manner contrary to the Exchange Rules.

**RULE 516. Errors and Omissions in Handling Orders**

- (a) A Participant who inadvertently, through error or omission, fails to execute an Order at the time it should have been executed may, upon discovery of such error or omission, execute such Order at the best obtainable price. Such Order shall be competitively executed and should be executed in the next available trading session for the applicable listed Contract, but in any event must be executed no later than the close of the next trading day and shall be reported to the Customer at the price at which actually executed. If such price is to the advantage of the Customer, the Customer shall receive the benefit thereof; if not, the Customer shall receive such monetary adjustment as will afford the Customer the equivalent of the price at which such Order should and could have been executed.
- (b) Any Clearing Firm receiving such report and adjustment with respect to an Order of a Customer shall report to such Customer the execution at the price reported to such Clearing Firm and make the same monetary adjustment for the account of such Customer. Full details of all transactions consummated hereunder shall be promptly provided to the Market Regulation Department upon request.
- (c) This Rule 516 shall not be construed to contravene any instructions received from a Customer respecting any Order prior to its execution, but shall be construed to permit execution of Orders under the conditions prescribed without prior instructions from the Customer.

**RULE 517. Liquidity Provider and Market Maker Programs**

- (a) The Exchange may from time to time establish programs that provide Participants with financial incentives for meeting trading volume or liquidity thresholds as may be established by the Exchange.
- (b) All Participants are eligible to become Liquidity Providers or Market Makers, provided the Participant can meet the program obligations.

**RULE 518. Withholding Orders Prohibited**

Any Participant entering Orders on the Exchange Trading System shall not withhold or withdraw from the market any Order, or any part of an Order, for the benefit of any Person other than for the Customer for whom the Participant is placing the Order.

**RULE 519. Priority of Customers' Orders**

No Participant shall enter an Order into the Exchange Trading System for his own account, an account in which he has a direct or indirect financial interest or an account over which he has discretionary trading authority, including, without limitation, an Order allowing discretion as to time and price, when such Participant is in possession of any unsubmitted Customer Order that the Exchange Trading System is capable of accepting.

**RULE 520. Handling of Customer Orders**

- (a) General Prohibition - No Participant in possession of a Customer Order shall knowingly take, directly or indirectly, the opposite side of such Order for its own account, an account in which it has a direct or indirect financial interest, or an account over which it has discretionary trading authority.
- (b) Exceptions - The foregoing restriction shall not apply to the following:
  - (1) Transactions executed pursuant to Rules 601 and 602;
  - (2) On the Exchange Trading System, a Participant may knowingly trade against a Customer Order for its own account, an account in which it has a direct or indirect financial interest, an account over which it has discretionary trading authority, or a Proprietary Account of its employer, only if the Customer Order has been entered immediately upon receipt and has first been exposed on the Exchange Trading System for a minimum of 5 seconds in the case of Futures Orders or for a minimum of 15 seconds in the case of Options Orders.

**RULE 521. Disclosing Orders Prohibited**

No Participant shall disclose another Customer's Order to buy or sell except to a designated Exchange Official or the CFTC, and no Participant shall solicit or induce another Participant 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 522. Simultaneous Buy And Sell Orders For Different Beneficial Owners**

On the Exchange Trading System, opposite Orders for different beneficial owners that are simultaneously placed by a Participant with discretion over both accounts may be entered into

the Exchange Trading System, provided that one Order is exposed for a minimum of 5 seconds in the case of Futures Orders or a minimum of 15 seconds in the case of Options Orders. An Order allowing for price and/or time discretion, if not entered immediately upon receipt, may be knowingly entered opposite another Order entered by the same firm only if this other Order has been entered immediately upon receipt and has been exposed on the Exchange Trading System for a minimum of 5 seconds for Futures Orders or a minimum of 15 seconds for Options Orders.

**RULE 523. Wash Sales Prohibited**

No Person shall place or accept buy and sell Orders in the same product and expiration month, and, for a put or call Option, the same strike price, where the person knows 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 for different accounts with common beneficial ownership that are entered with the intent to negate market risk or price competition shall also be deemed to violate the prohibition on wash trades. Additionally, no Person shall knowingly execute or accommodate the execution of such Orders by direct or indirect means.

**RULE 524. Recordkeeping Requirements for Entering Orders into the Exchange Trading System**

(a) General Requirements.

(1) Each Authorized Trader or Authorized Broker entering Orders into the Exchange Trading System shall input for each Order:

- i. the user ID assigned him by the Exchange,
- ii. the price or yield, quantity, product, maturity or expiration month or date, CTI code and account number (except as provided in Section (d)), and, for Options, put or call and strike price.
- iii. The Authorized Trader's or Authorized Broker's user ID must be present on each Order entered.

(2) With respect to Orders received by an Authorized Trader or Authorized Broker that are capable of being immediately entered into The Exchange Trading System, no record other than that set forth above need be made. However, if an Authorized Trader or Authorized Broker receives an Order that cannot be immediately entered into The Exchange Trading System, the Authorized Trader must prepare a written Order and include the account designation, date, an electronic timestamp reflecting the time of receipt and other information required pursuant to section (a) above. The Order must be entered into The Exchange Trading System when it becomes executable.

(b) Electronic Audit Trail Requirements for Electronic Order Routing/Front-End Systems.

(1) Clearing Firms guaranteeing a connection to The Exchange Trading System are responsible for maintaining or causing to be maintained the Order routing/front-end audit trail for all electronic Orders, including Order entry, modification, cancellation and responses to such messages (referred to as the "Electronic Audit Trail"), entered into the Exchange Trading System through any

- gateway to the Exchange Trading System.
- (2) The Electronic Audit Trail must be maintained for a minimum of 5 years, and Clearing Firms must have the ability to produce this data in a standard format upon request of the Market Regulation Department. This Electronic Audit Trail must contain all Order receipt, Order entry, Order modification, and response/receipt times to the highest level of precision achievable by the operating system, but at least to the hundredth of a second. The times captured must not be able to be modified by the Person entering the Order. The data must also contain all Fix Tag information and fields which should include, but is not limited to the following: A record of all fields relating to Order entry, including transaction date, product, Exchange code, expiration month, quantity, Order Type, Order Qualifier, price, buy/sell indicator, stop/trigger price, Order number, unique transaction number, account number, session ID, operator ID, host Order number, trader Order number, Clearing Firm, type of action, action status code, customer type indicator, origin, and timestamps. For executed Orders the audit trail must record the execution time of the trade along with all fill information.
  - (3) In the case where the guaranteeing Clearing Firm has a direct connect Customer that is another Clearing Firm, the Clearing Firm may notify the Customer Clearing Firm in writing that it is their obligation to maintain the Electronic Audit Trail. It shall be the duty of the Customer Clearing Firm to maintain an Electronic Audit Trail pursuant to this rule.
- (c) Bunched Orders and Orders Eligible for Post Execution Allocation.
- (1) Bunched Orders must be allocated and recorded in accordance with CFTC Regulation 1.35(a-1)(5) and the NFA's Interpretative Notice related to Compliance Rule 2-10.
  - (2) Bunched Orders may be entered using a series designation or suspense account number provided that:
    - i. the Order is being placed by an account manager for multiple accounts eligible for post execution allocation or
    - ii. a written, pre-determined allocation scheme that defines the series has been provided to the futures commission merchant accepting or clearing the Order prior to the time that such Order is entered. In the latter case, if such information has not been provided to the futures commission merchant prior to the time of Order entry, each specific account number must be entered into the Exchange Trading System. Additionally, for all such bunched Orders executed on the Exchange Trading System, the final account specific allocations must be submitted to the Exchange Trading System no later than the end of each trading day.
  - (3) Bunched Orders for non-discretionary accounts may be entered through the Exchange Trading System; however, only the following Order Types may be bunched: same priced limit Orders, same priced stop Orders and market Orders received prior to the opening of the Exchange Trading System trading session. Such nondiscretionary Orders may only be bunched in the following instances:

- i. Each Order underlying the bunched Order must be reduced to writing and include the information required pursuant to Section (a)(1) above;
  - ii. Allocation of the executions for the bunched Orders must be fair and equitable in accordance with the NFA's Interpretative Notice related to Compliance Rule 2-10; and
  - iii. In circumstances where the Order is bunched the Participant accepting the Order must, contemporaneously with the Order placement, transmit the individual account numbers and quantities associated with the bunched Order to the Clearing Firm. Such transmission shall be maintained by the Clearing Firm along with the bunched Order.
- (d) Customer Type Indicator (CTI) Codes.  
Each Clearing Firm must identify each transaction executed on the Exchange Trading System on the record of transactions submitted to the Exchange with the correct customer type indicator (CTI) code. The CTI codes are as follows:
- (1) CTI 1- Transactions initiated and executed by a member for his own account, for an account he controls or for an account in which he has ownership or financial interest. CTI 1 is not applicable to the Exchange because the Exchange does not have members or a trading floor.
  - (2) CTI 2- Transactions executed for the proprietary account of a Clearing Firm (i.e., a Participant Firm trading for its own account held at a Clearing Firm).
  - (3) CTI 3- Transactions where an individual member or authorized trader executes for the personal account of another individual member, for an account the other individual member controls or for an account in which the other individual member has ownership or financial interest.
  - (4) CTI 4- Any transaction not meeting the definition of CTI 1, 2 or 3.

**RULE 525. Prearranged, Pre-Negotiated and Noncompetitive Trades Prohibited**

- (a) No Person shall prearrange or pre-negotiate any purchase or sale or noncompetitively execute any transaction, except in accordance with Sections (b) and (c) below.
- (b) The foregoing restriction shall not apply to block trades affected pursuant to Rule 601 and EDRP affected pursuant to Rule 602.
- (c) Pre-Execution Communications Regarding the Exchange Trading System Trades.  
Parties may engage in pre-execution communications with regard to transactions executed on the Exchange Trading System where one party (the first party) wishes to be assured that a contra party (the second party) will take the opposite side of the Order subject to the following restrictions:
  - (1) 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.
  - (2) Parties to pre-execution communications shall not:
    - i. disclose to a nonparty the details of such communications or
    - ii. enter an Order to take advantage of information conveyed during such communications except in accordance with this rule.
  - (3) The first party's Order must be entered into the Exchange Trading System first and the second party's Order may not be entered into the Exchange Trading

System platform until a period of 5 seconds has elapsed from the time of entry of the first Futures Order or a period of 15 seconds for Options Orders.

**RULE 526. Responsibility For Customer Orders**

- (a) Standard of Responsibility.
- (1) A Participant shall exercise due diligence in the handling and execution of Customer Orders. Failure to act with due diligence shall constitute negligence. In the case of a dispute as to whether a Participant has exercised due diligence, the appropriate arbitration or disciplinary committee is authorized to determine whether the Participant was negligent and, if so, whether an adjustment is due to the Customer.
- (2) A Participant is prohibited from directly or indirectly guaranteeing the execution of an Order or any of its terms such as the quantity or price. A Participant may only report an execution that has been effected through the Exchange Trading System or has been executed under Chapter 6. This Rule 527(a) shall not be construed to prevent a Participant from assuming or sharing in the losses resulting from an error or the mishandling of an Order.
- (b) Liability for Negligence. A Participant may not adjust the price at which an Order was executed or be held responsible for executing or failing to execute an Order unless such Participant was negligent or is settling a bona-fide dispute regarding negligence. A Participant may not compel an adjustment from another Participant in the absence of a bona-fide dispute regarding negligence. Participants and Clearing Firms shall document all adjustments. Participants and Clearing Firms shall make and retain a record which contains the date the adjustment was received, the name of the Participant making the adjustment, the account to which the adjustment was credited, the amount of the adjustment, the Order number and the reason for the adjustment. Such records must be provided to the Market Regulation Department upon request.

**RULE 527. Discretionary Orders**

No Participant shall submit a Discretionary Order to the Exchange Trading System for any account of another Person, without the prior specific written consent of such other Person to the exercise of such discretion, provided, however, that the restrictions set forth in this subparagraph shall not apply to a Discretionary Order for: (i) an account of that Person's spouse, parent, parent of a spouse, brother, sister, child, or spouse of a child; or (ii) a Proprietary Account of the Participant.

**RULE 528. Priority of Execution**

Non-discretionary Customer Orders received by a Participant, an Authorized Trader or Authorized Broker shall be entered into The Exchange Trading System in the sequence received. Non-discretionary Orders that cannot be immediately entered into The Exchange Trading System must be entered when the Orders become executable in the sequence in which the Orders were received.

**RULE 529. Average Price System**

- (a) Application of Average Prices. A proprietary average price system ("APS") developed by a Participant or Clearing Firm allows a Participant or Clearing Firm to confirm to



Customers an average price when multiple execution prices are received on an Order or series of Orders for the same instrument. An Order or series of Orders executed for the same instrument during the same trading day at more than one price may be averaged pursuant to APS only if each Order is for the same account or group of accounts and for the same instrument, or for the same instrument, maturity, put/call and strike price for Options.

- (b) Requirements for APS Trades. The requirements enumerated below must be met for APS transactions.
  - (1) The Customer must have requested average price reporting.
  - (2) Each individual trade must be submitted to the Exchange at the executed price.
  - (3) A Participant or Clearing Firm must compute and confirm the weighted mathematical average price, as set forth in Section (c).
  - (4) A Participant or Clearing Firm must possess the records to support the calculations and allocations to Customer Accounts and must maintain these records pursuant to CFTC regulations.
  - (5) A Participant or Clearing Firm must ensure that its proprietary trades are not averaged with Customer APS trades.
- (c) Computation of Average Price. Upon receipt of an execution or match at multiple prices for an APS Order, the weighted mathematical average must be computed by:
  - (1) multiplying the number of instruments purchased or sold at each execution price by that price;
  - (2) adding the results together; and,
  - (3) dividing by the total number of instruments.

An average price for a series of Orders will be computed based on the average prices of each Order in that series. The actual average price or the average price rounded to the next price increment may be confirmed to Customers. If a Participant or Clearing Firm confirms the rounded average price, the Participant or Clearing Firm must round the average price up to the next price increment for a buy Order or down to the next price increment for a sell Order. The residual created by the rounding process must be paid to the Customer. APS may produce prices that do not conform to whole cent increments. In such cases, any amounts less than one cent may be retained by the Participant or Clearing Firm.

- (d) Disclosure. Each Participant or Clearing Firm that confirms an average price to a Customer must indicate on the confirmation and monthly statement that the price represents an average price.

### **RULE 530. Position Limits And Exemptions**

- (a) The position limit levels applicable to those Contracts with position limits are set forth in the Position Limit, Position Accountability and Reportable Level Table in Rule 533.
- (b) A Person seeking an exemption from position limits must apply to the Market Regulation Department on forms provided by the Exchange. In order to obtain an exemption from position limits, a Person must:
  - (1) Provide a description of the exemption sought, including whether the exemption is for bona fide hedging positions as defined in CFTC Regulation 1.3 or any other applicable CFTC Regulation, risk management positions or arbitrage/spread positions;
  - (2) Provide a complete and accurate explanation of the underlying exposure related

- to the exemption request;
- (3) Agree to promptly provide, upon request by the Market Regulation Department, information or documentation regarding the Person's financial condition;
  - (4) Agree to comply with all terms, conditions or limitations imposed by the Market Regulation Department with respect to the exemption;
  - (5) Agree that the Market Regulation Department may modify or revoke the exemption at any time;
  - (6) Agree to initiate and liquidate positions in an orderly manner; and,
  - (7) Agree to promptly submit a supplemental statement to the Market Regulation Department whenever there is a material change to the information provided in the most recent application.
- (c) A Person intending to exceed position limits, including limits established pursuant to a previously approved exemption, must file the required application and receive approval from the Market Regulation Department prior to exceeding such limits. Notwithstanding the foregoing, a Person who establishes an exemption-eligible position in excess of position limits and files the required application with the Market Regulation Department shall not be in violation of this Rule 532 provided the filing occurs within one (1) Business Day after assuming the position.
- (d) In the event the positions in excess of the limits are not deemed to be exemption-eligible, the applicant will be in violation of speculative limits for the period of time in which the excess positions remained open.
- (e) The Market Regulation Department shall, on the basis of the application and any requested supplemental information, determine whether an exemption from position limits shall be granted. The Market Regulation Department may approve, deny, condition or limit any exemption request based on factors deemed by the Market Regulation Department to be relevant, including, but not limited to, the applicant's business needs and financial status, as well as whether the positions can be established and liquidated in an orderly manner.
- (f) Nothing in this Rule 530 shall in any way limit:
- (1) the authority of the Exchange to take emergency action; or
  - (2) the authority of the Market Regulation Department to review at any time the positions owned or controlled by any Person and to direct that such position be reduced to the position limit provided for in Rule 532.
- (g) A Person who has received written authorization from the Market Regulation Department for an exemption from position limits must annually file an updated application on the date which is one year following the approval date of the most recent application. Failure to file an updated application will result in expiration of the exemption.
- (h) Eligible Exemptions
- (1) Bona Fide Hedging Positions.  
The Market Regulation Department may grant exemptions from position limits for bona fide hedge positions as defined by CFTC Regulation §1.3(z)(1) or any other applicable CFTC Regulation. Approved bona fide hedgers may be exempted from Emergency Rules that reduce position limits or restrict trading.

- (2) Risk Management Positions.
 

The Market Regulation Department may grant exemptions from the position limits for risk management positions. For the purposes of this Rule, risk management positions are defined as Futures and Options positions which are held by or on behalf of an entity or an affiliate of an entity which typically buys, sells or holds positions in the underlying cash market, a related cash market, or a related over-the-counter market and for which the underlying market has a high degree of demonstrated liquidity relative to the size of the positions and where there exist opportunities for arbitrage which provide a close linkage between the Futures or Options market and the underlying market in question. Exemptions related to indexed positions in the over-the-counter market may include corresponding commodity index-based Futures and Options and/or individual commodity Futures and Options used as components in replicating an index.
- (3) Arbitrage and Spread Positions. The Market Regulation Department may grant exemptions from the position limits for arbitrage, intracommodity spread, intercommodity spread, and eligible Option/Option or Option/Futures spread positions.
- (i) Aggregation of Positions.
  - (1) Positions to be Aggregated. The position limits in Rule 533 shall apply to all positions in accounts for which a Person by power of attorney or otherwise directly or indirectly owns the positions or controls the trading of the positions. The position limits in Rule 533 shall also apply to positions held by two or more Persons acting pursuant to an expressed or implied agreement or understanding, the same as if the positions were held by, or the trading of the positions was done by, a single Person.
  - (2) Ownership of Accounts. Except as set forth in Rule 530(j) below, any Person holding positions in more than one account, or holding accounts or positions in which the Person by power of attorney or otherwise directly or indirectly has a 10% or greater ownership or equity interest, must aggregate all such accounts or positions, unless such Person is a pool participant in a commodity pool. The foregoing exception for pool participants shall not apply if the Person is a commodity pool operator, controls the commodity pool's trading decisions, or has an ownership or equity interest of 25% or more in a commodity pool whose operator is exempt from registration with the CFTC.
- (j) Limited Exceptions to Aggregation for Independently Controlled Positions.
  - (1) Positions carried for an eligible entity as defined in CFTC Regulation 150.1(d) in the separate account or accounts of independent account controllers as defined in CFTC Regulation 150.1(e) shall not be aggregated for position limit purposes provided that the positions are not held in the spot month during such time that a spot month position limit is applicable. If an independent account controller is affiliated with the eligible entity or another independent account controller, each of the affiliated entities must comply with the requirements set forth in CFTC Regulation 150.3(4)(i)(A-D).
  - (2) Positions held by Futures Commission Merchants or their separately organized

Affiliates in Customer discretionary accounts or in guided account programs shall not be aggregated for position limit purposes provided that the accounts are controlled by independent traders and meet the standards set forth in CFTC Regulation 150.4(d).

- (3) Any Person claiming an exemption from position limits under this Rule 532 must, upon request by the Market Regulation Department, provide any information deemed necessary to support the exemption.
- (k) Violations.
- (1) No Person shall exceed the position limits set forth in the Rules, unless an exemption is granted by the Market Regulation Department.
  - (2) The Market Regulation Department and the Exchange Practices Committee shall have the authority to enforce the Exchange Rules regarding position limits
  - (3) If a position exceeds position limits as a result of an Option assignment, the Person who owns or controls such position shall be allowed one Business Day to liquidate the excess position without being considered in violation of the limits. Additionally, if, at the close of trading, a position that includes Options exceeds position limits when evaluated using the delta factors as of that day's close of trading, but does not exceed the limits when evaluated using the previous day's delta factors, then the position shall not constitute a position limit violation.
  - (4) A Clearing Firm shall not be in violation of this Rule if it carries positions for a Customer in excess of the applicable position limits for such reasonable period of time, generally not to exceed one Business Day, as the Clearing Firm may require to investigate and liquidate the excess Customer positions.
  - (5) A Customer who exceeds the position limits as a result of maintaining positions at more than one Clearing Firm shall be deemed to have waived confidentiality regarding his positions and the identity of the Clearing Firms at which they are maintained. A Clearing Firm carrying such positions shall not be in violation of this Rule if, upon notification by the Market Regulation Department, it liquidates its pro-rata share of the position in excess of the limits or otherwise ensures the Customer is in compliance with the limits within a reasonable period of time, generally not exceed one Business Day.
  - (6) Violations, Sanctions and Appeals
    - i. First Violation. The first position limit violation by a Participant will result in a warning letter issued by the Market Regulation Department, with a copy provided to the carrying Clearing Firm(s). In circumstances where the carrying Clearing Firm has also committed a position limit violation as set forth in this Rule 530 by carrying such positions, a warning letter will be issued to the Clearing Firm(s).
    - ii. Second Violation, Sanctions and Appeals.
      - (a) A second position limit violation by a Participant within 24 months of the issuance of a warning letter will result in the imposition of an automatic fine by the Market Regulation Department to the Participant as set forth below and the issuance of a cease and

- desist order.
- (b) The automatic fine for a position exceeding the applicable limit by up to 25% shall be \$5,000.
  - (c) The automatic fine for a position exceeding the applicable limit by more than 25% shall be \$15,000.
- iii. Referral to the Chief Regulatory Officer.
- (a) Any third or subsequent position limit violation within 24 months of the issuance of a warning letter shall be referred by the Market Regulation Department to the Chief Regulatory Officer for consideration of the issuance of charges.
  - (b) Notwithstanding Rule 532(k)(5)(iv)(a), the Market Regulation Department, in its sole discretion, may refer any position limit violation it deems egregious to the Chief Regulatory Officer for consideration of the issuance of charges.
- iv. Appeal. Parties may, within 10 Business Days of being provided notice of sanctions issued pursuant to this section, request an appeal to the Exchange Practices Committee.
- (a) Upon receiving a written request for appeal, the Chair of the Exchange Practices Committee shall determine solely upon the written request for appeal and any written response of the Market Regulation Department, whether there is a reasonable basis to conclude that the appellant might be able to meet one of the standards identified in subsection b below that would permit the Exchange Practices Committee to set aside, modify or amend the appealed decision. If the Chair determines that such a reasonable basis exists, a hearing will be held. The Exchange Practices Committee Chair's determination of whether to hold a hearing on an appeal shall be final. If a hearing is held the Chair shall allow the filing of briefs in connection with the appeal.
  - (b) The Exchange Practices Committee shall not set aside, modify or amend the appealed decision unless it determines by a majority vote that the decision was:
    - (i) Arbitrary, capricious, or an abuse of the Market Regulation Department's discretion;
    - (ii) In excess of the Market Regulation Department's authority or jurisdiction; or,
    - (iii) Based on a clearly erroneous application or interpretation of Exchange Rules.
  - (c) If a hearing is held, the Exchange Practices Committee shall issue a written decision which shall include a statement of findings with respect to the decision from which the appeal was taken and the Exchange Practices Committee's determination that such initial decision is affirmed, set aside, modified or amended in whole or in part and, with respect to any initial

decision that is not affirmed in whole, the Exchange Practices Committee's determination of the order or penalty to be imposed, if any, and the effective date. The decision of the Exchange Practices Committee shall be final and may not be appealed.

**RULE 531. Position Accountability**

- (a) A Participant who holds or controls, or a Participant or Clearing Firm that carries for another Person, aggregate positions in excess of those specified in the Position Accountability column in the Table in Rule 533, shall:
  - (1) Provide, in a timely manner upon request by the Market Regulation Department, information regarding the nature of the position, trading strategy, and hedging information, if applicable.
  - (2) Be deemed to have consented, when so ordered by the Exchange, not to further increase the positions which exceed the levels specified in the Position Accountability column in the Table in Rule 533.
  - (3) Initiate and/or liquidate such positions in an orderly manner.
- (b) For purposes of this rule, all positions in accounts for which a Participant, by power of attorney or otherwise, directly or indirectly controls trading shall be included with the positions held by such Participant. The provisions of this rule shall apply to positions held by two or more Participants acting pursuant to an expressed or implied agreement or understanding, the same as if the positions were held by or the trading of the positions was controlled by a single Participant.

**RULE 532. Reports of Large Positions and Ownership and Control Reporting**

- (a) Large Trader Reporting
  - (1) Clearing Firms shall submit to the Exchange a daily report of all positions at or above the Reportable Futures Level as set forth in the Table in Rule 533 ("Large Trader Report").
  - (2) Positions at or above the Reportable Futures Level in a discrete Commodity Code trigger reportable status. For a person in reportable status in a discrete Commodity Code, all positions, regardless of size, in the same discrete Commodity Code must be reported.
  - (3) All Large Trader Reports shall be submitted in a form acceptable to the Market Regulation Department. The Exchange may require that more than one Large Trader Report be submitted daily. The Regulatory Oversight Committee or the Market Regulation Department may require reports from any Clearing Firm on a lesser number of positions than reflected in the Table in Rule 533.
- (b) Ownership and Control Reporting
  - (1) Clearing Firms must provide the Market Regulation Department with the required CFTC Form 102A and/or Form 102B identifying the owner, any controlling parties and any additional required information for each reportable account. A reportable account for the purposes of this Rule 532(b)(1) is an account at or above the Reportable Futures Level and/or the Volume Threshold

Reportable Level as identified in the table in Rule 533.

- (2) The applicable Form 102A and/or Form 102B must be submitted to the Market Regulation Department no later than 9:00 am Eastern Time on the Business Day following the date on which the account becomes reportable. Additionally, Clearing Firms must submit a revised form reflecting any material changes to the information previously provided to the Market Regulation Department within three Business Days of such changes becoming effective. In the absence of any material changes, the Exchange may require electronic submission of a new Form 102A and/or Form 102B on an annual basis for the maintenance of accurate records.

**RULE 533. Position Limit, Position Accountability, Reportable Level, and Volume Threshold Level Table**

The reportable levels for all Contracts covering Position Limit, Position Accountability, Reportable Level, and Volume Thresholds will be made available to Market Participants.

**RULE 534. The Exchange Trading System Access Restrictions**

- (a) All Participants permissioned to connect to the Exchange Trading System, including direct connections of Participants, to the extent permitted by the Exchange, must be guaranteed by a Clearing Firm that assumes financial responsibility for Participant. With respect to transactions given up to other Clearing Firms, such guarantee is effective only until such time that the other Clearing Firm accepts the trade. A trade given up to another Clearing Firm will be deemed to have been accepted by such Clearing Firm if the trade is not rejected by the close of business on the business day following the trade date. The acceptance of a trade by a Clearing Firm shall not relieve any Participant, Authorized Trader, or Clearing Firm of the duty to act in accordance with the Rules.
- (b) All individuals entering Customer Orders in other than a clerical capacity must have appropriate industry registration. Customer Orders may be entered only from the premises of an entity registered to conduct Customer business.
- (c) Clearing Firms shall assist the Exchange in any investigation into potential violations of the Exchange Rules or the CEA which occur through or with respect to an Exchange Trading System connection guaranteed by the Clearing Firm. Such assistance must be timely and may include, but not be limited to, requiring any Participant or Customer to produce documents, to answer questions from the Exchange, and/or to appear in connection with an investigation. Upon request by the Exchange, Clearing Firms shall suspend or terminate a Participant's or Customer's access if the Exchange determines that the actions of the Participant or Customer threaten the integrity or liquidity of any Contract or violate any Exchange Rule or the CEA, or if the Customer fails to cooperate in an investigation.
- (d) If a Clearing Firm has actual or constructive notice of a violation of Exchange Rules in connection with the use of the Exchange Trading System by a Participant or Customer for which it has authorized a direct connection and the Clearing Firm fails to take appropriate action within a reasonable length of time, the Clearing Firm may be found to have committed an act detrimental the Exchange.

**RULE 535. Identification of Authorized Traders and Authorized Brokers**

Each Authorized Trader, Authorized Broker, and Customer (including, if the customer is an entity the individual who is authorized to utilize the Exchange on behalf of the Customer) shall be identified to the Exchange by a unique identifier, in the manner prescribed by the Exchange, and shall be subject to Exchange Rules. It is the duty of the Clearing Firm and Participant Firm to ensure that each Authorized Trader, Authorized Boker, or Customer of the firm has been assigned and uses a unique identifier to access the Exchange Trading System. In no event may a Person enter an Order or permit the entry of an Order by an individual using a unique identifier other than the individual's own unique identifier.

**RULE 536. LIMITATION OF LIABILITY, NO WARRANTIES**

- (a) EXCEPT AS PROVIDED BELOW, AND EXCEPT IN INSTANCES WHERE A PARTY HAS BEEN FINALLY ADJUDICATED TO HAVE ENGAGED IN WILLFUL OR WANTON MISCONDUCT, IN WHICH CASE THE PARTY FOUND TO HAVE ENGAGED IN SUCH CONDUCT CANNOT AVAIL ITSELF OF THE PROTECTIONS IN THIS RULE 536, NEITHER THE EXCHANGE (INCLUDING ITS SUBSIDIARIES AND AFFILIATES, AND ANY TECHNOLOGY SERVICES PROVIDER AND CONTRACTORS PROVIDING SERVICES TO THE EXCHANGE), NOR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, CONSULTANTS, AND LICENSORS (THE "DISCLAIMING PARTY" OR "DISCLAIMING PARTIES") SHALL BE LIABLE TO ANY PERSON FOR ANY LOSSES, DAMAGES, COSTS OR EXPENSES (INCLUDING, BUT NOT LIMITED TO, LOSS OF PROFITS, LOSS OF USE, AND DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES), ARISING FROM:
- (1) ANY FAILURE, MALFUNCTION, FAULT IN DELIVERY, DELAY, OMISSION, SUSPENSION, INACCURACY, INTERRUPTION, TERMINATION, OR ANY OTHER EVENT, IN CONNECTION WITH THE FURNISHING, PERFORMANCE, OPERATION, MAINTENANCE, USE OF OR INABILITY TO USE ALL OR ANY PART OF ANY OF THE SYSTEMS AND SERVICES OF THE EXCHANGE, OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS AND SERVICES, INCLUDING WITHOUT LIMITATION ELECTRONIC ORDER ENTRY/DELIVERY, TRADING THROUGH ANY ELECTRONIC MEANS, ELECTRONIC COMMUNICATION OF MARKET DATA OR INFORMATION, WORKSTATIONS USED BY PARTICIPANTS AND AUTHORIZED TRADERS, PRICE REPORTING SYSTEMS AND ANY AND ALL TERMINALS, COMMUNICATIONS NETWORKS, CENTRAL COMPUTERS, SOFTWARE, HARDWARE, AND FIRMWARE RELATING THERETO; OR
  - (2) ANY FAILURE OR MALFUNCTION, FAULT IN DELIVERY, DELAY, OMISSION, SUSPENSION, INACCURACY, INTERRUPTION OR TERMINATION, OR ANY OTHER EVENT, OF ANY SYSTEM OR SERVICE OF THE EXCHANGE, OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS OR SERVICES, CAUSED BY ANY THIRD PARTIES INCLUDING,



- BUT NOT LIMITED TO, INDEPENDENT SOFTWARE VENDORS AND NETWORK PROVIDERS; OR
- (3) ANY ERRORS OR INACCURACIES IN INFORMATION PROVIDED BY THE EXCHANGE OR ANY OR ANY OF THE EXCHANGE'S SYSTEMS, SERVICES OR FACILITIES; EXCEPT FOR INCORRECT ORDER STATUSING INFORMATION AS PROVIDED IN RULE 539 (THE EXCHANGE CONTROL CENTER); OR
  - (4) ANY UNAUTHORIZED ACCESS TO OR UNAUTHORIZED USE OF ANY OF THE EXCHANGE'S SYSTEMS, SERVICES, EQUIPMENT OR FACILITIES BY ANY PERSON. THE FOREGOING LIMITATION OF LIABILITY SHALL APPLY WHETHER A CLAIM ARISES IN CONTRACT, TORT, NEGLIGENCE, STRICT LIABILITY, CONTRIBUTION OR OTHERWISE AND WHETHER THE CLAIM IS BROUGHT DIRECTLY OR AS A THIRD PARTY CLAIM. THE FOREGOING LIMITATION OF LIABILITY SHALL BE SUBJECT TO THE CEA AND REGULATIONS THEREUNDER.
- (b) NOTWITHSTANDING SUBSECTION (a), (c),(e), or (f) Of THIS RULE 536, IN NO EVENT SHALL THE PLATFORM TECHNOLOGY SERVICES PROVIDER BE LIABLE TO ANY PERSON NOR SHALL ANY PERSON BRING ANY LEGAL ACTION (WHETHER IN TORT, NEGLIGENCE, OR BREACH OF CONTRACT) FOR ANY LOSSES, DAMAGES, COSTS OR EXPENSES INCLUDING, BUT NOT LIMITED TO LOSS OF PROFITS, LOSS OF USE, DIRECT, SPECIAL, PUNITIVE, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES, ARISING FROM THE USE OF THE PLATFORM. THE TERM PLATFORM TECHNOLOGY SERVICES PROVIDER REFERS TO THE SPECIFIC TECHNOLOGY SERVICES PROVIDER PROVIDING SERVICES AT THE INCEPTION OF THE EXCHANGE AS A DESIGNATED CONTRACT MARKET.
- (c) THERE ARE NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS (INCLUDING BUT NOT LIMITED TO WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE OR USE) PROVIDED BY THE DISCLAIMING PARTY OR DISCLAIMING PARTIES RELATING TO ANY SYSTEMS OR SERVICES OF THE EXCHANGE OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS OR SERVICES, INCLUDING THE EXCHANGE TRADING SYSTEM.
- (d) ANY DISPUTE ARISING OUT OF THE USE OF SYSTEMS OR SERVICES OF THE EXCHANGE OR SERVICES, EQUIPMENT, OR FACILITIES USED TO SUPPORT SUCH SYSTEMS OR SERVICES IN WHICH THE DISCLAIMING PARTY OR DISCLAIMING PARTIES IS A PARTY SHALL BE ARBITRATED PURSUANT TO CHAPTER 8. ANY ARBITRATION SHALL BE BROUGHT WITHIN THE PERIOD PRESCRIBED BY CHAPTER 8. ANY OTHER ACTIONS, SUITS OR PROCEEDINGS AGAINST THE DISCLAIMING PARTY OR DISCLAIMING PARTIES MUST BE BROUGHT WITHIN TWO YEARS FROM THE TIME THAT A CAUSE OF ACTION HAS ACCRUED. THIS PARAGRAPH ( d) SHALL IN NO WAY BE CONSTRUED TO LIMIT A PARTY'S OBLIGATION TO ARBITRATE ITS CLAIM OR TO CREATE A CAUSE OF ACTION AND SHALL NOT AUTHORIZE AN ACTION THAT WOULD

OTHERWISE BE PROHIBITED BY EXCHANGE RULES. IF FOR ANY REASON, A COURT OF COMPETENT JURISDICTION FINDS THAT A DISPUTE IS NOT ARBITRABLE, SUCH DISPUTE MAY ONLY BE LITIGATED IN THE COUNTY OF COOK IN THE STATE OF ILLINOIS AND WILL BE GOVERNED BY THE LAWS OF THE STATE OF ILLINOIS WITHOUT REGARD TO ANY PROVISIONS OF ILLINOIS LAW THAT WOULD APPLY THE SUBSTANTIVE LAW OF A DIFFERENT JURISDICTION.

- (e) THE DISCLAIMING PARTY OR DISCLAIMING PARTIES, MAY, IN ITS SOLE DISCRETION, ASSUME RESPONSIBILITY FOR DIRECT, OUT-OF-POCKET LOSSES DIRECTLY CAUSED BY THE GROSS NEGLIGENCE OF EXCHANGE
- (f) MARKET OPERATIONS OR OTHER EXCHANGE STAFF AND/OR ORDER STATUS ERRORS PROVIDED BY EXCHANGE MARKET OPERATIONS OR AN EXCHANGE SYSTEM, EQUIPMENT, SERVICE OR FACILITY. NOTWITHSTANDING THE ABOVE,
  - i) THE EXCHANGE'S TOTAL COMBINED AGGREGATE OBLIGATIONS SHALL NOT EXCEED \$1,000 FOR ANY SINGLE CLAIM, AND \$10,000 FOR ALL CLAIMS. ANY DISPUTED CLAIM PURSUANT TO THIS PARAGRAPH ( e) MUST BE ARBITRATED PURSUANT TO CHAPTER 8.
- (g) IN NO EVENT SHALL THE DISCLAIMING PARTY OR DISCLAIMING PARTIES TOTAL COMBINED AGGREGATE LIABILITY FOR ALL CLAIMS ARISING OUT OF ANY FAILURES, MALFUNCTIONS, FAULTS IN DELIVERY, DELAYS, OMISSIONS, SUSPENSIONS, INACCURACIES, INTERRUPTIONS, TERMINATIONS, OR ANY OTHER CAUSES, IN CONNECTION WITH THE FURNISHING, PERFORMANCE, OPERATION, MAINTENANCE, USE OF OR INABILITY TO USE ALL OR ANY PART OF ANY OF THE EXCHANGE'S SYSTEMS OR SERVICES, OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS AND SERVICES, OR THE NEGLIGENCE OF EXCHANGE STAFF EXCEED \$50,000 IN ANY GIVEN CALENDAR YEAR. IF THE NUMBER OF ALLOWED CLAIMS ARISING OUT OF ANY FAILURES OR MALFUNCTIONS ON A SINGLE DAY OR SINGLE MONTH CANNOT BE FULLY SATISFIED BECAUSE OF THE ABOVE DOLLAR LIMITATIONS, ALL SUCH CLAIMS SHALL BE LIMITED TO A PRO RATA SHARE OF THE MAXIMUM AMOUNT FOR THE RESPECTIVE PERIOD. NOTWITHSTANDING ANY OF THE FOREGOING PROVISIONS, THIS RULE 536 WILL IN NO WAY LIMIT THE LIABILITY OF ANY PERSON ARISING FROM ANY VIOLATION BY SUCH PERSON OF THE CEA OR THE COMMISSION REGULATIONS THEREUNDER.

**RULE 537. The Exchange Control Center**

- (a) Customer Support.
  - (1) The Exchange Control Center ("ECC") provides The Exchange Trading System customer support and problem management only to Clearing Firms, Participants and Authorized Traders.
  - (2) In order to be eligible for ECC support, such Persons must be identified on a Participant as an authorized contact with the ECC ("Authorized Contacts"). The ECC provides customer support via a specified telephone number and during specified hours.

- (3) ECC employees may not always be available to assist Authorized Contacts.
  - (4) Persons other than Authorized Contacts must contact their Clearing Firms to make support requests.
- (b) ECC Communications.
- (1) As provided in Rule 537, the Exchange shall not be liable for any loss resulting from any inability to communicate with the ECC.
  - (2) The liability of the Exchange for the negligent acts of ECC staff shall be subject to the limitations and conditions of Rule 537.
  - (3) In no event, however, shall the Exchange be liable for the negligence of the ECC if the Person claiming to have suffered a loss could have secured the support it sought from ECC through its own administrative terminal, its Clearing Firm's terminal or an Independent Software Vendor's ("ISV") terminal.
  - (4) For purposes of this rule, a Person is deemed able to take action through its own administrative terminal, a Clearing Firm's terminal or an ISV's terminal unless such terminal was inoperative or such terminal service was interrupted at the time the ECC took action.
- (c) Order Status
- (1) A Person who believes he has received an incorrect Order status or does not receive an appropriate status shall immediately notify the ECC. Additionally, such Person shall take any necessary and appropriate market action to mitigate any potential losses arising from the incorrect Order status or lack of appropriate Order status immediately after the Person knew or should have known that the Order status information was incorrect or should have been received. Any liability of the Exchange for incorrect Order status shall be subject to the limitations and conditions of Rule 537.
  - (2) Notwithstanding the above, the Exchange shall not be liable for losses related to incorrect Order status information if the Exchange provides prior notification that an Exchange system, service or facility may produce such incorrect information and also provides notification of a means to obtain correct Order status information from such system, service or facility. In the event that the ECC and an Exchange system, service or facility provide conflicting information relating to an Order status, a Customer may only reasonably rely on the information received from the ECC. Any liability of the Exchange shall be subject to the liability caps and conditions of Rule 537.

### **RULE 538. The Exchange Trading System Algorithms**

The Exchange trading system and matching algorithm is designed to provide a fair, transparent, and efficient market for Participants. The Exchange will use a price-time priority matching algorithm for its Central Limit Order Book "CLOB" providing a fully inclusive, real-time, and accurate market data to all Participants. The Exchange trading system will allocate an incoming aggressor order among the Lead Market Maker resting orders at the best price using the price-time priority matching algorithm with any remaining quantity allocated to all other orders at the best price using the price-time priority matching algorithm.

### **RULE 539. Trade Cancellations and Price Adjustments**

- (a) Exchange Control Center Authority Regarding Trade Cancellations and Price Adjustments
  - (1) The EXchange Control Center (“ECC”) has authority to 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 Trading System or by system defects.
  - (2) Notwithstanding any other provisions of this Rule, the ECC may adjust trade prices or bust any trade if the ECC determines that allowing the trade to stand as executed may have a material, adverse effect on the integrity of the market.
  - (3) All decisions of the ECC shall be final.
- (b) Review of Trades
  - (1) The ECC may determine to review a trade based on its independent analysis of market activity or upon request for review by a user of the Exchange Trading System. A request for review must be made to the ECC via phone within 10 minutes of the execution of the trade.
  - (2) The ECC shall determine whether or not a trade will be subject to review. In the absence of a timely request for review, during volatile market conditions, upon the release of significant news, or in any other circumstance in which the ECC deems it to be appropriate, the ECC may determine, in its sole discretion, that a trade shall not be subject to review.
  - (3) Upon deciding to review a trade, the ECC will promptly issue an alert to all Participants via the Exchange Trading System or electronic mail indicating that the trade is under review.
- (c) Price Adjustments and Cancellations
  - (1) In reviewing a trade, the ECC will first determine whether the trade price is within the Non-Reviewable Range for futures or within the Bid/Ask Reasonability Allowance for options, as described in Rule 539(g). The Bid/Ask Reasonability Allowance for an option is the maximum width of the bid/ask range which will be considered reasonable for use in applying the parameters necessary to establish the Non-Reviewable Range for the option.
  - (2) In applying the Non-Reviewable Range, the ECC shall determine the fair value market price for that contract at the time the trade under review occurred. The ECC may consider any relevant information, including, but not limited to, the last trade price in the contract or a better bid or offer price on the Exchange Trading System, a more recent price for a different maturity date, the price of the same or related contract established in another venue or another market, the market conditions at the time of the trade, and the theoretical value of an option based on the most recent implied volatility.
  - (3) Trade Price Inside the Non-Reviewable Range. If the ECC determines that the price of the trade is inside the Non-Reviewable Range, the ECC will issue an alert indicating that the trade shall stand.
  - (4) Trade Price Outside the Non-Reviewable Range
    - i. Futures Contracts

If the ECC determines that a trade price is outside the Non-Reviewable Range for a futures contract, the trade price shall be adjusted to a price that equals the fair value market price for that contract at the time the trade under review occurred, plus or minus the Non-Reviewable Range. If the trade at issue involves multiple parties, prices and/or contracts, the ECC has the authority, but not the obligation, to bust or price adjust such transactions. The ECC will issue an alert regarding its decision.

ii. Option Contracts

If the ECC determines that a trade price is outside the applicable Non-Reviewable Range for an option contract, the trade price shall be adjusted. In the case of a buy (sell) error, the price will be adjusted to the determined ask (bid) price set forth in the Bid/Ask Reasonability Allowance in Section G plus (minus) the Non-Reviewable Range. If the trade at issue involves multiple parties, prices and/or contracts, the ECC has the authority, but not the obligation, to bust or price adjust such transactions. The ECC will issue an alert regarding its decision.

iii. Busted or adjusted trades shall be cancelled in the Exchange's official record of time and sales. Trades that are price adjusted shall be inserted in the time and sales record at the adjusted trade price.

(d) Alternative Resolution by Agreement of Parties

- (1) With the approval of the ECC, parties to a trade that is price adjusted may instead mutually agree to cancel the trade.
- (2) With the approval of the ECC, parties to a trade that is busted may instead mutually agree to price adjust the trade to a price consistent with the adjustment provisions of Rule 539(c).
- (3) Subject to section (d)(1) and (d)(2), parties to a trade that is cancelled or price adjusted may mutually agree to a cash adjustment provided that such adjustments are reported to the ECC and the parties maintain a record of the adjustment.
- (4) An executed trade may not be reversed via transfer except where such trade is determined by ECC to be outside of the Non-Reviewable Range but not reported timely, subject to agreement of the parties and approval of the ECC. Any such transfer must occur at the original trade price and quantity; however the parties may mutually agree to a cash adjustment.

(e) Liability for Losses Resulting from Price Adjustments or Cancellations

- (1) A party entering an order that results in a price adjustment or trade bust shall be responsible for demonstrated claims of realized losses incurred by persons whose trade prices were adjusted or busted provided, however, that a claimant shall not be entitled to compensation for losses incurred as a result of the claimant's failure to take reasonable actions to mitigate the loss.
- (2) A claim for a loss pursuant to this section must be submitted to the Exchange on an Exchange claim form within one business day of the event giving rise to the claim. The Exchange will reject any claim that is not filed in a timely manner and such decisions shall be final. Eligible claims shall be forwarded by the

Exchange to the party responsible for the order(s) that resulted in a trade bust or a price adjustment and to the Clearing Firm through which the trade was placed. Such party, or the Clearing Firm on behalf of the party, shall, within ten business days of receipt of the claim, admit or deny responsibility in whole or in part. Failure to respond to the claim within ten business days shall be considered a denial of liability.

- (3) To the extent that liability is admitted, payment shall be made within ten business days. Unless otherwise agreed upon in writing by the parties, failure to make the payment within ten (10) business days shall be considered a denial of liability for purposes of this rule. A copy of any such written agreement must be provided to the Exchange.
  - (4) To the extent that liability is denied, the party making the claim may submit the claim for arbitration pursuant to Chapter 8 of the Rules. Such claims must be submitted to the ECC within ten business days of the date the party was issued notification that liability was denied.
- (f) **Schedule of Administrative Fees**  
When ECC busts or price adjusts a trade, the party responsible for entering the order into the Exchange Trading System that gave rise to the trade bust or price adjustment shall pay an administrative fee to the Exchange in the amount of \$500 for each such occurrence.
- (g) Exchange Entity Non-Reviewable Ranges will be made available on the Exchange website <https://www.lmxlabs.com>.

## CHAPTER 6: PRIVATELY NEGOTIATED TRANSACTIONS

### RULE 601. Block Trades

- (a) The Exchange shall designate the products in which block trades shall be permitted and determine the minimum quantity thresholds for such transactions.
- (b) Products designated for Block Trades.  
None.
- (c) The following shall govern block trades:
  - (1) A block trade must be for a quantity that is at or in excess of the applicable minimum threshold. Orders may not be aggregated in order to achieve the minimum transaction size, except by those entities described in Sections (9) and (10) below and as provided in Rule 601(c)(2).
  - (2) Each Person to a block trade must be an Eligible Contract Participant.
  - (3) A broker for a Person shall not execute any order by means of a block trade for a Person unless such Person has specified that the order be executed as a block trade.
  - (4) The price at which a block trade is executed must be fair and reasonable in light of (i) the size of the block trade, (ii) the prices and sizes of other transactions in the same contract at the relevant time, (iii) the prices and sizes of transactions in other relevant markets, including without limitation the underlying cash market or related futures markets, at the relevant time, and (iv) the circumstances of the markets or the Participants to the block trade.
  - (5) Block trades shall not set off conditional orders (e.g., Stop Orders and MIT Orders) or otherwise affect orders in the regular market.
  - (6) One of the Persons or the broker of one of the Persons to the block trade must ensure that each block trade is reported to the Exchange within 5 minutes of the transaction. The Exchange shall promptly publish such information separately from the reports of transactions in the regular market.
  - (7) Reporting Method and Information
    - i. Block trades must be reported to the Exchange by calling the Exchange Control Center or in accordance with another approved reporting method.
    - ii. The block trade report must include the information related to the block trade specified in the Exchange's approved reporting method, including: the identification of parties to the block trade; product details; trade quantity, price, and time; and, Clearing Firm.
  - (8) Clearing Firms, Participants, Participant Firms, and Broker Firms involved in the execution of block trades must maintain a record of the transaction in accordance with Rules 401.
  - (9) A commodity trading advisor ("CTA") registered or exempt from registration under the Act, including, without limitation, any investment advisor registered or exempt from registration under the Investment Advisors Act of 1940, or principal thereof, shall be the applicable entity for purposes of Sections (1), (3), (4) and (5), provided such advisors have total assets under management exceeding \$25 million and the block trade is suitable for the customers of such advisors.

- (10) A foreign Person performing a similar role or function to a CTA or investment advisor as described in Section 10, or principal thereof, and subject as such to foreign regulation, shall be the applicable entity for purposes of Sections (1), (3), (4) and (5), provided such Persons have total assets under management exceeding \$25 million and the block trade is suitable for the customers of such Persons.

**RULE 602. Exchange of Derivatives for Related Positions**

- (a) The Exchange shall designate the products in which Exchange of Derivatives for Related Position (“EDRP”) are permitted.
- (b) EDRPs Permitted  
None.
- (c) Nature of an EDRP
- (1) An EDRP consists of two discrete but related simultaneous transactions. One party to the EDRP must be the buyer of (or the holder of the long market exposure associated with) the related position and the seller of the corresponding Contract. The other party to the EDRP must be the seller of (or the holder of the short market exposure associated with) the related position and the buyer of the corresponding Contract.
- (2) However, a Participant may facilitate, as principal, the related position on behalf of a Customer, provided that the Participant can demonstrate that the related position was passed through to the Customer who received the Exchange Contract position as part of the EDRP.
- (d) Related Positions  
The related position (cash, OTC swap, OTC option, or other OTC derivative) must be a derivative or related product of such Contract that has a reasonable degree of price correlation and quantitative equivalence to the Contract.
- (e) Quantity  
The quantity covered by the related position must be approximately equivalent to the quantity covered by the Exchange Contracts.
- (f) Prices and Price Increments  
An EDRP transaction may be entered into in accordance with the applicable price increments or option premium increments set forth in the rules governing the pertinent Contracts, at such prices as are mutually agreed upon by the two parties to the transaction.
- (g) Date and Time of Transaction  
The date and the time of execution of all EDRP transactions must be denoted on the record of the transaction required to be created pursuant to Rule 401.
- (h) Termination of Trading in Exchange Contracts  
EDRP transactions may be permitted after termination of trading in expiring Contracts, as prescribed in the applicable rules governing such Contracts. Such transactions shall not establish new positions.
- (i) Identification and Submission to the Exchange  
Each EDRP transaction shall be designated as such and shall be cleared through the



Clearing House. Each such transaction shall be submitted to the Exchange within the time period and in the manner specified by the Exchange. Participant Firms are responsible for exercising due diligence as to the bona fide nature of EDRP transactions submitted on behalf of Customers.

- (j) Documentation  
Parties to any EDRP transaction must maintain all documents relevant to the Exchange Contract and the cash, OTC swap, OTC option, or other OTC derivative, including all documents customarily generated in accordance with relevant market practices and any documents reflecting payment and transfer of title. Any such documents must be provided to the Exchange upon request, and it shall be the responsibility of the submitting Participant Firm to provide such requested documentation on a timely basis.
- (k) Account Requirements  
The accounts involved in the execution of an EDRP transaction must be:
  - (1) independently controlled accounts with different beneficial ownership; or
  - (2) independently controlled accounts of separate legal entities with the same beneficial ownership, provided that the account controllers operate in separate business units; or
  - (3) independently controlled accounts within the same legal entity, provided that the account controllers operate in separate business units; or
  - (4) commonly controlled accounts of separate legal entities, provided that the separate legal entities have different beneficial ownership.
- (l) Large Trader Requirements for EDRP Transactions  
Each Clearing Firm, omnibus account and foreign broker submitting large trader positions in accordance with Rule 532 must submit for each reportable account the EDRP volume bought and sold in the reportable instrument, by contract month, and additionally for EEOs, by put and call strike. The information must be included in the daily Large Trader report to the Exchange.

**RULE 603. Recordkeeping Requirements for Privately Negotiated Trades**

All Orders executed in accordance with Rule 601 and 602, unless otherwise exempted by Rule, are subject to the following recordation requirements.

- (a) At the time of execution, every Order received from a Customer must be in the form of a written or electronic record and include an electronic timestamp reflecting the date and time such Order was received and must identify the specific account(s) for which the Order was placed.
- (b) Such record shall also include an electronic timestamp reflecting the date and time such Order was executed or cancelled.

## CHAPTER 7: DISCIPLINARY RULES

### RULE 701. General

- (a) All Participants shall be subject to the Exchange's jurisdiction. All Participants are subject to this Chapter 7 if they, or with respect to a Participant, any other Person using any of its User IDs, 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 any provision of Applicable Law for which the Exchange possesses disciplinary jurisdiction.
- (b) The Exchange, through the Market Regulation Department and the Disciplinary Panel, will conduct inquiries, investigations, disciplinary proceedings and appeals from disciplinary proceedings, summary impositions of fines, summary suspensions or other summary actions in accordance with this Chapter 7.
- (c) No Exchange Official, Director, or Officer 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 the Exchange Rules with respect to a proceeding in which the Director is a member of the relevant Appeal Panel.
- (d) Any Participant may be represented by counsel during any Disciplinary Action pursuant to this Chapter 7.
- (e) Participant Liability – Individual and Joint Liability/Controlling Person Liability
  - (1) The Exchange may hold a Participant liable for, and impose sanctions against such Participant, for such Participant's own acts and omissions that constitute a violation as well as for the acts and omissions of each (A) Authorized Trader or Authorized Broker authorized by such Participant, (B) other Supervised Person of such Participant, (C) other Person using a User ID of such Participant or (D) other agent or representative of such Participant, in each case, that constitute a violation as if such violation were that of the Participant.
  - (2) The Exchange may hold an Authorized Trader or Authorized Broker liable for, and impose sanctions against such Authorized Trader or Authorized Broker, for such Authorized Trader's or Authorized Broker's own acts and omissions that constitute a violation as well as or for the acts and omissions of any other agent or representative of such Authorized Trader or Authorized Broker that constitute a violation as if such violation were that of the Authorized Trader or Authorized Broker.
- (f) Ex Parte Communications.
  - (1) A Person subject to a disciplinary proceeding or an appeal from a disciplinary proceeding (and any counsel or representative of such Person) and the Market Regulation Department (and any counsel or representative of the Market Regulation Department) shall not knowingly make or cause to be made an ex parte communication relevant to the merits of a disciplinary proceeding or an appeal from a disciplinary proceeding to any member of the Disciplinary Panel or the Appeal Panel hearing such proceeding.
  - (2) Members of a Disciplinary Panel or Appeal Panel shall not knowingly make or

cause to be made an *ex parte* communication relevant to the merits of a disciplinary proceeding or an appeal from a disciplinary proceeding to any Person subject to such proceeding (and any counsel or representative of such Person) and the Market Regulation Department (and any counsel or representative of the Market Regulation Department).

- (3) Any Person who receives, makes or learns of any communication that is prohibited by this rule shall promptly give notice of such communication and any response thereto to the Market Regulation Department and all parties to the proceeding to which the communication relates.
- (4) A Person shall not be deemed to have violated this rule if the Person refuses an attempted communication concerning the merits of a proceeding as soon as it becomes apparent the communication concerns the merits.

#### **RULE 702. Inquiries and Investigation**

- (a) The Market Regulation Department will investigate any matter within the Exchange's jurisdiction of which it becomes aware. The Market Regulation Department 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 Market Regulation Department indicates a possible basis for finding that a violation has occurred or will occur. The Market Regulation Department will determine the nature and scope of its inquiries and investigations in its sole discretion and will function independently of any commercial interests of the Exchange.
- (b) The Market Regulation Department has the authority to:
  - (1) initiate and conduct inquiries and investigations;
  - (2) prepare investigative reports and make recommendations concerning initiating disciplinary proceedings;
  - (3) prosecute alleged violations within the Exchange's disciplinary jurisdiction; and,
  - (4) represent the Exchange on appeal from any disciplinary proceeding, summary imposition of fines, summary suspension or other summary action.
- (c) Each Participant:
  - (1) is obligated to appear and testify and respond in writing to interrogatories within the time period required by the Market Regulation Department in connection with:
    - i. any Exchange Rule;
    - ii. any inquiry or investigation; or
    - iii. any preparation by and presentation during a Disciplinary Action;
  - (2) is obligated to produce books, records, papers, documents or other tangible evidence in its, his or her possession, custody or control within the time period required by the Market Regulation Department in connection with:
    - i. any Exchange Rule;
    - ii. any inquiry or investigation; or
    - iii. any preparation by and presentation during a Disciplinary Action; and
  - (3) may not impede or delay any Disciplinary Action.

### **RULE 703. Reports of Investigations**

- (a) The Market Regulation Department will maintain a log of all investigations and their disposition. The Market Regulation Department will prepare a written report of each investigation, regardless of whether the evidence gathered during any inquiry or investigation forms a reasonable basis to believe that a violation within the Exchange's jurisdiction has occurred or is about to occur or whether the evidence gathered results in closing the matter without further action or through summary action.
- (b) Any written report of investigation ("Investigative Report") will include the reasons for initiating the investigation (including a summary of the complaint, if any), all relevant facts and evidence gathered, Market Regulation Department staff's analysis and conclusions, the Participant's disciplinary history at the Exchange, and the recommendation of the Market Regulation Department. For each potential respondent, the Market Regulation Department will recommend either:
  - (1) closing the investigation without further action;
  - (2) settlement;
  - (3) summary action;
  - (4) the preparation and service of a notice of charges for instituting a disciplinary proceeding; or,
  - (5) 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) The Investigative Report will be provided to the Chief Regulatory Officer for a determination as to whether the Investigative Report is complete. The Chief Regulatory Officer will then provide the completed Investigative Report to the Review Panel of the Disciplinary Panel.

### **RULE 704. Opportunity to Respond**

- (a) After completing its investigation report, the Market Regulation Department may, upon approval of the Chief Regulatory Officer, notify each potential respondent that the Market Regulation Department has recommended formal disciplinary charges against the potential respondent.
- (b) The Market Regulation Department may allow a potential respondent to propose a settlement of the matter or to submit a written statement explaining why a disciplinary proceeding should not be instituted or one or more of the potential charges should not be brought. The potential respondent shall submit such written statement within the time limit established by the Market Regulation Department.
- (c) If the respondent has requested a hearing, a copy of the hearing must be made and must become a part of the record of the proceeding. The record must be one that is capable of being accurately transcribed; however, it need not be transcribed unless the transcript is requested by Commission staff or the respondent, the decision is appealed pursuant to the rules of the designated contract market, or is reviewed by the

Commission pursuant to section 8c of the Act or part 9 of this chapter. In all other instances a summary record of a hearing is permitted.

#### **RULE 705. Review of Investigative Reports**

- (a) Review of Investigative Reports by the Chief Regulatory Officer
  - (1) Within 30 days of the receipt of a completed Investigative Report, the Chief Regulatory Officer will review the completed Investigation Report to determine whether a reasonable basis exists to believe that a violation within the Exchange's jurisdiction has occurred or is about to occur.
  - (2) If the Chief Regulatory Officer determines that additional investigation or evidence is needed to decide whether a reasonable basis exists to believe that a violation within the Exchange's jurisdiction has occurred or is about to occur, the Chief Regulatory Officer will direct the Market Regulation Department to conduct further investigation.
  - (3) Upon receiving the completed Investigative Report or after receiving additional information upon the completion of an investigation, the Chief Regulatory Officer will determine for each potential respondent whether to authorize:
    - i. the informal disposition of the investigation (by issuing a warning letter or otherwise) because disciplinary proceedings are unwarranted in which case the Chief Regulatory Officer shall provide a written explanation ; 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 in which case the Chief Regulatory Officer shall provide a written explanation ; 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.
- (b) Review of Investigative Reports by the Review Panel of the Disciplinary Panel.
  - (1) After receiving a completed Investigation Report pursuant to Rule 703, a Review Panel must promptly review the report and, within 30 days of such receipt, must take one of the following actions:
    - i. If the Review Panel determines that additional investigation or evidence is needed, it must promptly direct the Market Regulation Department to conduct further investigation.
    - ii. If the Review Panel determines that no reasonable basis exists for finding a violation or that prosecution is otherwise unwarranted, it may direct that no further action be taken. Such determination must be in writing, and must include a written statement setting forth the facts and analysis supporting the decision and the Chief Regulatory Officer shall provide the written statement .
    - iii. If the Review Panel determines that a reasonable basis exists for finding a violation and adjudication is warranted, it must direct that the person or entity alleged to have committed the violation be served with a notice of charges and proceed in accordance with the rules of Chapter 7.

- (2) A failure of the Disciplinary Panel to act within the time prescribed in Rule 705(b) shall not prevent the Chief Regulatory Officer from acting pursuant to Rule 705(a). The Chief Regulatory Officer shall inform the Regulatory Oversight Committee of any such failure of the Disciplinary Panel to act.
- (3) Any conflict between the actions of the Chief Regulatory Officer pursuant to Rule 705(a) and the Disciplinary Panel pursuant to Rule 705(b) shall be resolved by the Regulatory Oversight Committee.

#### **RULE 706. Notice of Charges**

- (a) If the Chief Regulatory Officer or Review Panel authorizes disciplinary proceedings pursuant to Rule 705(a)(3)(iii) or 703(b)(1)(iii), the Market Regulation Department will prepare, and serve in accordance with Rule 708, a notice of charges.
- (b) A notice of charges will:
  - (1) state the acts, practices or conduct that the respondent is alleged to have engaged in;
  - (2) state the Exchange Rule or provision of Applicable Law alleged to have been violated or about to be violated;
  - (3) state the proposed sanctions;
  - (4) advise the respondent of its right to a hearing;
  - (5) advise the respondent that he has the right to be represented by legal counsel or any other representative of its choosing in all succeeding stages of the disciplinary process; provided, however, that the respondent may not be represented by any member of the Exchange's Board or Disciplinary Panel, any employee of the Exchange, or any person substantially related to the underlying investigations, such as material witness or other respondents;
  - (6) state the period of time within which the respondent can request a hearing on the notice of charges, which will not be less than 20 days after service of the notice of charges;
  - (7) 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
  - (8) advise the respondent that any allegation in the notice of charges that is not expressly denied will be deemed to be admitted.

#### **RULE 707. Answer to Notice of Charges**

- (a) If the respondent determines to answer a notice of charges, the respondent must file answers within 20 days after being served with such notice, or within such other time period determined by the Chief Regulatory Officer.
- (b) To answer a notice of charges, the respondent must in writing:
  - (1) specify the allegations that the respondent denies or admits;
  - (2) specify the allegations that the respondent does not have sufficient information to either deny or admit;
  - (3) specify any specific facts that contradict the notice of charges;
  - (4) specify any affirmative defenses to the notice of charges; and

- (5) sign and serve the answer on the Chief Regulatory Officer.
- (c) Any failure by the respondent to timely serve an answer to a notice of charges will be deemed to be an admission to the allegations in such notice. Any failure by the respondent to answer one or more allegations in a notice of charges will be deemed to be an admission of that allegation or those allegations. Any allegation in a notice of charges that the respondent fails to expressly deny will be deemed to be admitted. A general denial by the respondent, without more, will not satisfy the requirements of paragraph (b) above.

**RULE 708. Service of Notice of Charges**

- (a) Any notice of charges or other documents to be served pursuant to this Chapter 7 may be served upon the respondent and service shall be deemed complete either personally or by leaving the same at his or her place of business; by deposit in the United States mail, postage prepaid, via registered or certified mail addressed to the respondent at the address as it appears on the books and records of the Exchange.
- (b) Any notice of charges or other documents contemplated to be served pursuant to this Chapter 7 may be served upon the respondent and service shall be deemed complete via electronic mail to the electronic mail address as it appears on the books and records of the Exchange.

**RULE 709. Settlements**

- (a) A respondent or potential respondent may at any time propose in writing an offer of settlement related to anticipated or instituted disciplinary proceedings.
- (b) Any offer of settlement should contain proposed findings and sanctions and be signed by the respondent or potential respondent and submitted to the Market Regulation Department.
- (c) A respondent or potential respondent may offer to settle disciplinary proceedings without admitting or denying the findings contained in the order of the disciplinary proceedings but must accept the jurisdiction of the Exchange over it and over the subject matter of the proceedings and consent to the entry of the findings and sanctions imposed.
- (d) If a respondent or potential respondent submits an offer of settlement in accordance with paragraph (a) above, the Market Regulation Department will forward the offer to the Chief Regulatory Officer with a recommendation on whether to accept or reject the offer. Any preliminary determination by the Chief Regulatory Officer to accept the offer shall be submitted for review by the Disciplinary Panel. If the Disciplinary Panel agrees, then the Chief Regulatory Officer shall conditionally accept an offer of settlement, and that the settlement will become final upon the expiration of 20 days after an order of the disciplinary proceedings consistent with the terms of the offer of settlement is served on the respondent.
- (e) If an offer of settlement is accepted by the Disciplinary Panel, the panel accepting the offer must issue a written decision specifying the rule violations it has reason to believe were committed, including the basis or reasons for the panel's conclusions, and any sanction to be imposed, which must include full customer restitution where customer

harm is demonstrated. If an offer of settlement is accepted without the agreement of the Market Regulation Department or Chief Regulatory Officer, the decision must adequately support the Hearing Panel's acceptance of the settlement. 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.

- (f) If an offer of settlement is accepted and the related order of disciplinary proceedings becomes final, the respondent's submission of the offer will be deemed to constitute a waiver of the right to notice, opportunity for a hearing and review and appeal under the Exchange Rules.
- (g) If the offer of settlement of a respondent or potential respondent is not accepted by agreement between the Chief Regulatory Officer and the Disciplinary Panel, fails to become final or is withdrawn by the respondent or potential respondent, the matter will proceed as if the offer had not been made and the offer and all documents relating to it will not become part of the record. Neither a respondent or potential respondent nor the Market Regulation Department may use an unaccepted offer of settlement as an admission or in any other manner at a hearing of, or appeal from, disciplinary proceedings.

#### **RULE 710. Disciplinary Panel**

- (a) The Disciplinary Panel shall function as a Review Panel and Hearing Panel.
  - (1) The Review Panel shall review completed Investigative Reports in order to determine whether a reasonable basis exists for finding a violation of the Exchange's rules and for authorizing the issuance of notices of charges against persons.
  - (2) The Hearing Panel shall conduct hearings in connection with any disciplinary proceedings (except for summary impositions of fines pursuant to Rule 717), to make findings, render decisions, and impose sanctions pursuant to this Chapter 7.
- (b) The Board shall appoint individuals at the recommendation of the Chief Regulatory Officer to serve for a term of one-year, subject to reappointment by the Board, as potential participants on the Disciplinary Panels. The Chief Regulatory Officer shall recommend at least three individuals that will satisfy the conditions of a Public Individuals and at least three individuals who represent the diversity of market participants' interests. The term of an individual that has been selected as a member of a Disciplinary Panel will not expire until the related proceedings are completed. Exchange staff are prohibited from serving on a Disciplinary Panel.
- (c) The chair of any Review Panel or Hearing Panel shall be a Public Individual.
- (d) The Chief Regulatory Officer shall select a separate Review Panel and Hearing Panel prior to the commencement of each investigative or disciplinary matter by randomly selecting at least one Public Individual and the remaining individuals from the industry participant pools so that any group or class of industry participants is precluded from dominating or exercising disproportionate influence on the Disciplinary Panel being formed.
- (e) If an individual selected is an Interested Person or if a member of the Disciplinary Panel



later becomes an Interested Person, a replacement for such individual shall be randomly selected by the Chief Regulatory Officer. Individuals are prohibited from participating as a member of a Disciplinary Panel if such individual participated on a prior Disciplinary Panel proceeding in the same matter.

- (f) Within 10 days of being notified of the appointment of the Disciplinary Panel, a respondent may seek to disqualify any individual named to the Disciplinary Panel for the reasons identified in Rule 213 or for any other reasonable grounds, including that such individual has a financial interest in the matter or that such individual participated on a prior Disciplinary Panel or Appeal Panel proceeding in the same matter, by serving written notice on the Chief Regulatory Officer. By not timely filing a request for disqualification, the respondent will be deemed to have waived any objection to the composition of a Disciplinary Panel. The Chief Regulatory Officer of the Exchange will decide the merits of any request for disqualification within his or her sole discretion. Any such decision will be final and not subject to appeal.
- (g) No person shall serve on a Disciplinary 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 come to his attention in his official capacity as a member of the Disciplinary Panel, except when reporting to the Board or to a committee concerned with such information or to the Market Regulation Department, when requested by the CFTC or other governmental agency or when compelled to testify in any judicial or administrative proceeding.
- (h) All information, records, materials and documents provided to the Disciplinary Panel and all deliberations, testimony, information, records, materials and documents related thereto shall be treated as non-public and confidential and shall not be disclosed, except as necessary to further an Exchange investigation or as required by law.
- (i) The Disciplinary Panel must not include any members of the Exchange's Market Regulation Department or any person involved in adjudicating any other stage of the same proceeding.

#### **RULE 711. Convening Hearings of Disciplinary Proceedings**

- (a) A hearing will be conducted privately and confidentially. Notwithstanding the confidentiality of 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.
- (b) After reasonable notice to each respondent, the Hearing Panel will promptly convene a hearing to conduct the disciplinary proceedings with respect to such respondent. Parties to a disciplinary proceeding include each respondent and the Market Regulation Department.
- (c) The chair of the Hearing Panel may continue, adjourn or otherwise 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. In determining procedural and evidentiary matters, the chair of the Hearing Panel will not be bound by any evidentiary or procedural

rules or law. Once admitted during the hearing, the Hearing Panel may consider, and attach the weight it believes appropriate to, evidence or other materials. The Chief Regulatory Officer of the Exchange, or its designee, will provide guidance to the chair of the Hearing Panel on the conduct of the hearing.

- (d) Except for procedural and evidentiary matters decided by the chair of the Hearing Panel pursuant to paragraph (c) above and Rule 712, unless each respondent otherwise consents, the entire Hearing Panel must be present during the entire hearing and any related deliberations.

#### **RULE 712. Respondent Review of Evidence**

- (a) Prior to the commencement of a hearing, each respondent will be given the opportunity to review all books, records, documents, papers, transcripts of testimony and other tangible evidence in the possession or under the control of the Exchange that the Market Regulation Department will use to support the allegations and proposed sanctions in the notice of charges or which the chair of the Hearing Panel deems relevant to the disciplinary proceedings. Notwithstanding the foregoing, no respondent will have the right to review, and the Exchange will have no obligation to disclose, any information protected by attorney- client privilege.
- (b) If any books, records, documents, papers, transcripts of testimony, or other tangible evidence contain 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 Market Regulation Department, the Market Regulation Department may redact, edit or code such information before furnishing it to the respondent.
- (c) Notwithstanding anything in paragraph (b) above to the contrary, the Market Regulation Department:
  - (1) will not redact, edit or code competitive or investigative information contained in documents in a manner that would impair the respondent's ability to defend against the allegations or proposed sanctions in the notices of charges, and
  - (2) will provide the respondent with access to the information and portions of the documents that the Market Regulation Department intends to rely on to support the allegations or proposed sanctions in the notice of charges.
- (d) For purposes of this Rule 712, information that could adversely affect competitive positions include positions in Contracts currently held, trading strategies employed in establishing or liquidating positions, the identity of any Participant or Authorized Trader and the personal finances of the Person providing the information.

#### **RULE 713. Conducting Hearings of Disciplinary Proceedings**

- (a) At a hearing conducted in connection with any disciplinary proceedings, the Market Regulation Department will present its case supporting the allegations and proposed sanctions in the notice of charges to the Hearing Panel. If a respondent has timely filed an answer to the notice of charges in accordance with Rule 707, the respondent is entitled to attend and participate in the hearing.
- (b) At a hearing conducted in connection with any disciplinary proceedings, the Hearing

Panel or the Market Regulation Department and each respondent may:

- (1) present evidence and facts determined relevant and admissible by the chair of the Hearing Panel;
  - (2) appear personally at the hearing;
  - (3) call and examine witnesses; and
  - (4) cross-examine witnesses called by other parties.
- (c) 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 in accordance with Rule 707.
- (d) Any Person entitled, or required or called upon, to attend a hearing before a Hearing Panel pursuant to paragraph (b)(3) above will be given reasonable notice, confirmed in writing, specifying the date, time and place of the hearing, and the caption of the disciplinary proceedings. All Participants (that are individuals), Authorized Traders and other Supervised Persons that are called as witnesses are required to appear at the hearing and, where applicable, produce evidence. The Exchange will make reasonable efforts to secure the presence of all other Persons called as witnesses whose testimony would be relevant, specifically the Exchange requires persons within its jurisdiction, who are called as witnesses, to participate in the hearing and to produce evidence.
- (e) If during any disciplinary proceedings the Hearing Panel determines that a reasonable basis exists to believe that the respondent violated or is about to violate a Rule of the Exchange or a provision of Applicable Law other than the violations alleged in the notice of charges, the Hearing Panel may consider those apparent violations after providing the respondent with an opportunity to answer the additional allegations in accordance with Rule 707. In connection with considering apparent violations pursuant to this paragraph (e), the Hearing Panel may request that the Market Regulation Department provide the Hearing Panel with any additional information related to the violations at issue.
- (f) The Hearing Panel may summarily impose sanctions on any Participant, Authorized Trader or other Supervised Person that impedes or delays the progress of a hearing.
- (g) The Exchange will arrange for any hearing conducted in connection with disciplinary proceedings to be recorded verbatim, or substantially verbatim, in a manner capable of accurate transcription. If the respondent requests a copy of all or portions of the recording of a hearing, the chair of the Hearing Panel may within his or her sole discretion require the respondent to pay the costs for transcribing the recording of the hearing.
- (h) No interlocutory appeals of rulings of any Hearing Panel or chair of the Hearing Panel

are permitted.

**RULE 714. Decision of Hearing Panel**

- (a) As promptly as reasonable following a hearing, the Hearing Panel will issue a written order rendering its decision based on the weight of the evidence contained in the record of the disciplinary proceedings. A decision by a majority of the Hearing Panel will constitute the decision of the Hearing Panel.
- (b) The Exchange will serve a copy of the order of the disciplinary proceedings on the respondent and the Market Regulation Department. The order will include:
  - (1) the notice of charges or summary of the allegations;
  - (2) the answer, if any, or a summary of the answer;
  - (3) a brief summary of the evidence introduced at the hearing or, where appropriate, incorporation by reference of the Investigation Report;
  - (4) findings of fact and conclusions concerning each allegation, including a complete explanation of the evidentiary and other basis for such findings and conclusions with respect to each allegation;
  - (5) each specific Rule of the Exchange and provision of Applicable Law that the respondent is found to have violated
  - (6) the imposition of sanctions, if any, including the basis for such sanctions and the effective date of each sanction; and,
  - (7) notice of the respondent's right to appeal pursuant to Rule 716.
- (c) Unless a timely notice of appeal is filed pursuant to Rule 716, the order of the disciplinary proceedings will become final upon the expiration of 20 days after the order is served on the respondent and provided to the Market Regulation Department.

**RULE 715. Sanctions**

- (a) After notice and opportunity for hearing in accordance with the Exchange Rules, the Exchange will impose sanctions if any Participant, Authorized Trader, other Supervised Person or other Person using any of the Participant's User IDs 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. All sanctions imposed by the Exchange or the Disciplinary Panels must be commensurate with the violations committed and must be clearly sufficient to deter recidivism or similar violations by other Participants. In the event of demonstrated customer harm, any sanction must also include full customer restitution.
- (b) The Exchange may impose one or more of the following sanctions or remedies:
  - (1) a warning letter, provided, however, no more than one warning letter may be issued per rolling 12-month period for the same violation;
  - (2) censure;
  - (3) limitation on Trading Privileges, ability to otherwise access the Exchange Trading System, and/or other activities, functions or operations;
  - (4) suspension of Trading Privileges and/or ability to otherwise access the Exchange Trading System;

- (5) fine (subject to paragraph (b) below);
  - (6) restitution or disgorgement;
  - (7) termination of Trading Privileges and/or ability to otherwise access the Exchange Trading System; or
  - (8) any other sanction or remedy deemed to be appropriate.
- (c) The Exchange may impose a fine of up to \$1,000,000 for each violation of a Rule of the Exchange 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 Authorized Traders or Supervised Persons.

**RULE 716. Appeal from Hearing Panel Decision, Summary Impositions of Fines and Other Summary Actions**

- (a) A respondent found by the Hearing Panel to have violated (or, in the case of a Participant, whose Authorized Trader, Supervised Person or other Person using its User ID was found to have violated) a Rule of the Exchange or a provision of Applicable Law or who is subject to any summary fine imposed pursuant to Rule 717 or any summary action imposed pursuant to Rule 718 may appeal the decision within 20 days of receiving the order of the disciplinary proceedings or the notice of summary action, as the case may be, by filing a notice of appeal with the Chief Regulatory Officer. While an appeal is pending, the effect of the order of disciplinary proceedings or the summary action (including any sanctions, remedies or costs imposed thereby) shall be suspended, except as provided in Rule 701(f) with respect to any denial or limit on Trading Privileges or ability to otherwise access the Exchange Trading System.
- (b) The notice of appeal must state in writing the grounds for appeal, including the findings of fact, conclusions or sanctions to which the respondent objects. A respondent may appeal the order of disciplinary proceedings or any summary decision on the grounds that:
- (1) the order or decision was arbitrary, capricious, an abuse of discretion, or not in accordance with the Exchange Rules;
  - (2) the order or decision exceeded the authority or jurisdiction of the Hearing Panel, the Chief Regulatory Officer or the Exchange;
  - (3) the order or decision failed to observe required procedures;
  - (4) the order or decision was unsupported by the facts or evidence; or
  - (5) the imposed sanctions, remedies or costs are inappropriate or unsupported by the record.
- (c) 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 20th day after filing a notice of appeal, the appellant must file with the Chief Regulatory Officer and serve on the Market Regulation Department a brief supporting the notice of appeal and documents supporting the brief.

On or before the 20th day after the date on which the appellant serves supporting brief, the appellee must file and serve its brief in opposition with the Market Regulation Department. On or before the 10th day after the date on which the appellee serves its brief in opposition, the appellant must file and serve a brief in reply with the Market Regulation Department.

- (d) In connection with any appeal, the Market Regulation Department will furnish to the Chief Regulatory Officer and to the respondent/appellant a transcript of the hearing, any exhibits introduced at the hearing, the notice of appeal and briefs filed to support and oppose the appeal.
- (e) Within 30 days after the last submission filed pursuant to paragraph (c) above, the Board will appoint an Appeal Panel to consider and determine the appeal. The Board shall appoint individuals at the recommendation of the Chief Regulatory Officer to serve on the Appeal Panel for a term of one year, subject to reappointment by the Board, as potential participants on Appeal Panels. The Chief Regulatory Officer's recommendation shall include Public Individuals. The term of an individual that has been selected as a member of an Appeal Panel will not expire until the related proceedings are completed. Individuals are prohibited from participating as a member of an Appeal Panel if such individual participated on a prior Disciplinary Panel or Appeal Panel proceeding in the same matter. Exchange staff are prohibited from serving on an Appeal Panel.
- (f) The chair of the Appeal Panel shall be a Public Individual, meaning an individual that satisfies the conditions of a Public Director.
- (g) Within 10 days of being notified of the appointment of the Appeal Panel, an appellant may seek to disqualify any individual named to the Appeal Panel for the reasons identified in Rule 213 or for any other reasonable grounds, including, but not limited that such individual participated on a prior Disciplinary Panel or Appeal Panel proceeding in the same matter, by serving written notice on the Chief Regulatory Officer. By not timely filing a request for disqualification, the appellant will be deemed to have waived any objection to the composition of an Appeal Panel. The Chief Regulatory Officer of the Exchange will decide the merits of any request for disqualification within his or her sole discretion.
- (h) The Appeal Panel will hold a hearing to allow parties to present oral arguments. Any hearing will be conducted privately and confidentially. Notwithstanding the confidentiality of hearings, the Appeal Panel may appoint an expert to attend any hearing and assist in the deliberations if such individuals agree to be subject to appropriate confidentiality agreements. In determining procedural and evidentiary matters, the Appeal Panel will not be bound by evidentiary or procedural rules or law.
- (i) The Appeal Panel will only consider on appeal the record before the Hearing Panel or, in the case of a summary action, the record considered by the Chief Regulatory Officer, the notice of appeal, the briefs filed in support and opposition of the appeal, and any oral arguments of the parties. The Appeal Panel may only consider new evidence when the Appeals Panel determines that good cause exists as to why the evidence was not introduced during the disciplinary proceeding or when imposing the summary action.
- (j) After completing its review, the Appeal Panel may affirm, modify or reverse any order of

the disciplinary proceedings or summary action under appeal, in whole or in part, including increasing, decreasing or eliminating any sanction or remedy imposed, imposing any other sanction or remedy authorized by the Exchange Rules, remanding the matter to the same or a different Hearing Panel for further disciplinary proceedings, or ordering a new hearing.

- (k) As promptly as reasonably possible following its review, the Appeal Panel will issue a written decision based on the weight of the evidence before the Appeal Panel. The decision of the Appeal Panel will include a statement of findings of fact and conclusions for each finding, sanction, remedy and cost reviewed on appeal, including each specific Rule of the Exchange 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.
- (l) The Appeal Panel's written order will be the final action of the Exchange and will not be subject to appeal within the Exchange.

#### **RULE 717. Summary Imposition of Fines**

- (a) The Chief Regulatory Officer may summarily impose a fine against a Participant (on behalf of itself or any of its Authorized Traders, other Supervised Persons or other Persons using any of its User IDs) or Authorized Trader for failing:
  - (1) to make timely payments of original or variation margin, Options premiums, fees, costs, charges or fines to the Exchange or the Clearing House;
  - (2) to make timely and accurate submissions to the Exchange of notices, reports or other information required by the Exchange Rules; and
  - (3) to keep any books and records required by the Exchange Rules.
- (b) The Market Regulation Department, acting on behalf of the Chief Regulatory Officer, will give notice of any fine imposed pursuant to this Rule 717 to each Participant or Authorized Trader subject thereto. The notice will specify:
  - (1) the violations of the Exchange Rules for which the fine is being imposed;
  - (2) the date of the violation for which the fine is being imposed; and,
  - (3) the amount of the fine.

Within 20 days of serving the notice of fine, the Participant or Authorized Trader, as the case may be, must either pay or cause the payment of the fine or file notice of an appeal pursuant to Rule 716. Unless timely notice of appeal is filed pursuant to Rule 716, the fine will become final upon the expiration of 20 days after the notice of fine is served on the Participant or Authorized Trader, as the case may be.

- (c) The Exchange will set the amount of any fines imposed pursuant to this Rule 717, with the maximum fine for each violation not to exceed \$5,000. Summary imposition of fines pursuant to this Rule 717 will not preclude the Exchange from bringing any other action against the Participant (or any of its Authorized Traders or other Supervised Persons) or Authorized Trader, as the case may be.

#### **RULE 718. Summary Suspensions and Other Summary Actions**

- (a) Notwithstanding anything in the Exchange Rules to the contrary, the Chief Regulatory Officer may, after consultation with the Regulatory Oversight Committee, if practicable,

summarily suspend, revoke, limit, condition, restrict or qualify a Participant's Trading Privileges and/or ability to otherwise access the Exchange Trading System, and may take other summary action against any Participant or any of its Authorized Traders or Supervised Persons in accordance with the Exchange Rules; provided, however, that the Chief Regulatory Officer must reasonably believe that the business, conduct or activities of the Participant or any of its Authorized Traders or Supervised Person in question is not in the best interests of the Exchange or the marketplace, including based on any of the following:

- (1) statutory disqualification from registration as provided in CEA Section 8a(2) or (3);
  - (2) nonpayment of fees, costs, charges, fines or arbitration awards; or
  - (3) the reasonable belief that immediate action is necessary to protect the public or the best interests of the Exchange.
- (b) Whenever practicable, the Exchange shall provide prior written notice to the party against whom any action in accordance with paragraph (a) shall be taken. If prior notice is not practicable, the Exchange will give notice at the earliest possible opportunity to the respondent against whom the action is brought.
- (c) Unless timely notice of appeal is filed pursuant to Rule 716, the summary action will become final upon the expiration of 20 days after the notice of action is served on the respondent.
- (d) At the request of the Exchange, a respondent against whom a summary action is brought pursuant to this Rule 718 must provide books and records over which the respondent has access or control and must furnish information to, or appear or testify before, the Exchange in connection with the enforcement of any Rule of the Exchange.
- (e) A respondent whose Trading Privileges and/or ability to otherwise access the Exchange Trading System are suspended, revoked, limited, conditioned, restricted or qualified pursuant to this Rule 718 may apply for reinstatement by filing with the Market Regulation Department a written request stating the applicant's reasons for seeking reinstatement. The Exchange will not consider a respondent's request for reinstatement if the respondent (i) owes any fines, fees, charges or costs to the Exchange, (ii) continues to fail to appear at disciplinary proceedings without good cause or (iii) continues to impede the progress of disciplinary proceedings.
- (f) Within a reasonable period after the filing of a request for reinstatement, the Appeals Panel will conduct a hearing to consider the request. At the hearing for reinstatement, the respondent will present its, his or her case supporting the reinstatement and the Market Regulation Department, acting on behalf of the Chief Regulatory Officer may, in its discretion, present its case opposing or supporting the reinstatement and each may present evidence and facts and call, examine and cross-examine witnesses. At the hearing for reinstatement, the Exchange may require any Participant, Authorized Trader or other Supervised Person to appear as witnesses and produce evidence if the Appeals Panel determines that the evidence is relevant.
- (g) As promptly as reasonably possible after a reinstatement hearing, the Appeals Panel will issue an order reinstating, denying the reinstatement, or placing conditions on the reinstatement of the Trading Privileges and/or ability to otherwise access the Exchange



Trading System of the respondent. The order will include a brief summary of the evidence introduced at the reinstatement hearing; and, if applicable, findings of fact and conclusions not contained in the notice of summary action issued pursuant to Rule 718(b) above. The Appeals Panel's order may not be appealed.

**RULE 719. Rights and Responsibilities after Suspension or Termination**

- (a) When a Participant's or Authorized Trader's Trading Privileges and/or ability to otherwise access the Exchange Trading System are 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 or Authorized Trader, enter Orders into the Exchange Trading System and receive Participant rates for fees, costs, and charges and deposit margin at Participant levels) will apply during the period of the suspension, except for the right of the Participant or Authorized Trader in question to assert claims against others as provided in the Exchange Rules. Any such suspension will not affect the rights of creditors under the Exchange Rules or relieve the Participant or Authorized Trader in question of its, his or her obligations under the Exchange Rules to perform any Contracts 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 Trader under this Chapter 7 for any violation of a Rule of the Exchange or provision of Applicable Law committed by the Participant or Authorized Trader before, during or after the suspension.
- (b) When a Participant's or Authorized Trader's Trading Privileges and/or ability to otherwise access the Exchange Trading System are terminated, all of its related rights will terminate, except for the right of the Participant or Authorized Trader in question to assert claims against others, as provided in the Exchange Rules. Any such termination will not affect the rights of creditors under the Exchange Rules. A terminated Participant or Authorized Trader may only seek to be reinstated by applying for Trading Privileges pursuant to Rule 302.
- (c) The Exchange will not consider the application of a terminated Participant or Authorized Trader if such Participant or Authorized Trader, as the case may be, continues to fail to appear at disciplinary proceedings without good cause or continues to impede the progress of disciplinary proceedings.
- (d) A suspended or terminated Participant or Authorized Trader remains subject to the Exchange 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 proceeding, appeal of disciplinary proceedings, summary suspension or other summary action as if the suspended or terminated Participant or Authorized Trader still had Trading Privileges or ability to otherwise access the Exchange Trading System.
- (e) In the event of the suspension or revocation of a Participant's Trading Privileges and/or ability to otherwise access the Exchange Trading System, the Exchange shall seek to facilitate the transfer of any Customer Accounts held by such Participant to other Participants with Trading Privileges and/or ability to otherwise access the Exchange Trading System.

**RULE 720. Notice to the Respondent and the Public**

The Exchange will provide written notice of disciplinary proceedings to the parties consistent with applicable CFTC Regulations. 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 Regulations.

## CHAPTER 8: ARBITRATION RULES

### RULE 801. Disputes Subject to Arbitration

- (a) Mandatory Arbitration of Disputes Among Participants.
- (1) It is contrary to the objectives and policy of the Exchange for Participants to litigate Exchange-related disputes. Participants must arbitrate all disputes between or among themselves that relate to or arise out of any transaction on or subject to the Exchange Rules that are based upon facts and circumstances that occurred at a time when the parties were Participants through the National Futures Association Arbitration Program. Such arbitration shall be conducted pursuant to the Rules and the rules of the National Futures Association Arbitration Program. The Code of Arbitration is located at: and the Member Arbitration Rules are located at: <http://www.nfa.futures.org/nfamanual/NFAManualTOC.aspx?Section=6>.
  - (2) Notwithstanding the foregoing, this Rule 801 does not require an employee of a Participant to submit to arbitration any claim that includes allegations of a violation of federal, state or local employment discrimination, sexual harassment, wage payment or benefits laws.
- (b) Claims Against the Exchange.  
Claims against the Exchange pursuant to the provisions of Rules 537 and/or Rule 539 can be submitted to arbitration through the National Futures Association Arbitration Program or another arbitration program permitted by the CFTC Regulations. Such arbitration shall be conducted pursuant to the Rules and the rules of the arbitration Program.
- (c) Permissive Arbitrations.  
The following may be submitted for arbitration through the National Futures Association Arbitration program and, in the event such a claim is submitted against a Participant, that Participant is required to arbitrate the dispute under these Rules, unless otherwise provided:
- (1) claims of a Customer that is not a Participant against a Participant that relate to or arise out of any transaction on or subject to the Exchange Rules;
  - (2) claims against a Participant pursuant to Rule 539;
  - (3) claims of a Customer that is not a Participant against a Clearing Firm responsible for the performance of a Contract on or subject to the Exchange Rules and/or against a Participant in connection with such a transaction; and
  - (4) at the discretion of the Chief Regulatory Officer, any claim involving the interests of the Exchange, its Participants, their business relations or commodity futures trading in general not otherwise arbitrable under these rules, provided the parties have consented to such arbitration.
- (d) Waiver of Any Objection to Jurisdiction  
Any Person who is not a Participant who submits a claim or grievance to arbitration or any Person who appeals any arbitration decision, or who takes any steps therein, shall be conclusively presumed to have voluntarily recognized and agreed to the jurisdiction of the National Futures Association to hear and determine the claim or appeal.

- (e) Referral to the National Futures Association Arbitration Program.  
In the event that a complaint is received by the Exchange from a Customer, it shall be referred to the Market Regulation Department, which shall inform the Customer of the NFA Arbitration Program.
- (f) The Exchange is adopting the NFA Code of Arbitration and Arbitration Rules as set forth in the Rule 801. Any violation of the NFA Code of Arbitration or the Arbitration Rules or related arbitration rules shall be a violation of this Rule 801.

**RULE 802. Initiating an Arbitration Claim**

- (a) A claimant may initiate a claim by submitting the required documents and fees to the National Futures Association Arbitration Program.
- (b) A claimant shall provide notice of such arbitration claim to the Exchange.

**RULE 803. Certain Claims against the Exchange Involving Trading Systems or Services**

- (a) General. All claims arising out of or relating to the following matters shall be arbitrated in accordance with the rules of this Chapter:
  - (1) receipt of an incorrect Order status or the failure to have received an appropriate Order status; or
  - (2) the negligence of FCC Personnel or any other Exchange staff.Nothing in this Rule 803 or Rule 804 shall be construed to create a claim against the Exchange, to limit a defense available to the Exchange, or to obviate or modify any limitation of Exchange liability imposed by any other rule.
- (b) Initial Liability Claim and Demand for Arbitration.  
The initial claim of loss, including a detailed description of any loss suffered, must be made to the National Futures Association Arbitration Program within ten business days of the date of the incident that caused the loss.
- (c) Related Claims.  
All claims arising out of the same system failure, event or alleged negligent act shall, to the extent practicable in the determination of the chairman, be consolidated for a single hearing.
- (d) Award.
  - (1) Any award by the National Futures Association Arbitration Panel shall be limited to the lesser of the actual loss or the loss that would have been incurred if the claimant had used its best efforts to mitigate the loss. Punitive damages, loss of profits, loss of use, and indirect, incidental or consequential damages shall not be awarded.
  - (2) The decision of a majority of the National Futures Association Arbitration Panel shall be final and binding, and there shall be no appeal to a hearing committee of the Exchange. A party may move, within three business days of the award, that the award be corrected to remedy any miscalculation or misdescription or where the award is otherwise imperfect in a matter of form not affecting the merits of the award.
  - (3) A Participant directed to pay an award shall submit payment of the amount due directly to the Participant receiving the award. An arbitration award must be

satisfied within 15 days of receipt of the notice of decision. If a request is made to correct an award pursuant to Rule 803(d)(2), the award must be satisfied within 15 days of receipt of the corrected notice of decision.

- (4) A Participant making payment must submit proof of payment to the Market Regulation Department no later than the business day following payment.
  - (5) Any Participant that fails to pay an arbitration award or submit proof of payment to the Exchange within the time prescribed may be subject to Rule 304 and to sanctions pursuant to Chapter 7.
- (e) Satisfaction of Award by Exchange
- (1) The Exchange shall satisfy any award against it subject to its limitation of liability rules and the rules respecting proration among claimants where damages allowed for a defined period of time exceed any limit imposed by Exchange Rules.
  - (2) The Exchange may delay paying any award until such time as any applicable proration or limitation can be finally calculated.

**RULE 804. Claims Relating to Trade Cancellations or Price Adjustments**

All claims relating to price adjustments or trade busts pursuant to Rule 539 shall be arbitrated in accordance with this Chapter.

## **CHAPTER 9: CLEARING**

### **RULE 901. Clearing of Contracts**

All Contracts shall be cleared through the Clearing House in accordance with the Clearing House Rules.

### **RULE 902. Criteria for Becoming a Clearing Firm**

- (a) Any entity meeting the requirements of, and approved for, clearing membership at the Clearing House may be approved as a Clearing Firm.
- (b) Applicants to become a Clearing Firm to be approved as a Clearing Firm must satisfy the following criteria:
  - (1) be an entity meeting the requirements of, and approved for, clearing membership at the Clearing House and in good standing,
  - (2) meet the minimum capital requirement as determined by the Clearing House, and
  - (3) satisfy the Clearing Firm provisions set forth in Rule 903.
- (c) A Clearing Firm that seeks to effect transactions on the Exchange Trading System for its own account or the account of its Customer as a Participant, must satisfy the provisions set forth in Rule 903, in addition to those set forth in Chapter 4 and Rule 902(b).
- (d) The Exchange evaluates and monitors a Clearing Firm's compliance with the criteria set forth in this Rule 902. The Exchange, through its membership in the Joint Audit Committee evaluates and monitors a Clearing Firm's compliance with the criteria set forth in this Rule 902.
- (e) By becoming a Clearing Firm, a Clearing Firm and its Supervised Persons agree to cooperate with the Exchange in any such monitoring.
- (f) Clearing Firms shall have the right to clear Contracts subject to Clearing House Rules.

### **RULE 903. Clearing Firm Application Process and Obligations**

- (a) A Clearing Firm applicant shall apply using the Exchange application form, providing the information, and following the procedures established by the Exchange.
- (b) A Clearing Firm that clears Contracts on behalf of a Participant(s) and that effects transactions for the Clearing Firm account and/or the Customer(s) of the Clearing Firm must:
  - (1) Register with the Exchange by submitting a Clearing Firm Agreement;
  - (2) Be approved as a clearing member of the Clearing House;
  - (3) Agree in writing to abide by the Rules of the Exchange and Applicable Law;
  - (4) Agree to act as a Clearing Firm for such Participant(s);
  - (5) Agrees that it will be financially responsible for (i) any transactions effected on the Exchange and for any use of the Exchange Trading System made by Clearing Firm, Clearing Firm's Authorized Traders, Participant Firm or Participant Firm's Authorized Traders (ii) all Participant orders that are entered using User IDs assigned by the Exchange to the Clearing Firm and for clearing any trades that are matched as a result of such orders.

- (6) Clearing Firm will be responsible to clear such trades even if the orders received via the Exchange Trading System: (a) exceeded Clearing Firm's credit parameters, (b) were entered as a result of a failure in the security controls and/or credit controls, other than due to the gross negligence of the Exchange, (c) were entered by an unknown or unauthorized user.
  - (7) Agree that it will accept full responsibility for any transactions effected on the Exchange and for any use of the Exchange Trading System made by Clearing Firm or Clearing Firm's Authorized Traders.
  - (8) Maintain all required and necessary regulatory approvals and/or licenses to operate as a Clearing Firm or Authorized Trader on the Exchange, including any Introducing Broker, Futures Commission Merchant, Supervisory Person and/or Associated Person registrations and compliance with the minimum financial standards required under Applicable Law, as applicable.
  - (9) Employ practices to monitor and enforce compliance with risk limits for Participants; and,
  - (10) Provide such information and documentation as may be requested by the Exchange, and follow the procedures established by the Exchange, including any requirements set forth in Chapter 9. Additionally, any Clearing Firm 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 Regulation 15.05, and shall provide the Exchange with a copy of the agreement.
- (c) If the Exchange decides to admit an applicant as a Clearing Firm, it shall promptly notify the applicant and state in such notice the date on which the applicant shall become a Clearing Firm.
  - (d) The Exchange may deny, condition or terminate the Clearing Firm status of any Person:
    - (1) If such Person is unable to satisfactorily demonstrate its ability to satisfy the eligibility criteria to become or remain a Clearing Firm;
    - (2) If such Person is unable to satisfactorily demonstrate its capacity to adhere to all applicable Rules;
    - (3) If such Person would bring the Exchange into disrepute as determined by the Exchange in its sole discretion; or,
    - (4) for such other cause as the Exchange may reasonably determine.
  - (e) If the Exchange decides to decline or condition an application for admission as a Clearing Firm, or terminate a Person's status as a Clearing Firm, the Exchange shall promptly notify such Person (the "Affected Person") thereof in a writing sent to the address provided by the applicant in the Exchange application form or maintained in the Exchange registry of Clearing Firm. Such Affected Person may, within seven (7) calendar days, request in writing that the Exchange provide the reasons for the denial, conditioning or termination of Clearing Firm status. Within fourteen (14) calendar days after receiving such written request, the Exchange shall send a written response to the Affected Person setting forth the reasons for the denial, conditioning or termination. Within fourteen (14) calendar days of receiving the Exchange's written response, the

Affected Person may request in writing that the Exchange Participant Committee reconsider the determination.

- (f) Within twenty-eight (28) calendar days of receiving the request for reconsideration, the Exchange Participant Committee shall either confirm, reverse or modify the denial, conditioning or termination of the Affected Person as a Participant, and shall promptly notify the Affected Person accordingly in writing. The Exchange Participant Committee may, within its discretion, schedule a hearing (in-person or by teleconference); request additional information from the Affected Person; or, establish any other process that it believes is necessary and appropriate to consider the request for reconsideration.
- (g) The Exchange Participant Committee's decision is the final action of the Exchange and is not subject to appeal within the Exchange.
- (h) In the event of a default that occurs or has occurred in relation to a Clearing Firm with open positions in any Contract in a proprietary or customer account, each other Clearing Firm shall cooperate with the Clearing House to accept the transfer of positions in such Contracts.

#### **RULE 904. Clearing House Rules**

- (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 without limitation rights and obligations in respect of clearing and settlement, variation payments and performance at maturity), shall be governed by the Clearing House Rules.
- (b) The Clearing House provides clearing services for the Contracts. The Exchange conducts surveillance related to this Rule 904.
- (c) The Clearing House Rules shall prevail in the event of any conflict or inconsistency between the Rules and the Clearing House Rules with respect to any Clearing Firm responsibilities or obligations under the Clearing House Rules. All Clearing Firms are bound by the Clearing House Rules.

#### **RULE 905. Other Clearing Organizations**

Should the Exchange designate a different clearing organization other than the current Clearing House for the clearance of Contracts with respect to which there are open positions due to the termination of the agreement between the Exchange and the current Clearing House, each Clearing Firm shall, as of the close of business on the second Business Day prior to the effective date of such designation (notice of such effective date to be provided at least 60 days in advance of the effective date), either become a Clearing Firm of such successor clearing organization, or cause any such open Contracts carried by it either to be transferred to a Clearing Firm of such successor clearing organization or to be liquidated.

#### **RULE 906. Settlement Prices**

The Exchange will determine the Settlement Price for Contracts. For each Contract, the Exchange shall publish a daily settlement price and information regarding volume, open interest and opening and closing ranges. Any settlement price shall be determined by the Exchange in accordance with its procedure except where the Clearing House believes that such settlement



price does not reasonably reflect the value or price of the Contract, in which case the Clearing House will determine the settlement price in accordance with the Clearing House Rules.

#### **RULE 907. Clearing Fees**

Clearing fees shall be assessed against a Clearing Firm for each side of a transaction traded on, cleared by or processed through the Clearing House as the Clearing House may from time to time prescribe. Such Clearing Fees may be incorporated into the Exchange Fees assessed pursuant to Rule 305.

#### **RULE 908. Transfers of Trades**

- (a) Existing trades may be transferred either on the books of a Clearing Firm or from one Clearing Firm to another Clearing Firm provided:
  - (1) the transfer merely constitutes a change from one account to another account, provided the underlying beneficial ownership of the assets in said accounts remains the same; or
  - (2) an error has been made in the clearing of a trade and the error is discovered and the transfer is completed within two business days after the trade date.
- (b) Exchange Officials may, upon request by the Clearing Firm(s), approve a transfer of existing trades either on the books of the same Clearing Firm, or from the books of one Clearing Firm to the books of another Clearing Firm if the transfer is in connection with, or as a result of, a merger, asset purchase, consolidation or similar non-recurring transaction between two or more entities where one or more entities become the successor in interest to one or more other entities.
- (c) Exchange Officials may, with the consent of the Clearing Firm(s) involved, permit the transfer of existing trades if, in the opinion of Exchange Officials, the situation so requires and such transfer is in the best interests of the Exchange.
- (d) Provided that the transfer is permitted pursuant to Sections (a), (b) or (c) above, the transactions must be recorded and carried on the books of the receiving Clearing Firm at the original trade dates. Futures transactions may be transferred using either the original trade price or the most recent settlement price; Options transactions may be transferred using either the original trade price or a trade price of zero.
- (e) All transfers shall be reported to the Exchange in a form acceptable to the Exchange for the type of transactions involved. The proper indicator must be included in the transfer such that the transactions, including the transaction(s) to reverse an error, clear as transfers. The Clearing Firms involved shall maintain a full and complete record of all transactions together with all pertinent memoranda. For submission to the Clearing House, all transfers of Contracts shall be subject to the Clearing House Rules.

#### **RULE 909. Concurrent Long and Short Transactions**

Set forth below are the procedures that must be followed for concurrent long and short positions and hold-open accounts.

- (a) Concurrent long and short positions in the same commodity and month may be held by a Clearing Firm at the direction of a Customer or on behalf of an omnibus account; however it shall be the duty of the Clearing Firm to ascertain whether such positions

are intended for offset or to be held open prior to final transmission of position data to the Clearing House.

- (b) Clearing Firms which, pursuant to this rule, carry concurrent long and short positions, must report to the Exchange both sides as open positions.
- (c) The Exchange takes no position regarding the internal bookkeeping procedures of its Clearing Firms which, for the convenience of a Participant or Customer, may “hold open” a position only on their books. However, the Clearing Firm must accurately report to the Exchange and the Clearing House, as appropriate, large trader positions, long positions eligible for delivery and open interest.

**RULE 910. Substitution**

For a Transaction that is both executed and submitted to the Clearing House in accordance with the rules governing such Transaction, the Clearing House will, through the process of novation, be substituted as, and assume the position of, seller to the buyer and buyer to the seller of the relevant number of Contracts once the Transaction is accepted at the Clearing House pursuant to the Clearing House Rules.

## CHAPTER 10: MISCELLANEOUS

### **RULE 1001. Exchange personnel – Trading and Misuse of Material, Non-Public Information**

- (a) Except as provided by Rules 1001(c) and 1001(d), Officers and Exchange employees are prohibited from buying or selling, directly or indirectly, any Contracts, traded on the Exchange, as well as any Contracts, or products substantially similar to the Contracts, traded on or cleared by a Contract Market, swap execution facility or Derivatives Clearing Organization, or on any non-U.S. derivatives exchange or board of trade .
- (b) The Chief Executive Officer may exempt, in whole or in part, an Officer and Exchange employee from the prohibitions of Rule 1001(a), if such Officer and Exchange employee applies in writing for an exemption and demonstrates to the satisfaction of the Chief Executive Officer that the Officer and Exchange employee meets all of the following criteria:
  - (1) the Officer and Exchange employee does not have access to material, non-public information in the course of his or her employment;
  - (2) the Officer and Exchange employee agrees to provide the Exchange with account statements and other documents relevant to the Exchange Official's buying and selling of Futures Contracts directly or indirectly; and,
  - (3) the Officer and Exchange employee agrees to inform the Chief Executive Officer in writing of any material change that may affect the Exchange Official's qualification for an exemption within one (1) Business Day of the change.
- (c) With the Chief Executive Officer's written approval, Rule 1001(a) does not prohibit an Officer and Exchange employee from participating in a pooled investment vehicle or other investment vehicle whose investments are directed by a third-party advisor if the Exchange Official has no direct or indirect control over transactions executed by the investment vehicles.
- (d) Exchange Officials, agents and independent contractors of the Exchange are prohibited from disclosing material, non-public information obtained as a result of his or her 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 exchange, or any related underlying commodity or security.
- (e) Rule 1001(d) shall not prohibit an Exchange Official, agent or independent contractor of the Exchange from disclosing material, non-public information while discharging his or her official duties and responsibilities, including disclosures to another Self-Regulatory Organization, linked exchange, court of competent jurisdiction, or a representative of any agency or department of the federal or state government.
- (f) For the purposes of this Rule 1001, the terms "material information," "non-public information," "linked exchange," and "pooled investment vehicle" each shall have the meaning set forth in CFTC Regulation 1.59(a).

**RULE 1002. Gifts and Gratuities**

Except as permitted in writing by the Chief Executive Officer, no Participant shall, directly or indirectly, give or permit to be given anything of value, including gifts and gratuities, in excess of one hundred dollars (\$100) per individual per year to an Exchange Official.

**RULE 1003. Market Data**

- (a) All Participants and all employees, agents, vendors, and other Persons affiliated with the foregoing understand and acknowledge that the Exchange has a proprietary interest in:
- (1) the price and quantity data from each and every transaction executed on the Exchange Trading System, including the time at which the transaction was executed by, or submitted to, the Exchange Trading System;
  - (2) the price and quantity data for each and every bid and offer submitted for entry into The Exchange Trading System, including the time at which the bid and offer was entered into the Exchange Trading System;
  - (3) the Daily Settlement Price of each Contract;
  - (4) any data and information derived from (i), (ii) and (iii) and the format and presentation thereof; and
  - (5) the transmissions and dissemination of the data and information to Participants any publisher of the data or information with whom the Exchange has a written agreement, and any other Persons.
- (b) Participants may not distribute, sell or retransmit information displayed on the Exchange Trading System to any third party. Notwithstanding the foregoing, Participants may distribute, sell or retransmit market data pursuant to a duly executed market data agreement.

**RULE 1004. Extension or Waiver of Rules**

If necessary and expedient, the Exchange may, in its sole discretion, waive, or extend the time period for performing, any act or acts designated by the Exchange Rules, but only to the extent such waiver or extension is not inconsistent with the CEA or the CFTC Regulations.

**RULE 1005. Effect of Amendment, Repeal or New Rule**

- (a) If an amendment or repeal of an Exchange Rule or adoption of a new Exchange Rule does not materially change the terms or conditions of a Contract and does not affect the value of open Contracts, then the effective date of any amendment or repeal of an Exchange Rule or adoption of a new Exchange Rule relating to Contracts is binding on all Contracts entered into before and after the effective date of such amendment, repeal or adoption.
- (b) If an amendment or repeal of an Exchange Rule or adoption of a new Exchange Rule materially changes the terms or conditions of a Contract or affects the value of open Contracts, then the amendment, repeal or new Exchange Rule is binding only on Contracts listed for trading after the effective date of such amendment, repeal or adoption, and Contracts listed as of the effective date of such amendment, repeal or adoption with no open positions then in existence, unless otherwise specifically

provided by the Board.

**RULE 1006. Governing Law, Jurisdiction and Dispute Resolution**

- (a) The law of the State of Illinois governs the Exchange Rules.
- (b) Any dispute between the Exchange and a Clearing Firm or Participant arising from or in connection with the Exchange Rules must be brought to arbitration through by the National Futures Association Arbitration Program or another arbitration program permitted by the CFTC Regulations within two (2) years from the occurrence of the event giving rise to the dispute. This Rule shall in no way create a cause of action nor authorize an action that would otherwise be prohibited by the Exchange Rules.
- (c) Any dispute between the Exchange and a Participant arising from or in connection with the Exchange Rules will be settled by arbitration administered through the National Futures Association Arbitration Program or another arbitration program permitted by the CFTC Regulations. Each party to the dispute will bear its own costs and expenses in connection with any arbitration hereunder, as well as an equal share of the administrative fees and the fees of the arbitrator; provided, however, that the arbitrator will be entitled to include in any award a full reimbursement for the prevailing party's costs and expenses, such party's share of the administrative fees and the fees of the arbitrator, or any combination of any or all of the above. In the event that this Rule 1006(c) is held to be unenforceable in connection with any dispute, (i) exclusive jurisdiction for any such dispute will reside in any state or federal court sitting in the Chicago, IL metropolitan area, (ii) the Exchange and the Participant involved in the dispute will be presumed to have submitted to the personal jurisdiction of any such court, and (iii) an action to enforce any judgment or decision of such court may be brought in the same court or in any other court with jurisdiction or venue. Finally, all Clearing Firms or Participants unconditionally and irrevocably waive any and all right to trial by jury in connection with any such dispute.

## CHAPTER 11: CONTRACT SPECIFICATIONS

### RULE 1101. Micro Bloomberg US Large Cap Index Futures

- (a) Scope. Rule 1101 is limited in application to the trading of the Micro Bloomberg US Large Cap Index Futures ("LB5 Contract"). In addition to Rule 1101, the LB5 Contract is subject to all Rules of the Exchange as applicable. Unless otherwise stated, all times referred to herein are Central Time Zone.
- (b) Trading Schedule. The LB5 Contract shall be offered for trading in March, June, September, and December delivery months in as many months and during such hours as the Exchange shall determine from time-to-time.
- (c) Trading Unit. The trading unit is equal to \$10.00 times the Index.
- (d) Price Increments. The minimum price increment shall be 0.10 index points (\$1.00 per contract).
- (e) Position Limits, Position Accountability, and Reportable Levels. Pursuant to Rules 530 to 533 and subject to the requirements and exceptions therein, the LB5 Contract is subject to the following:
- (1) Position Limit. 25,000 LB5 Contracts net long or net short in all months combined.
  - (2) Reportable Level. 200 LB5 Contracts
- (f) Price Limits. Trading in the LB5 Contract shall be subject to the following price limits of
- 7% Limit (most recent Daily Settlement Price less 7%)
  - 13% Limit (most recent Daily Settlement Price less 13%)
  - 20% Limit (most recent Daily Settlement Price less 20%).
- (1) If the 7% Limit is reached in any month trading in all months shall halt for one (1) minute during which time only order cancellations will be allowed. After trading is resumed, the 7% limit shall be inoperative for the remainder of the Business Day.
  - (2) If the 13% Limit is reached in any month trading in all months shall halt for two (2) minutes during which time only order cancellations will be allowed. After trading is resumed, the 13% limit shall be inoperative for the remainder of the Business Day.
  - (3) If the 20% Limit is reached in any month trading all months shall halt for the remainder of the Business Day.
  - (4) If a 7% or 13% Limit is reached within one (1) or two (2) minutes of the close of trading, respectively, or if the 20% limit is reached, the time of the relevant trading halt shall be considered the close of trading for the LB5 Contracts for the relevant Business Day.
- (g) Regulatory Halt. Rule 1101(f) notwithstanding, in the event that a market-wide trading halt occurs in the US equity market (See, e.g., NYSE Rule 7.12) trading in the LB5

Contract shall halt. Trading in the LB5 Contract shall resume when trading in the US equity market resumes or the next Business Day, whichever is sooner.

(h) Termination of Trading. Termination in expiring LB5 Contracts shall terminate at 3pm CT on the third Thursday of the contract month, or if that day falls on a day for which the Exchange is not open for trading, the first Business Day preceding the third Thursday.

(i) Settlement. The LB5 Contract is cash settled

(1) Daily Settlement Price shall be determined as follows:

(i) Lead Month: primary contract for settlements with the expectation of having the most activity.

a. Midday: 10:00 CT

- i. 1-min VWAP of futures contract rounded to the nearest tradable tick
- ii. 1-min TWAP of futures contract midpoint of the Bid/Ask rounded to the nearest tradable tick
- iii. Cash index value<sup>1</sup> + (difference between previous day's cash index value and previous day's futures settlement)

b. EOD: 15:00 CT

- i. 1-min VWAP of futures contract rounded to the nearest tradable tick
- ii. 1-min TWAP of futures contract midpoint of the Bid/Ask rounded to the nearest tradable tick
- iii. Cash index value<sup>1</sup> + (difference between previous day's cash index value and previous day's futures settlement)

(ii) Non- Lead Months: all other contracts not the lead month

c. Midday: 10:00 CT

- i. 1-min VWAP of futures contract rounded to the nearest tradable tick
- ii. If the spread trades between 09:59:00-10:00:00 CT, then the spread VWAP is calculated, rounded to the spread's nearest tradable tick and then applied to the lead month settlement to derive the back month settlement.
- iii. 1-min TWAP of futures contract midpoint of the Bid/Ask rounded to the nearest tradable tick
- iv. Last spread trade price is applied to the lead month settlement to derive the settlement.
- v. Front month settlement value + (previous day's calendar spread).

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<sup>1</sup> Should option 3 be used, the Exchange will use the index value provided by Index Provider at the time closest to 10:00 CT and/or 15:00 CT, respectively.

b. EOD: 15:00 CT

- i. 1-min VWAP of futures contract rounded to the nearest tradable tick
- ii. If the spread trades between 14:59:00-15:00:00 CT, then the spread VWAP is calculated, rounded to the spread's nearest tradable tick and then applied to the lead month settlement to derive the back month settlement.
- iii. 1-min TWAP of futures contract midpoint of the Bid/Ask rounded to the nearest tradable tick
- iv. Last spread trade price is applied to the lead month settlement to derive the settlement.
- v. Front month settlement value + (previous day's calendar spread)

(2) Final Settlement Price shall be the closing Micro Bloomberg US Large Cap Index (MBF Index) value as of the termination of trading.

(3) Final Settlement. Clearing Firms holding open positions in an expiring LB5 Contract at the termination of trading shall make or receive payment in accordance with the rules of the Clearing House.

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**RULE 1102. Nano Bloomberg US Large Cap Index Futures**

- (a) Scope. Rule 1121 is limited in application to the trading of the Nano Bloomberg US Large Cap Index Futures ("B5 Contract"). In addition to Rule 1102, the B5 Contract is subject to all Rules of the Exchange as applicable. Unless otherwise stated, all times referred to herein are Central Time Zone.
- (b) Trading Schedule. The B5 Contract shall be offered for trading in March, June, September, and December delivery months in as many months and during such hours as the Exchange shall determine from time-to-time.
- (c) Trading Unit. The trading unit is equal to \$100.00 times the Index.
- (d) Price Increments. The minimum price increment shall be 0.01 index points (\$1.00 per contract).



- (e) Position Limits, Position Accountability, and Reportable Levels. Pursuant to Rules 530 to 533 and subject to the requirements and exceptions therein, the B5 Contract is subject to the following:
- (1) Position Limit. 60,000 B5 Contracts net long or net short in all months combined.
  - (2) Reportable Level. 200 B5 Contracts
- (f) Price Limits. Trading in the B5 Contract shall be subject to the following price limits of
- 7% Limit (most recent Daily Settlement Price less 7%)
  - 13% Limit (most recent Daily Settlement Price less 13%)
  - 20% Limit (most recent Daily Settlement Price less 20%).
- (1) If the 7% Limit is reached in any month trading in all months shall halt for one (1) minute during which time only order cancellations will be allowed. After trading is resumed, the 7% limit shall be inoperative for the remainder of the Business Day.
  - (2) If the 13% Limit is reached in any month trading in all months shall halt for two (2) minutes during which time only order cancellations will be allowed. After trading is resumed, the 13% limit shall be inoperative for the remainder of the Business Day.
  - (3) If the 20% Limit is reached in any month trading all months shall halt for the remainder of the Business Day.
  - (4) If a 7% or 13% Limit is reached within one (1) or two (2) minutes of the close of trading, respectively, or if the 20% limit is reached, the time of the relevant trading halt shall be considered the close of trading for the B5 Contracts for the relevant Business Day.
- (g) Regulatory Halt. Rule 1102(f) notwithstanding, in the event that a market-wide trading halt occurs in the US equity market (See, e.g., NYSE Rule 7.12) trading in the B5 Contract shall halt. Trading in the B5 Contract shall resume when trading in the US equity market resumes or the next Business Day, whichever is sooner.
- (h) Termination of Trading. Termination in expiring B5 Contracts shall terminate at 3pm CT on the third Thursday of the contract month, or if that day falls on a day for which the Exchange is not open for trading, the first Business Day preceding the third Thursday.
- (i) Settlement. The B5 Contract is cash settled.
- (1) Daily Settlement Price shall be determined as follows:
    - (i) Lead Month: primary contract for settlements with the expectation of having the most activity.
      - a. Midday: 10:00 CT
        - i. 1-min VWAP of futures contract rounded to the nearest tradable tick

- ii. 1-min TWAP of futures contract midpoint of the Bid/Ask rounded to the nearest tradable tick
    - iii. Cash index value<sup>2</sup> + (difference between previous day's cash index value and previous day's futures settlement)
  - b. EOD: 15:00 CT
    - i. 1-min VWAP of futures contract rounded to the nearest tradable tick
    - ii. 1-min TWAP of futures contract midpoint of the Bid/Ask rounded to the nearest tradable tick
    - iii. Cash index value<sup>1</sup> + (difference between previous day's cash index value and previous day's futures settlement)
- (ii) Non- Lead Months: all other contracts not the lead month
- c. Midday: 10:00 CT
    - i. 1-min VWAP of futures contract rounded to the nearest tradable tick
    - ii. If the spread trades between 09:59:00-10:00:00 CT, then the spread VWAP is calculated, rounded to the spread's nearest tradable tick and then applied to the lead month settlement to derive the back month settlement.
    - iii. 1-min TWAP of futures contract midpoint of the Bid/Ask rounded to the nearest tradable tick
    - iv. Last spread trade price is applied to the lead month settlement to derive the settlement.
    - v. Front month settlement value + (previous day's calendar spread).
  - b. EOD: 15:00 CT
    - i. 1-min VWAP of futures contract rounded to the nearest tradable tick
    - ii. If the spread trades between 14:59:00-15:00:00 CT, then the spread VWAP is calculated, rounded to the spread's nearest tradable tick and then applied to the lead month settlement to derive the back month settlement.
    - iii. 1-min TWAP of futures contract midpoint of the Bid/Ask rounded to the nearest tradable tick
    - iv. Last spread trade price is applied to the lead month settlement to derive the settlement.
    - v. Front month settlement value + (previous day's calendar spread).

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<sup>2</sup> Should option 3 be used, the Exchange will use the index value provided by Index Provider at the time closest to 10:00 CT and/or 15:00 CT, respectively.

(2) Final Settlement Price shall be the closing Bloomberg Nano US Large Cap Index (NBF Index) value as of the termination of trading.

(3) Final Settlement. Clearing Firms holding open positions in an expiring B5 Contract at the termination of trading shall make or receive payment in accordance with the rules of the Clearing House.

(j) Index Disclaimer.

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### **RULE 1103. Nano Super Tech Index Futures**

(a) Scope. Rule 1103 is limited in application to the trading of the Nano SuperTech Index Futures ("TEC Contract"). In addition to Rule 1103, the TEC Contract is subject to all Rules of the Exchange as applicable. Unless otherwise stated, all times referred to herein are Central Time Zone.

(b) Trading Schedule. The TEC Contract shall be offered for trading in March, June, September, and December delivery months in as many months and during such hours as the Exchange shall determine from time-to-time.

(c) Trading Unit. The trading unit is equal to \$100.00 times the Index.

(d) Price Increments. The minimum price increment shall be 0.01 index points (\$1.00 per contract).

(e) Position Limits, Position Accountability, and Reportable Levels. Pursuant to Rules 530 to 533 and subject to the requirements and exceptions therein, the TEC Contract is subject to the following:

(1) Position Limit. 60,000 TEC Contracts net long or net short in all months combined.

(2) Reportable Level. 200 TEC Contracts

(f) Price Limits. Trading in the TEC Contract shall be subject to the following price limits of

7% Limit (most recent Daily Settlement Price less 7%)

13% Limit (most recent Daily Settlement Price less 13%)

20% Limit (most recent Daily Settlement Price less 20%).

(1) If the 7% Limit is reached in any month trading in all months shall halt for one (1) minute during which time only order cancellations will be allowed. After trading is resumed, the 7% limit shall be inoperative for the remainder of the Business Day.

- (2) If the 13% Limit is reached in any month trading in all months shall halt for two (2) minutes during which time only order cancellations will be allowed. After trading is resumed, the 13% limit shall be inoperative for the remainder of the Business Day.
  - (3) If the 20% Limit is reached in any month trading all months shall halt for the remainder of the Business Day.
  - (4) If a 7% or 13% Limit is reached within one (1) or two (2) minutes of the close of trading, respectively, or if the 20% limit is reached, the time of the relevant trading halt shall be considered the close of trading for the TEC Contracts for the relevant Business Day.
- (g) Regulatory Halt. Rule 1103(f) notwithstanding, in the event that a market-wide trading halt occurs in the US equity market (See, e.g., NYSE Rule 7.12) trading in the TEC Contract shall halt. Trading in the TEC Contract shall resume when trading in the US equity market resumes or the next Business Day, whichever is sooner.
- (h) Termination of Trading. Termination in expiring TEC Contracts shall terminate at 3pm CT on the third Thursday of the contract month, or if that day falls on a day for which the Exchange is not open for trading, the first Business Day preceding the third Thursday.
- (i) Settlement. The TEC Contract is cash settled
- (1) Daily Settlement Price shall be determined as follows:
    - (i) Lead Month: primary contract for settlements with the expectation of having the most activity.
      - a. Midday: 10:00 CT
        - i. 1-min VWAP of futures contract rounded to the nearest tradable tick
        - ii. 1-min TWAP of futures contract midpoint of the Bid/Ask rounded to the nearest tradable tick
        - iii. Cash index value<sup>3</sup> + (difference between previous day's cash index value and previous day's futures settlement)
      - b. EOD: 15:00 CT
        - i. 1-min VWAP of futures contract rounded to the nearest tradable tick
        - ii. 1-min TWAP of futures contract midpoint of the Bid/Ask rounded to the nearest tradable tick
        - iii. Cash index value<sup>1</sup> + (difference between previous day's cash index value and previous day's futures settlement)
    - (ii) Non- Lead Months: all other contracts not the lead month
      - c. Midday: 10:00 CT
        - i. 1-min VWAP of futures contract rounded to the nearest tradable tick

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<sup>3</sup> Should option 3 be used, the Exchange will use the index value provided by Index Provider at the time closest to 10:00 CT and/or 15:00 CT, respectively.

- ii. If the spread trades between 09:59:00-10:00:00 CT, then the spread VWAP is calculated, rounded to the spread's nearest tradable tick and then applied to the lead month settlement to derive the back month settlement.
- iii. 1-min TWAP of futures contract midpoint of the Bid/Ask rounded to the nearest tradable tick
- iv. Last spread trade price is applied to the lead month settlement to derive the settlement.
- v. Front month settlement value + (previous day's calendar spread).

b. EOD: 15:00 CT

- i. 1-min VWAP of futures contract rounded to the nearest tradable tick
- ii. If the spread trades between 14:59:00-15:00:00 CT, then the spread VWAP is calculated, rounded to the spread's nearest tradable tick and then applied to the lead month settlement to derive the back month settlement.
- iii. 1-min TWAP of futures contract midpoint of the Bid/Ask rounded to the nearest tradable tick
- iv. Last spread trade price is applied to the lead month settlement to derive the settlement.
- v. Front month settlement value + (previous day's calendar spread).

(2) Final Settlement Price shall be the closing value of the Prime Super Tech Index (TECH) as of the termination of trading.

(3) Final Settlement. Clearing Firms holding open positions in an expiring TEC Contract at the termination of trading shall make or receive payment in accordance with the rules of the Clearing House.

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**RULE 1104. Micro SuperTech Index Futures**

(a) Scope. Rule 1104 is limited in application to the trading of the Micro SuperTech Index futures ("LTEC Contract"). In addition to Rule 1104, the LTEC Contract is subject to all Rules of the Exchange as applicable. Unless otherwise stated, all times referred to herein are Central Time Zone.

- (b) Trading Schedule. The LTEC Contract shall be offered for trading in March, June, September, and December delivery months in as many months and during such hours as the Exchange shall determine from time-to-time.
- (c) Trading Unit. The trading unit is equal to \$10.00 times the Index.
- (d) Price Increments. The minimum price increment shall be 0.10 index points (\$1.00 per contract).
- (e) Position Limits, Position Accountability, and Reportable Levels. Pursuant to Rules 530 to 533 and subject to the requirements and exceptions therein, the LTEC Contract is subject to the following:
  - (1) Position Limit. 25,000 LTEC Contracts net long or net short in all months combined.
  - (2) Reportable Level. 200 LTEC Contracts
- (f) Price Limits. Trading in the LTEC Contract shall be subject to the following price limits of
  - 7% Limit (most recent Daily Settlement Price less 7%)
  - 13% Limit (most recent Daily Settlement Price less 13%)
  - 20% Limit (most recent Daily Settlement Price less 20%).
  - (1) If the 7% Limit is reached in any month trading in all months shall halt for one (1) minute during which time only order cancellations will be allowed. After trading is resumed, the 7% limit shall be inoperative for the remainder of the Business Day.
  - (2) If the 13% Limit is reached in any month trading in all months shall halt for two (2) minutes during which time only order cancellations will be allowed. After trading is resumed, the 13% limit shall be inoperative for the remainder of the Business Day.
  - (3) If the 20% Limit is reached in any month trading all months shall halt for the remainder of the Business Day.
  - (4) If a 7% or 13% Limit is reached within one (1) or two (2) minutes of the close of trading, respectively, or if the 20% limit is reached, the time of the relevant trading halt shall be considered the close of trading for the LTEC Contracts for the relevant Business Day.
- (g) Regulatory Halt. Rule 1104(f) notwithstanding, in the event that a market-wide trading halt occurs in the US equity market (See, e.g., NYSE Rule 7.12) trading in the LTEC Contract shall halt. Trading in the LTEC Contract shall resume when trading in the US equity market resumes or the next Business Day, whichever is sooner.
- (h) Termination of Trading. Termination in expiring LTEC Contracts shall terminate at 3pm CT on the third Thursday of the contract month, or if that day falls on a day for which the Exchange is not open for trading, the first Business Day preceding the third Thursday.
- (i) Settlement. The LTEC Contract is cash settled

(1) Daily Settlement Price shall be determined as follows:

- (i) Lead Month: primary contract for settlements with the expectation of having the most activity.
  - a. Midday: 10:00 CT
    - i. 1-min VWAP of futures contract rounded to the nearest tradable tick
    - ii. 1-min TWAP of futures contract midpoint of the Bid/Ask rounded to the nearest tradable tick
    - iii. Cash index value<sup>4</sup> + (difference between previous day's cash index value and previous day's futures settlement)
  - b. EOD: 15:00 CT
    - i. 1-min VWAP of futures contract rounded to the nearest tradable tick
    - ii. 1-min TWAP of futures contract midpoint of the Bid/Ask rounded to the nearest tradable tick
    - iii. Cash index value<sup>1</sup> + (difference between previous day's cash index value and previous day's futures settlement)
- (ii) Non- Lead Months: all other contracts not the lead month
  - c. Midday: 10:00 CT
    - i. 1-min VWAP of futures contract rounded to the nearest tradable tick
    - ii. If the spread trades between 09:59:00-10:00:00 CT, then the spread VWAP is calculated, rounded to the spread's nearest tradable tick and then applied to the lead month settlement to derive the back month settlement.
    - iii. 1-min TWAP of futures contract midpoint of the Bid/Ask rounded to the nearest tradable tick
    - iv. Last spread trade price is applied to the lead month settlement to derive the settlement.
    - v. Front month settlement value + (previous day's calendar spread).
  - b. EOD: 15:00 CT
    - i. 1-min VWAP of futures contract rounded to the nearest tradable tick
    - ii. If the spread trades between 14:59:00-15:00:00 CT, then the spread VWAP is calculated, rounded to the spread's nearest tradable tick and then applied to the lead month settlement to derive the back month settlement.
    - iii. 1-min TWAP of futures contract midpoint of the Bid/Ask rounded to the nearest tradable tick

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<sup>4</sup> Should option 3 be used, the Exchange will use the index value provided by Index Provider at the time closest to 10:00 CT and/or 15:00 CT, respectively.

- iv. Last spread trade price is applied to the lead month settlement to derive the settlement.
- v. Front month settlement value + (previous day's calendar spread).

(2) Final Settlement Price shall be the closing value of the SuperTech Max Index (TECHMAX) as of the termination of trading.

(3) Final Settlement. Clearing Firms holding open positions in an expiring LTEC Contract at the termination of trading shall make or receive payment in accordance with the rules of the Clearing House.

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## Rule 1105. Micro Crude Oil Futures

- (a) Scope. Rule 1105 is limited in application to the trading of the Micro Crude Oil futures (“OIL Contract”). In addition to Rule 1105, the OIL Contract is subject to all Rules of the Exchange as applicable. Unless otherwise stated, all times referred to herein are Central Time Zone.
- (b) Trading Schedule. The OIL Contract shall be offered for monthly trading in all delivery months during such hours as the Exchange shall determine from time-to-time.
- (c) Trading Unit. The trading unit is equal to 100 times the WTI Crude Oil price.
- (d) Price Increments. The minimum price increment shall be 0.01 per barrel (\$1.00 per contract).
- (e) Position Limits, Position Accountability, and Reportable Levels. Pursuant to Rules 530 to 533 and subject to the requirements and exceptions therein, the OIL Contract is subject to the following:
  - (1) Position Limit. 5,000 OIL Contracts net long or net short commencing three days prior to the end of trading in the spot month.
  - (2) Reportable Level. 350 OIL Contracts
- (f) Price Fluctuation Limits. Trading in the OIL Contract shall be subject to the following price fluctuation limits of
  - (1) 10% of the Hourly Calculated Reference Price at the top of each hour.
  - (2) Reference Price is calculated by using the settlement calculation from the last 60 seconds of each hour. A 10% up and down Price Limit will be applied to the Reference Price.
  - (3) The market will enter a Halt state for 2 minutes if a Price Limit is reached. Orders can be submitted, canceled, and amended during this state but no matching will occur.
  - (4) The new Reference Price will be the last Price Limit reached.
  - (5) If Price Limits are hit on the Lead Month contract, all related instruments will be Halted.
  - (6) If Price Limits are hit on non-Lead Month contracts, only the specific instrument which reached the Price Limit will be Halted.
- (g) Termination of Trading. Termination in expiring OIL Contracts shall terminate at 1:30 pm CT 4 business days prior to the 25th calendar day of the month prior to the contract month. If the 25th calendar day is not a business day, trading terminates 5 business days prior to the 25th calendar day of the month prior to the contract month.
- (h) Settlement. The OIL Contract is cash settled
  - (1) Daily Settlement Price shall be determined as follows:

- (i) Volume-weighted average price of all trades occurring in the sixty (60) seconds prior to 1:30 pm CT on the relevant Business Day;
- (ii) If no trades occur during the sixty (60) seconds prior to 1:30 pm CT, then the Settlement Price will be the time-weighted average midpoint between the bid and ask during the sixty (60) seconds prior to 1:30 pm CT; or
- (iii) If a two-sided market is not available during the sixty (60) seconds prior to 1:30 pm CT, then the Settlement Price will be determined using the latest traded price of the current trade date
- (iv) If the contract has not traded on the current trade date, the contract will settle to the prior settlement price.

(2) Final Settlement Price shall be set to the publicly available daily settlement value of the NYMEX WTI Future (CL) at the termination of trading.

(3) Final Settlement. Clearing Firms holding open positions in an expiring OIL Contract at the termination of trading shall make or receive payment in accordance with the rules of the Clearing House.

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